

is not that person. Housing Secretary Jack Kemp has fallen victim to the siren song of big-government conservatism, as has House Minority Whip Newt Gingrich (R-Ga.). Sen. Phil Gramm (R-Tex.) had been seen by most free-market advocates as the heir apparent to the Goldwater-Reagan legacy, but his flirtation with higher taxes, if consummated, would probably take him out of the running.

While there may not be an obvious choice to lead free-market supporters at this time, someone may emerge out of the budget chaos created by the White House. A less well-known figure, such as Sen. Bill Armstrong (R-Colo.) or former Delaware Gov. Pete DuPont, could vault into a position of prominence by taking the lead in opposition to higher taxes.

While a strong leader would help put free-market supporters back on the offensive, those of us who believe in more freedom should not wait around. If there is a battle to be fought, we should fight. A good example is the president's deplorable flip-flop on taxes. As I write, a deal has not been announced, and taxes have not yet been raised. But realistically the odds of blocking a tax increase supported by a Republican president, most of the Republican "leadership" in Congress, and almost all of the Democratic party are formidable.

Nonetheless, fighting higher taxes is the right thing to do. First of all, we may win. While the Washington establishment is unified behind the idea of fleecing the rest of the country, there is little doubt that people do not want to send more of their hard-earned dollars to Washington. Nor do most Republican

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elected officials wish to follow their "leaders" off the cliff. The no-tax resolution recently adopted by the House Republican Conference shows that the rank-and-file may go on the offensive. The resolution may not block higher taxes, but it will certainly make them more difficult to enact.

Even if we eventually lose, active opposition on this crucial issue will re-energize the movement and create grass-roots opposition to big government. This newly activated cadre of citizens can change the political landscape, much as the people drawn into politics by the economic malaise of the Carter years affected politics in the late 1970s and early 1980s.

The fundamental point we must remember is that our ability to affect policy is determined by how successful we are in getting people across the nation angry at Washington. We must take issues like taxes, the odious congressional pay raise, and

the S&L deposit-insurance and influence-peddling scandal to the people. If we give them the facts, voters will give the politicians hell.

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## **DON'T DISMISS THE DEMOCRATS**

### **Hope Outside the Beltway**

**BY JOEL KOTKIN**

**O**n the surface, there are few reasons to look for free-market, entrepreneurial economics from the Democratic Party in the post-Reagan era. Certainly, the current trend within the party is increasingly proregulation and protectionist, most particularly from the Beltway establishment.

But outside the Beltway, there are signs of hope. One comes from a change in the class makeup of the party activists. Since the 1930s, organized labor—traditionally the most protectionist and regulation-oriented sector in our society—has been a dominant force within the Democratic party. But as unions have lost their "market share" in the work force, labor's influence has eroded across the country.

At the same time, the party has become increasingly *dependent* on new constituencies for whom trade protection and at least some forms of market regulation are not big priorities. These include consumers, women, gays, environmentalists, and human-rights activists. These groups are largely middle-class people, many with a private-sector orientation. They also tend to be less obsessed with the federal government, preferring solutions on the local level.

Equally important, the party is, albeit slowly, moving beyond its traditional Northeastern orientation. The regional geopolitics of the past two decades is critical to understanding the possible changes within the Democratic party's key economic policies.

In the evolving world economy of the 1990s, the Manhattan-centered corporate liberals, long a dominant force, increasingly stand outside the flow of the world economy. They manage assets often controlled from outside the region—including companies that have relocated to the South and West—or from overseas, notably Japan and Western Europe. Their influence is ebbing; their capital city, New York, is devolving. Desperate to hold onto power, their last export is their sense of

malaise and American decline that they have helped make the cornerstone of the Democratic party world view.

But the 1990s will see a further erosion of the potency of the Cambridge/Manhattan/Beltway position, as the census reapportions more seats to the South and West. No

longer can a coalition of Middle Atlantic, New England, and Midwestern industrial states suffice to win the White House. Meanwhile, the Western and Southern states—with their stronger industrial bases, growing population, and resources (notably energy)—will continue to gain influence. Indeed, save for Gary Hart's personal peccadilloes, these forces already might have captured the party, and maybe the nation, in 1988.

Although certainly capable of protectionism, Southern and Western Democrats tend to have a different fix on the national predicament than Easterners do. They have a hard time accepting the "end of the frontier" mentality that has dominated the Democrats since the time of FDR. If you live in places like Los Angeles, Houston, Atlanta, or Miami, you have witnessed within *this* generation a massive explosion of growth in international commerce, entrepreneurial activity, and culture.

This is very significant. If you live in an emerging region, your fix on problems is more toward managing free-market expansion—what some former Gary Hart people call "empowerment"—than simply redistributing wealth among fixed populations and institutions. Northeastern liberalism has its origin in a region with near-zero population growth. But the problems of that region have little resemblance to those of California, Colorado, Texas, or Florida—where population and job gains in recent decades have been in the double digits.

Equally important, Democrats from these expanding regions often regard international trade and investment with less dread than the Northeastern establishment. In states like California, Japanese or Taiwanese capital helps keep the local economies alive. Few California Democratic politicians, for instance, adopt protectionist rhetoric like that of Rep. Richard Gephardt (D-Mo.). It simply doesn't wash in a multiracial state increasingly dependent on world trade and investment.

Of course, purists will not like the policies of even the most free-market Western Democrats. These Democrats will favor an activist government—in terms of environmental protection, transit infrastructure, and education—that many traditional libertarians might abhor. Although market-oriented, they will not push for the massive privatization of public services. But their policies would prove far more acceptable than those that now characterize the current mainstream Beltway party.

If you detect my less-than-wild enthusiasm about even these changes, you're right. The Democrats—under the best of scenarios—will adopt policies at times that are too statist, too interventionist. But in this less than perfect world, there are many reasons for people of a libertarian bent to remain allied with parts of the Democratic Party.

First, as stated above, there are forces acting within the party who are better than the established leadership. There are allies worth having on economic issues, such as New Jersey's Sen.



Bill Bradley. They need to know that there is a free-market constituency for them. Someday, the Democrats will have to win an election—after all, there is Dan Quayle—and it would be good to have market-oriented Democrats inside the party.

Second, the Republicans also present many problems. Many Republicans yearn for the return of the nationalist and interventionist policies of the Nixon years, following the Kevin Phillips school of authoritarian and hierarchical conservatism. A Phillips-style corporatist industrial policy—which has natural sympathy among the mostly Republican corporate aristocracy—fits what Michael Harrington used to call "socialism for the rich," essentially, using the state to protect the current distribution of assets.

More important, the Republican party also has chosen to embrace within its core the most repressive and authoritarian elements in our society. The most important political advocates of censorship, abortion bans, and the insane "drug war" are members of the GOP. The many smart Young-Republican libertarians in Washington may scoff at the notion of putting someone in jail for smoking a joint or performing an abortion, but they provide the intellectual fodder and staff work for those who do.

Often, friends with free-market orientations are shocked that I still consider myself a Democrat, allying myself to some extent with the likes of Richard Gephardt or Mario Cuomo. Yet given the choice between such alliances and ones with proto-fascists like Bill Bennett and Jesse Helms, I'll accept being called a donkey any day.

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## SUPPLY-SIDE GOES INSIDE

Growth Is the Issue

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BY BRUCE BARTLETT

**P**resident Bush's recent abandonment of his "no new taxes" pledge has been widely interpreted as equivalent to abandonment of the supply-side economic policy of the Reagan administration. But the central tenet of supply-side economics is not that taxes should be abolished or