Mondale’s Right Turn

By Thomas Ferguson
and Joel Rogers

AT THE TIME the Democrats unveiled their industrial policy statement [in early 1983] almost everyone expected that either Walter Mondale or Edward Kennedy would present the party in the next election. When Kennedy announced his withdrawal from the race, the torch fell effortlessly into Mondale’s grasp. It was widely assumed — and the impression was audaciously cultivated by the Mondale camp — that the agenda worked out by the Democratic business groups and the Democratic National Committee (DNC) commanded support from the vast majority of the party and that, accordingly, the former vice president would sweep easily to the nomination.

For a while during 1983, this scenario indeed seemed to be coming true. From its command post in the Washington office of Winston & Strawn, a leading international law firm headquartered in Chicago, the Mondale campaign appeared to perfectly embody the coalition of Democratic business leaders who were seeking to build. At its informal center was a group of veteran Democratic businessmen with glittering multinational credentials, including C. Peter Colough of Xerox (prominent Democratic fundraiser, member of both the Business Council and the Business Roundtable), and a director of many boards of such companies as IBM, Standard Oil of New Jersey, and Bankers Trust; and several members of the Dayton family (long-time friends of the candidate, whose Minneapolis-based retailing concern included its board Bruce K. LaRue, president of the Brookings Institution). Joining them were several prominent investment bankers who had long been associated with the Democratic Party, including Roger Altman of Lehman Brothers, and Mondale’s close friend, Herbert Allen.

For more than a year, Altman, Allen, and others in this group had been working to “educate” Mondale on their business-oriented views on taxes, social spending, and other issues. Under their guidance (and in some cases patronage, since Mondale was working for several of them), the candidate had begun a loudly proclaimed effort to fashion a “new” more centrist, business-oriented public image.

While these businessmen prepped Mondale, a small army of policy analysts occupying the multifaceted middle of the Democratic Party advised the campaign, including Sol Linowitz, investment banker David Aaron (previously with Carter’s National Security Council), Trilateralist Henry Owen (another former Democratic official), and Walter Slocombe (also formerly of the State Department and a member of both the Atlantic Council of the U.S. and the Trilateral Commission). C. Fred Bergsten, a strong free trade advocate and former Treasury official, whose new Institute for International Economics in Washington, D.C., had received a $4 million grant from the German Marshall Fund, advised the campaign on trade and monetary policies.

The Mondale campaign also raised funds from all the natural opponents of Reagan policies: real estate magnates, including both Fred and Donald Trump; insurance executives, including Aetna Life’s John Fitch and Connecticut General head Robert D. Kilpatrick; liberal internationalists with strong ties to Europe, including Thomas J. Watson, Jr., and the head of the German Marshall Fund; and many investment bankers, including Goldman Sachs head John L. Weinberg. Prudential-Bache chairman Harry Jacobs, William Hambrecht (whose Hambrecht & Quist dominated new issues in high tech), Irving Rothschild of Bear Stearns, and Peter Solomon of Lehman Brothers.

Other business figures with a clear interest in arms control — such as Orion Picture’s Arthur Krim (a veteran member of the advisory committee for the embattled Arms Control and Disarmament Agency) and grain dealer Dwane Q. Andrews (chair of the U.S.-U.S.S.R. Trade Council) — also contributed. So did several members of the Rockefeller family; leading Democratic members of the Tri-Lateral Commission (including Owen and International lawyer Richard Gardner); several top executives in communications, including Capital Cities chair Thomas S. Murphy (a business partner of Robert Strauss); executives of other capital intensive industries (including at least one from Control Data, from whose board Mondale was then prudently retiring); and Mondale’s long-time friend John G. McMillan (on the board of whose Northwest Energy Saul Schlesinger, another Democrat with ties to both investment banking and the defense industry). Harold Brown, Carter’s former Secretary of Defense and now a director of CBS, the Washington Post, and other major newspapers, also advised Mondale informally.

Over the course of 1983, many other liberal internationalist business figures who had previously backed Democrats (or, in 1980, Anderson) began to support the campaign, including Standard Oil of New Jersey’s head John Gutfreund; Bear Stearns chair Maurice Greenberg; Morgan Stanley managing partner Richard Fisher; Lehman Brothers chair Leo Glucksman; Goldman Sachs’ Robert Rubin (who eventually raised more than $1.8 million for the candidate); Brookings trustee James Wolfensohn; and, of course, Paul O’Keefe.
agitation about the deficit appeared to be a golden opportunity. Here was a chance for Mondale, at one stroke, to shed the charges of "special interest domination. By presenting a tough fiscal program and calling dramatically for a tax rise, he could throw Reagan on the defensive and demonstrate his ability to make tough decisions. He could secure support from major parts of the business community and obtain more favorable press notices.

In June, agitation within the business community over deficits crested. Led by a bipartisan group of former Treasury Secretaries, more than 100 business organizations descended on Washington to lobby for budget cuts. As the business groups lobbied, Mondale discussed the problem with influential Democrats, made a tentative decision to make a major public statement. Investment banker Harry Jacobs, Jr., chair of Mondale's Prudential-Bache, told the press that "Democrats, as a matter of business policy, need to take a strong and aggressive position on curbing deficits" — "thinking on the need to reduce budget deficits" — Robert Rubin of Goldman Sachs and Roger Altman of Lehman Brothers — traveled to his Minnesota home to discuss the tax plan. At the convention, Mondale announced that he would raise taxes, if elected.

To the immense relief of Reagan strategists (who later confessed the anxiety that Mondale would deal the tax reform issue from them), Mondale also turned aside pleas from many leading Democrats for a sweeping endorsement of tax reform. In this, Mondale was not least practicing the virtue of consistency. Because the "fair tax" and other reform proposals in the air threatened the special treatment of capital gains, the tax was so important to investment bankers and the unique advantages enjoyed by the real estate, neither of these key Democratic business constituencies had given enthusiastic support for the reform issue. By abandoning it, Mondale merely confirmed the alliance with Democratic business elites that was his promise to raise taxes had already signaled.

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down the road, the Star Wars program (even more than the rest of the Reagan military buildup) represented a lucrative alternative to the Democrats' industrial policy proposals. It subsidized "sunrise" sectors and high-tech concerns feeling pressure from the Japanese, without forcing them either to compete directly or make a "general compromise on trade." Continuing its piecemeal approach to the trade issue, in September the White House issued its long-awaited plan for the American steel industry. Here it broke with its professed free trade "principles," and pledged to roll back steel imports, and gave its negotiators until December to work out market sharing agreements with the Europeans and Japanese. In contrast to plans put forward by some Democrats and earlier adjustment schemes implemented under Carter, however, it did not ask the industry for commitments on reinvestment or employee retraining. In short, Reagan was offering something to almost everyone except workers and the poor.

In the final weeks of the campaign, Mondale accused Reagan of having a secret plan to raise taxes after the election. Until Reagan's announcement of an upcoming summit with the Soviets, he flogged away at the arms control and nuclear terror issues. In a memorable speech at George Washington University, he stepped up his rhetoric and

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TAKING A TANGLED path to the White House, Mondale's campaign [by late fall] sank lower and lower in the polls. With most of the business community behind him, more than two-thirds of the press formally endorsing him (to historic low of 9 percent for Mondale), Mondale's campaign contributions breaking all records, Reagan had an easy time. Certain to capture a heavy majority of upper income groups, all the President had to do was to split off a minority of the voting class vote. Unless the President commanded an unprecedentedly large number, he would win by a landslide.

The Mondale campaign, accordingly, off the old tried and true formulas, he first tried to challenge the President as a blue-collar liberal. Then he became a candidate for the sake of the economic issues, he stepped up his attacks on the President's economic policies. He showed a concern for the working class vote, the most affluent men and women would not and their economic interests rely because the President endorsed the "ecumenical" views on social issues, White House stepped up its appeals to conservative religious groups. The President praised Jerry Falwell, canonized at Catholic shrines, appeared on with Catholic bishops, and defended abortion. He also associated himself with the OPEC price hikes, with country music.

The White House also sat by while conservative groups, operating "independently," of the campaign raised and spent some $1 million dollars for the President's reelection on their own. Last, but hardly least, all the powers of incumbency were working for Reagan at the end of the campaign. The huge political business cycle was hitting its peak, with spectacular increases in personal income in the second quarter of 1984. Still suffering from criticism of part of his weapons program, the President pushed ahead with his huge Strategic Defense ("Star Wars") Initiative, announced at the very end of the recession. With at least $26 billion in appropriations over its first five years, and almost infinite amounts promised in the years to come, the "cold war" put a strain on the budget that hurt the interests of women and minorities who won those gold medals. This election is not about slogans, like "standing tall." It is not about specifics, like the nuclear freeze — because if those weapons go off, no one will be left standing at all.

But Mondale still did not have a jobs program to offer, and, when the campaign even made noises about higher taxes from the rich, his business supporters sharply complained at all the candidates point drawing from Mondale's reply. "On my goodness, I'm so sorry, there's nothing wrong with wanting to get rich. I want to be rich, I want to be rich again and again," to the deficit issue, the Mondale campaign turned aside proposals from veteran mediaman Tony Schwartz and others for a series of cut-stabbing attacks on the Republicans. Once again, the business candidate had almost nothing concrete to offer voters other than higher taxes.

The Democrats also declined to push hard on efforts to register new voters. Many non-partisan groups turned registration efforts aimed at likely Democratic voters. There were more than a hundred of them, supported by about $5 million in foundation and other funding in 1983-84. In addition to canvassing and other traditional registration techniques, several groups attempted strategies of "wholesale registration," signing people up at social service waiting rooms, welfare centers, surplus food distribution lines, and the like. One organization, Human Services (Service Employees Registration and Voter Education), attempted to persuade social service agencies, both private and public, to offer registration as a regular service.

Throughout all this, the national Democratic establishment sat on the sidelines. There was still talk of voter mobilization, but it was mostly just talk. After months of Democratic stalling on the issue, Mondale's own field director, Mike Ford, urged him desperately to spend the money needed (Ford's estimate, $12 million) to register 5-6 million black, Hispanic, and "union voters. But this was not to be. Despite various pledges to spend $5, $10, or $13 million on a national effort, the Democrats wound up spending only about $2 million, most of which was expended late in the campaign on "get out the vote" drives. Of that, about half went
Biotechnology and the Transformation of Nature

By Leila Levinson

On April 29, 1986, The New York Times carried a story which seemed routine enough on its face but which held critical implications for scientists, farmers, and, ultimately, for us all. The subject of the story was genetic engineering. The key actors: two Texas scientists—one at Baylor School of Medicine, the other at Texas A&M. The news: two years ago the scientists had inoculated pigs in Lometa, in Central Texas, with a genetically altered virus—the first release of a genetically engineered organism into the environment. This historic release violated federal and university guidelines because it occurred without the knowledge and required approval of a federal agency.

When questioned at a Congressional subcommittee hearing on April 29, Dr. Saul Kit of Baylor stated that he did not seek approval for the field test because neither he nor his colleague, Dr. Stewart McConnell, considered the vaccine to be a genetically engineered organism. Both scientists have interests in the vaccine's profitability. McConnell left Texas A&M to become vice president of Novagen, the biotechnology firm that patented the virus vaccine. Kit is chairman of the firm's scientific advisory board, a position for which he is financially compensated. Novagen receives 50 percent of the royalties from the patent, half of which it splits with Baylor.

The position taken by Kit and McConnell is considered a minority view among leading scientists. Dr. Neville Clarke, director of the Texas Agricultural Experiment Station at Texas A&M, told the Times, "I think most knowledgeable people would agree that this is a recombinant [genetically manipulated] product, and we are concerned that in this case rules were violated."

Because the federal government is currently considering deregulating biotechnology, the incident raises important issues at a crucial juncture. Since the new technology is capable of transforming the world in surprising ways, social, ethical, and environmental implications of genetic engineering ought to be given full public consideration.

Genetic engineering is the manipulation of the genetic structures of plants, animals, and microbes. Biotechnology is in general term for the industry which has thus far, produced synthetic insulin, interferon (a protein that regulates the body's immune response), a growth hormone, "super" cows capable of producing 25 percent more milk, herbicide-resistant crops, embryo transfers, livestock, and microchemicals which "turn on" genes of crops for better nitrogen fixation or to produce a desired size.

The birthdate of this revolutionary technology is officially set in 1953. That year, James Watson and Francis Crick discovered that the structure of the DNA molecule, the source of genetic information, is a double helix. Within five years, scientists had found a way to split the two strands of the molecule down the middle; the molecule duplicated itself by recombining with a second complementary strand. Recombinant DNA probes became a reality in 1971, when Berg of Stanford University split...