Chapter Three

Bill Clinton and the Neoliberal Presidency

I used to think if there was reincarnation, I wanted to come back as the president or the pope or a .400 baseball hitter. But now I want to come back as the bond market. You can intimidate everybody.

—Clinton adviser James Carville

The Political Context of the Clinton Presidency

Bill Clinton’s election in 1992 brought an end to a period in which the Republican Party had controlled the White House for 12 consecutive years, and for 20 of the previous 24 years. Clinton won 32 states and the District of Columbia for 370 electoral votes, compared to 18 states and 168 electoral votes for President George H. W. Bush. Clinton was able to capture four of the 11 states of the southern Confederacy (Arkansas, Louisiana, Tennessee, and Georgia), though he garnered only a plurality of the nationwide popular vote (43 percent). In an unusually strong showing for an independent candidate, Texas businessman H. Ross Perot received nearly 19 percent of the popular vote. With his reelection in 1996, Clinton became the first Democratic President since Franklin D. Roosevelt to serve two full terms as president.

As Bill Clinton campaigned for president in 1992, how had the terrain of politics been shaped by the structural factors we foreground in our analysis, especially by changes in the character and direction of the American political economy? The dominant characteristic was a “Right-turn” in American politics that accompanied and responded to the economic downturn, stagflation, and crisis of profitability in the 1970s. This turn was not a response to any upsurge of conservatism in public opinion. Rather, working through a network of think tanks, policy organizations, and media outlets, business elites and conservative political actors mobilized to discredit post–World War II economic and social liberalism and to some extent the New Deal...
itself. Economist Thomas I. Palley distinguishes between the dominant pre-1980 and post-1980 growth models. Before 1980, economic policy, building on Keynesian insights, aimed at full employment and linked wage and productivity gains in a “virtuous circle of growth.” After 1980 a commitment to full employment was abandoned and the link between productivity and wage growth was severed. “Adherents of the neo-liberal orthodoxy made controlling inflation their primary policy concern, and set about attacking unions, the minimum wage, and other worker protections. Meanwhile, globalization brought increased foreign competition from lower-wage economies and the prospect of off-shoring of employment,” Palley notes. Over time this set of macroeconomic policies would come to be known as neoliberalism. The new emphasis was on business-oriented tax cuts, economic deregulation, reductions in social safety net programs, and attacks on the power of labor unions.

While the Right-turn is most strongly associated with President Ronald Reagan (1981–1989), it is important to note the administration of the last Democratic president, Jimmy Carter (1977–1981), was also marked by, and in several ways originated, a shift to the Right. Especially from late 1978 onward Carter embraced fiscal conservatism, balanced budgets, a version of supply-side economics and the deregulation of the airline, railroad, and trucking industries. He also appointed Paul Volcker as chair of the Federal Reserve System in 1979. Volcker, aiming to curb inflation, adopted a restrictive monetary policy that reduced economic growth and led to a severe recession. Finally, in national security policy, Carter reversed the post-Vietnam decline in defense spending and in reaction to the Soviet invasion of Afghanistan identified the Middle East as a strategic area of US interests, laying the groundwork for repeated US military interventions in that region in the decades since. This led some observers to call Carter the most conservative Democratic president since Grover Cleveland (1885–1889, 1893–1897).

During the Reagan years some Democratic Party leaders moved to adapt themselves to the conservative environment by courting business interests and countering the progressive presidential campaigns of Jesse Jackson in 1984 and 1988. Part of this dynamic was evident in the 1984 presidential campaign, as related by economics writer Jeff Faux:

Former vice-president Walter Mondale, the Democratic nominee, originally wanted to run on a plan to save American manufacturing jobs. But after a few dinners with Wall Street contributors (organized by