hauled him out to condemn all conservatives who came after him. Viereck said that he had "opened people's minds to the idea that to be conservative is not to be satanic." But "once their minds were opened," he added sadly, "Buckley came in."

Tom Reiss's worshipful *New Yorker* article portrayed Viereck as a sage in exile, a literary device useful for giving his jeremiad against contemporary conservatism the ring of authenticity. Viereck "anticipated the radicalism of the George W. Bush Presidency," seeing conservatism as a movement "infiltrated by religious fundamentalists, paranoid patriotic groups, and big business leaders, united in their loathing for the cosmopolitan elites on the nation's coasts." With Reiss's article, the conservatives-betraying-their-forefathers genre came full circle. Elsewhere we could learn that Bush had betrayed Gingrich, who betrayed Reagan, who betrayed Goldwater. Now it turned out that Bush's "radicalism" was just a working out of Buckley's initial betrayal. What a long, strange trap it's been.

The history of conservatism's alleged decline is, in other words, roughly coterminous with the history of modern conservatism. To trace back the genealogy of this criticism is to discover that conservatism never existed in its pure, natural state.

A few common themes pop up again and again at every stage of conservatism's supposed degeneration. First, *liberal amnesia*. Liberals reinvent yesterday's conservatives in order to exalt them. Would liberals really want to trade the racial attitudes of today's conservatives for those of yesterday's? Would they prefer the Smith Act to the Patriot Act? The House Un-American Activities Committee to John Ashcroft? In recent decades, liberals have been particularly prone to cast yesterday's conservatives—especially Reagan and Goldwater—as more socially liberal than they were. (A few years ago, we learned in *The New Yorker* that Friedrich von Hayek, too, was really a social democrat.)

Second, *liberal presumption*. Liberals have always been far more likely to lecture conservatives about what conservatism truly means than conservatives are to return the favor. This tendency is so deep-seated as to invite the speculation that liberalism has a tropism toward intellectual imperialism: It constantly wants to create a kind of house conservatism in its own image.

Third, *a double bind*. Anti-statist conservatism is always condemned as radical, while a conservatism that is insufficiently anti-statist is condemned as proto-fascist. If conservatives were ever simply to declare the status quo ideal, one imagines that liberals would start reading us that bit from Burke about how a state without the means of change is without the means of its conservation.

Fourth, *an opportunistic use of disaffected conservatives*. Conservatives have usually been eager to debate first principles and their application. But in every generation, some conservatives will lose the intramural debates, and it will be only natural for them to feel that they have lost them unfairly. They will maintain that they alone have stayed true to the faith. Liberals will, in turn, be delighted to tout these scolds as exemplars of a good conservatism—so long, that is, as the scolds are out of power.

None of this means that conservatism never changes in response to changing circumstances, or that those changes are always for the better. But the next time you read a magazine article about the corruption and degeneracy of conservatism, you can take comfort in knowing that our decline has been going on for a long time. We are, indeed, upholding a tradition. **NR**

■ **ESSAY**

Reaganomics: How's It Going?

Two wins, a draw, and two losses

CHRISTOPHER DEMUTH

WHEN Ronald Reagan came to Washington, he brought with him a conservative school of economics. This school emphasized, much more thoroughly and systematically than those associated with previous presidents of either party, the advantages of private markets, the disadvantages of government spending and regulation, and the role of private economic incentives in advancing or undermining government policies. As we pass the 25th anniversary of the August 1981 tax cuts, it is appropriate to assess Reagan's economic record. My scorecard shows two wins, one draw, and two losses.

The first win was monetary policy. In the late 1970s, liberal economists such as James Tobin and Robert Solow argued that monetary policy should aim primarily to achieve low unemployment; this, they said, would inevitably generate some inflation, but we would have to live with it as the price of strong employment. Conservative economists like Milton Friedman and Allan Meltzer argued that monetary policy should aim for price stability; this, they said, would provide the framework for efficient investment and productivity growth, thereby raising employment.

The Friedmanites won a brilliant victory. Since the inflation-breaking year of 1982, the Federal Reserve Board has pursued a consistent low-inflation policy, and inflation has averaged less than 2.6 percent—as compared with 7.6 percent for the decade before 1982. Over the same periods, unemployment fell from an average of 7 percent to less than 6 percent, and continues to fall. No one is arguing today that inflation is something we should tolerate in order to achieve low unemployment or other economic goals.

The triumph of low-inflation monetary policy resulted from a convergence of liberal and conservative understanding that began before 1981. The crisis of the old monetary order began with the stagflation of the 1970s, presided over by Federal Reserve chairman Arthur Burns, a conservative Republican. Burns was a stable-money man but he accepted the notion of a tradeoff between inflation and employment and believed that unemployment as high as 7 percent was politically unacceptable. He tried to hold money growth in check but eased up whenever unemployment began to rise, a lurching that produced a disastrous inflationary spiral. And it was a liberal Democrat, Fed chairman Paul Volcker, who turned the corner: His relentless crusade to defeat inflation produced unemployment rates far

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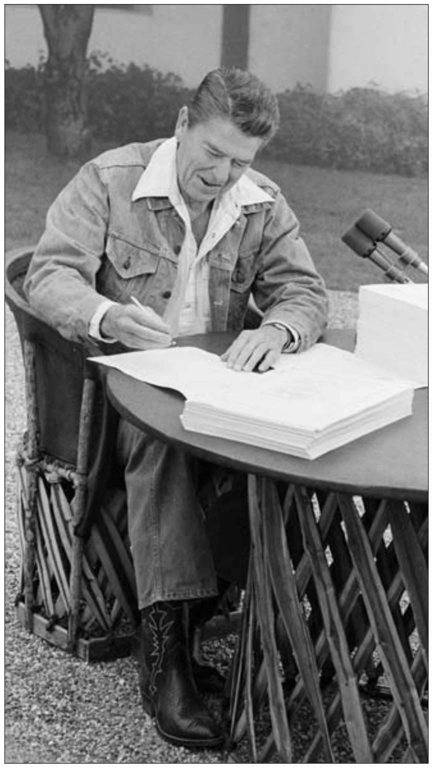
higher than those Burns had thought acceptable, and they persisted for years before stable low inflation became the norm and unemployment began to fall.

Ronald Reagan deserves great credit for standing unflinchingly by Volcker in this politically perilous passage. But so does Jimmy Carter, who appointed Volcker knowing his intentions and almost never criticized him thereafter, even when Carter's advisers warned that the messy early phase of the Volcker crusade could cost him the 1980 election.

GOODBYE, CIVIL AERONAUTICS BOARD

The second big win was regulatory and antitrust policy. Deregulation, like stable money, began as a staple of conservative economic thought, and was a tenet of Reaganism. Reagan's first, flamboyant act as president was to abolish federal price controls on oil and gasoline—a step that the media and many Democrats said would lead to soaring prices but instead lowered them, exactly as Reagan had predicted. He also presided over the decontrol of natural-gas prices and the abolition of the Civil Aeronautics Board, signed legislation putting the Interstate Commerce Commission on track to extinction, and never missed an opportunity to highlight and ridicule the perverse effects of government rules. His policy toward environmental and safety regulation was to require that rules pass a cost-benefit test showing that their social value outweighed their economic price.



Signing the 1981 tax cut

Both economic deregulation and economics-based reform of social regulation proved to be durable contributions. Washington had no appetite for old-fashioned price and entry controls in the post-Reagan years, and remained largely passive in the face of industrial restructurings that would have prompted a binge of protectionist regulation in earlier eras. Reagan's successors all continued to require that the Environmental Protection Agency, the Occupational Safety and Health Administration, and the National Highway Traffic Safety Administration submit their rule-making proposals for cost-benefit review. Deregulation of telecommunications has proceeded fitfully, pharmaceutical price controls continue to threaten, and new forms of regulation such as the Sarbanes-Oxley Act have sprung up—but these battles do not diminish the dramatic progress that has been made.

As in the case of monetary policy, one is struck by the emergence of an intellectual consensus—beginning before the Reagan years and including both politicians and economists—around what had once been conservative positions. A thoroughgoing critique of government regulation emerged in the early 1970s. Gerald Ford was a forceful deregulation advocate during his brief term, but Jimmy Carter was equally forceful and more successful. Carter appointed Alfred Kahn, an economics professor and outspoken deregulator, to chair (and disable) the Civil Aeronautics Board, and signed the Airline Deregulation Act of 1978—itself the handiwork of Ted Kennedy and his then-aide Stephen Breyer. Today, when politicians succumb to populist pressures (as in attempts to reimpose price controls on gasoline), they are sternly rebuked by economic advisers in their own parties.

Most impressive of all was the revolution in antitrust policy. In the early 1970s, University of Chicago economist Aaron Director and legal scholars Robert Bork and Richard Posner mounted a root-and-branch critique of then-prevailing antitrust doctrines that tightly restricted mergers, price competition, and product distribution. Antitrust, they said, should be guided by the criterion of consumer welfare, not that of balancing the interests of rival producers. At first these views were seen as radical, even a bit crackpot, but they gained ground steadily in the 1970s. With Reagan's inauguration they became official policy at the Justice Department's antitrust division and the Federal Trade Commission.

The economic benefits of antitrust reform have probably been as great as those of price stability: Much of the industrial restructuring of the past 20 years, and many of the pricing and product-distribution practices that have emerged in the new information economy, would have been illegal before the 1980s. As in regulatory policy, there is much for conservative economists still to quarrel with in contemporary antitrust. But today's arguments, grounded on all sides in considerations of market competition and consumer welfare, are worlds away from the pre-1980s mishmash of populism and armchair industrial planning.

GIVING AND TAKING

Tax policy has absorbed more conservative political energy than any other economic issue in the past 25 years, but has produced only a draw with liberals. The achievements have been substantial. Reagan won steep reductions in marginal income-tax rates that proved durable through several subsequent tax revisions authored by both Democrats and Republicans. The reductions have affected not only the highest earners, whose top statutory rate was 70 percent in 1980 and is 35 percent today, but taxpayers across the income spectrum (for example, couples with income between $45,000 and $55,000 in 2005 dollars paid a top rate of 28 percent in 1980 but pay only 15 percent today). The arguments of liberal critics that sharp tax reductions would generate a wave of price inflation proved unfounded and have disappeared from the policy debate. And Reagan, in league with Dan Rostenkowski and other House Democrats, forged the Tax Reform Act of 1986, which made the tax code simpler and more efficient by broadening the tax base in exchange for reduced rates and the elimination of loopholes.

But these gains have been offset by several adverse developments. Tax policy, in contrast to monetary, regulatory, and antitrust policy, has remained highly partisan. Successive rounds of legislation, reflecting shifting balances of power between Republicans and Democrats, have left the tax code with many anomalies that

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tend to entrench both sides and make reform more difficult. The introduction or expansion of tax deductions and credits for child care, education, retirement saving, and many other things, combined with the Clinton-era innovation of phasing out deductions and credits as income increases, has produced a pattern of effective marginal tax rates that economist Kevin Hassett has dubbed the "skyline tax." Consider a representative family of four that takes the available deductions and credits that phase in and out at different income levels. At an income of $25,000, the family faces a marginal tax rate of 21 percent, but at an income of $50,000 the rate falls to 0 percent; at $100,000, the marginal rate has soared to 46 percent, and then at $145,000 it has fallen back to 28 percent. Rates that rise and fall willy-nilly reflect nobody's idea of tax equity or efficiency. They reflect, rather, the terms of ceasefire in the last several tax battles.

Another anomaly has arisen from the one thing conservatives and liberals have been able to agree on since Reagan: that it is desirable to exclude lower-income persons from the tax rolls altogether. This has been achieved by raising tax brackets and expanding targeted credits and deductions, especially the Earned Income Tax Credit. The number of Americans who file a federal income-tax return but owe no tax has risen from about 19 percent when Ronald Reagan left office to about 32 percent today. According to the President's Advisory Panel on Federal Tax Reform, *all* income-tax revenues this year will come from 50 percent of taxpayers (a term that includes households, not just individuals). The upshot is that a very large proportion of the adult American population, probably close to 50 percent, now provides zero direct support for the general operations of the federal government. This cannot be good for our political health, and has certainly complicated the task of tax reform. Every proposal that does not include a tax hike is immediately attacked as a giveaway to the rich. In one sense, the charge is accurate—because only the rich (very broadly defined) now pay any income taxes at all.

DRUNKEN SAILORS AND CHOICE-DENIERS

Now for the two losses. The first is spending restraint. In the 25 years since Ronald Reagan declared his intention to curb the growth of government, domestic spending has more than doubled in real terms. This growth has been especially pronounced during the years of unified Republican government since 2001. And it isn't just earmarks and Jack Abramoff's Indian tribes. Federal education spending has nearly doubled, and a huge, unfunded, middle-class entitlement for prescription drugs has come into being. In power, Republicans have turned out to be just as profligate as Democrats. They have even cooked up a theory called "big-government conservatism" to justify themselves.

There is an unfortunate asymmetry between the conservative and liberal camps on the spending question. The liberals present a united front: Both their economists and their politicians tend to think that when money is taken out of the private economy and spent by the government, the result will be an improvement in social welfare. Conservative economists are highly dubious of that proposition—but they are now at odds with conservative politicians, who for the most part simply ignore them on spending issues.

The second loss has been voucherization and privatization. Even before the Reagan administration, conservatives were arguing that many public programs, such as schooling, Social Security, Medicare, and a long list of social-welfare services, would be much improved if the government relinquished its one-size-fits-all monopolies by providing vouchers for individuals to buy these services from private or government suppliers. The failure of these proposals is something of a puzzle. They would be voluntary—the Bush Social Security plan would permit anyone to stick with the current system, and parents eligible for vouchers could choose to keep their children in public schools. And they are promoted in the name of individual choice, an idea with broad appeal in American culture. I believe there are three reasons they have failed to catch on.

First, the government programs in question have embedded within them a large number of hidden cross-subsidies, including many to the middle class. By far the largest subsidy in public education is to the teachers unions whose members constitute a near monopoly, a status that would be lost in a truly competitive school-choice program. And Democrats worry that making Social Security and Medicare highly progressive would erode political support for the programs among the middle class. Many liberal policy experts favor voucher proposals; but their politician friends listen to them about as much as conservative politicians listen to conservative economists who advocate spending control.

Second, many of the school-voucher programs that have been tried around the country provide only weak forms of choice; when parents move their children out of a school, the school suffers no financial loss and its average revenue per pupil may even rise. The result is to undermine school choice's ability to affect public-school performance. When parents are able to deny resources to one school and give them to another, public schools will instantly begin to improve.

Third, many people are uneasy about applying the idea of personal choice to schooling, retirement policy, and welfare programs, which they regard as part of the essential fabric of government. Until the libertarian revolution arrives, conservatives should emphasize the social rather than the private advantages of vouchers—the tremendous improvements they would bring to school performance, pension programs, health care, and other services, as distinct from personal-choice benefits to individuals considered apart from the society they belong to.

Standing at the intersection of our two greatest policy failures, spending control and voucherization, are the two mammoth health-care programs, Medicare and Medicaid, growing like Topsy. Health care is unique in featuring a sharp ideological divide between conservative economists and politicians on one hand and liberal economists and politicians on the other. Both breeds of conservative favor reforms to greatly reduce government regulation and financing of medical care, leaving the sector to be governed largely by competitive private markets with a social safety net. Liberal politicians and liberal economists who devote themselves to health-care policy for the most part favor outright socialism. Each camp fashions its every incremental proposal with a view toward its larger goal. Whether conservative economics is as successful in the next 25 years as it has been in the last 25 will depend largely on how this battle—so far unmediated by the emergence of any professional consensus—plays out. **NR**