

American History Is Not What They Say, The Reagan Fraud and After

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Like most Republican politicians since the early 1930s, Ronald Reagan always portrayed himself throughout his political career as a champion of limited government, individual rights, and free enterprise — the classical-liberal values, which, of course, he absurdly described as "conservative." But, like almost all Republican politicians since the early 1930s, he seemed to forget all about these values once he got into office and assumed the reins of power. Consider, as a case in point, Reagan's eight years (1966–1974) as governor of California. As Murray Rothbard noted in 1980,

Despite his bravado about having stopped the growth of state government, the actual story is that the California budget grew by 122 percent during his eight years as governor, not much of an improvement on the growth rate of 130 percent during the preceding two terms of free-spending liberal Pat Brown. The state bureaucracy increased during Reagan's administration from 158,000 to 192,000, a rise of nearly 22 percent — hardly squaring with Reagan's boast of having "stopped the bureaucracy cold."

Nor "is Reagan's record on taxes any comfort. He started off with a bang by increasing state taxes nearly \$1 billion in his first year in office — the biggest tax increase in California history. Income, sales, corporate, bank, liquor, and cigarette taxes were all boosted dramatically." After his reelection as governor in 1970, "two more tax hikes — in 1971 and 1972 — raised revenues by another \$500 million and \$700 million respectively." Overall,

by the end of Reagan's eight years, state income taxes had nearly tripled, from a bite of \$7.68 per \$1000 of personal income to \$19.48. During his administration, California rose in a ranking of the states from twentieth to thirteenth in personal income tax collection per capita, and it rose from fourth to first in per capita revenue from corporate income taxes.

During his 1970 campaign for reelection, Reagan assured voters that his feet were set "in concrete" against adopting payroll withholding of state income tax in California. Less than a year later he was joking that "I can hear the concrete cracking around my feet," as he signed exactly that provision into law.

According to Rothbard, Reagan "created seventy-three new state government councils and commissions, with a total budget, in his last year alone, of \$12 million. Included was the California Energy Commission, which put the state hip-deep into the energy

business" and created a regulatory climate under which a three-year review process was required before any new power plant could be constructed in the state.

Reagan always claimed to have "reformed" welfare in California during his years in the governor's office. And, as Rothbard noted in 1980, he did remove "more than 510,000 from the welfare rolls by — among other things — forcing adults to support their welfare parents." The problem is that "[h]e then turned around and boosted the amount of welfare paid to those remaining by 43 percent, so that total welfare costs to the taxpayer didn't decline at all."[\[1\]](#)

In 1974, his time in Sacramento at an end, Reagan began running for president. And by the fall of 1980 he had succeeded in winning both the Republican nomination and then the election campaign against the incumbent, Jimmy Carter. In January 1981, he was called upon to deliver his first inaugural address. "For decades," he told Americans,

we have piled deficit upon deficit, mortgaging our future and our children's future for the temporary convenience of the present. To continue this long trend is to guarantee tremendous social, cultural, political, and economic upheavals. You and I, as individuals, can, by borrowing, live beyond our means, but for only a limited period of time. Why, then, should we think that collectively, as a nation, we are not bound by that same limitation? We must act today in order to preserve tomorrow. And let there be no misunderstanding — we are going to begin to act, beginning today.

"It is my intention to curb the size and influence of the Federal establishment," Reagan thundered. "It is time to ... get government back within its means, and to lighten our punitive tax burden. And these will be our first priorities, and on these principles, there will be no compromise."

But in fact both taxes and deficits increased under Reagan. As Rothbard put it in a 1988 retrospective on Reagan's years in the White House,

In the first place, the famous "tax cut" of 1981 did not cut taxes at all. It's true that tax rates for higher-income brackets were cut; but for the average person, taxes rose, rather than declined. The reason is that, on the whole, the cut in income tax rates was more than offset by two forms of tax increase. One was "bracket creep," a term for inflation quietly but effectively raising one into higher tax brackets, so that you pay more and proportionately higher taxes even though the tax rate schedule has officially remained the same. The second source of higher taxes was Social Security taxation, which kept increasing, and which helped taxes go up overall.

Moreover, in each of the seven years that followed that phony "tax cut," taxes increased

with the approval of the Reagan administration. But to save the president's rhetorical sensibilities, they weren't called tax increases. Instead, ingenious labels

were attached to them: raising of "fees," "plugging loopholes" (and surely everyone wants loopholes plugged), "tightening IRS enforcement," and even "revenue enhancements." I am sure that all good Reaganomists slept soundly at night knowing that even though government revenue was being "enhanced," the president had held the line against tax increases.[\[2\]](#)

As for deficits, Slate's Timothy Noah [puts the matter succinctly](#): "The deficit, which stood at \$74 billion in Carter's final year, ballooned to \$155 billion in Reagan's final year. In the words of Vice President Dick Cheney, 'Reagan taught us deficits don't matter.'[\[3\]](#) In the words of syndicated columnist Molly Ivins, "Ronald Reagan came into office in 1980 on the mantra that he would rid the nation of Waste, Fraud and Abuse. He proceeded to raise the national deficit by \$2 trillion with tax cuts and spending on the military in the face of a collapsing Soviet Union."[\[4\]](#)

Then there was Reagan's policy on international trade. "Our trade policy," he stated during his 1980 campaign, "rests firmly on the foundation of free and open markets. I recognize ... the inescapable conclusion that all of history has taught: the freer the flow of world trade, the stronger the tides of human progress and peace among nations." Then, as president, he acted as though such ideas had never entered his mind. According to Sheldon Richman, Reagan "imposed a one hundred percent tariff on selected Japanese electronic products," explaining that he did so "to enforce the principles of free and fair trade." As president he

- "forced Japan to accept restraints on auto exports";
- "tightened considerably the quotas on imported sugar";
- "required eighteen countries, including Brazil, Spain, South Korea, Japan, Mexico, South Africa, Finland, Australia, and the European Community, to accept 'voluntary restraint agreements' that reduced their steel imports to the United States";
- "imposed a forty-five percent duty on Japanese motorcycles for the benefit of Harley Davidson, which admitted that superior Japanese management was the cause of its problems";
- "pressed Japan to force its automakers to buy more American-made parts";
- "demanded that Taiwan, West Germany, Japan, and Switzerland restrain their exports of machine tools";
- "extended quotas on imported clothes pins";
- and "beefed-up the Export-Import Bank, an institution dedicated to distorting the American economy at the expense of the American people in order to artificially promote exports of eight large corporations."

By the time Reagan left office, at least 25 percent of all imports were restricted, "a one hundred percent increase over 1980." As Reagan's Treasury Secretary, James A. Baker, put it, Reagan "granted more import relief to U.S. industry than any of his predecessors in more than half a century."[\[5\]](#)

Then there was draft registration. In 1979, Reagan told Human Events that conscription

rests on the assumption that your kids belong to the state. If we buy that assumption then it is for the state — not for parents, the community, the religious institutions or teachers — to decide who shall have what values and who shall do what work, when, where and how in our society. That assumption isn't a new one. The Nazis thought it was a great idea.

A year later, he promised voters to end compulsory draft registration, which had been resurrected by President Jimmy Carter. Yet, as Murray Rothbard noted in a 1984 appraisal of Reagan's first term, "compulsory draft registration has been continued, and young resisters have been thrown into jail."

"Reagan," Rothbard wrote,

has been a master at engineering an enormous gap between his rhetoric and the reality of his actions. All politicians, of course, have such a gap, but in Reagan it is cosmic, massive, as wide as the Pacific Ocean. His soft-soapy voice appears perfectly sincere as he spouts the rhetoric which he violates day-by-day."[\[6\]](#)

"Wherever we look," Rothbard wrote four years later, as Reagan left office for the last time,

on the budget, in the domestic economy, or in foreign trade or international monetary relations, we see government even more on our backs than ever. The burden and the scope of government intervention under Reagan has increased, not decreased. Reagan's rhetoric has been calling for reductions of government; his actions have been precisely the reverse."[\[7\]](#)

During his eight years in office, Ronald Reagan increased federal spending by 53 percent, added a quarter of a million new civilian government employees, escalated the War on Drugs, created the "drug czar's office," and lowered the value of your 1980 dollar to 73 cents. His Republican successor, George Herbert Walker Bush, further increased taxes, further increased federal spending, and "managed to knock thirteen cents off the value of your dollar in just four years."

It will be objected that Democratic presidents like Johnson and Carter also grew the federal government, that they too increased taxes and spending and regulations, that they too made government steadily more intrusive and the individual steadily less free. It will be objected that the Republican Party is here being singled out for undeserved abuse. But in fact, the situation is far otherwise. As James Ostrowski noted in 2002, "Over the last one hundred years, of the five presidents who presided over the largest domestic spending increases, four were Republicans. Include regulations and foreign policy, as well as budgets approved by a Republican Congress, and a picture begins to emerge of the Republican Party as a reliable engine of government growth."[\[8\]](#)

In fact, despite the liberal apostasy of Franklin Delano Roosevelt and virtually all Democratic politicians since his time, despite their choice to try to beat the Republicans at their own game, promoting mercantilism, welfare statism, and war, and calling it "liberalism" — despite all this, the conservative party, the GOP, remains the more devoted to mercantilism, welfare statism, and war of the two major parties. Throughout the '70s and '80s, Republicans depicted the philosophy of their Democratic opponents as "tax and spend, tax and spend." But in fact, it is the Republicans, the conservatives, who are the biggest taxers and the biggest spenders of all.

The years since George Herbert Walker Bush have seen nothing that might make one wish to revise or soften this statement — for George H.W. Bush's son, former Texas governor George W. Bush, who won the presidency in a hotly contested election in the year 2000 and was reelected in 2004, had spent more federal money by the end of his third year in office than Bill Clinton, the "tax-and-spend" Democrat who preceded him, managed to spend in a full eight years.

Nor should this seem surprising. Princeton University historian Sean Wilentz noted late in 2005 that "many of contemporary conservatism's central ideas and slogans renovate old Whig appeals," and that "the [George W.] Bush administration's political and ideological recipe was invented ... by a nearly forgotten American institution: the Whig Party of the 1830's and 40's."[\[9\]](#)

Thus, "despite occasional exceptions," wrote columnist Doug Bandow, fewer than three years into George W. Bush's first term in office,

the Bush administration, backed by the Republican-controlled Congress, has been promoting larger government at almost every turn. Its spending policies have been irresponsible, and its trade strategies have been destructive. The president has been quite willing to sell out the national interest for perceived political gain, whether the votes sought are from seniors or farmers. The terrorist attacks of 9/11 encouraged the administration to push into law civil-liberties restrictions that should worry anyone, whether they are wielded by a Bush or a Clinton administration.[\[10\]](#)

Journalist Steven Greenhut agreed. "This president," he wrote, late in 2003, "has not vetoed a single bill, which means he has signed into law every big-spending project that has come down the pike. Federal spending, even on non-military matters, has soared. His nation-building experiments are downright Wilsonian, a far cry from the 'humbler' foreign policy he promised when he ran for office."

Greenhut hastened to add, lest anyone get the wrong idea, that

these are criticisms from the right, so save the "you stinking Democrat-loving pinko" e-mails for someone else. I argued for libertarians to vote for Bush in a column before the election, believing that his calls for limited government and

restrained foreign policy were far superior to Al Gore's quasi-socialism, nutty environmentalism and love of Clinton-style nation-building.[\[11\]](#)

It is clear that Greenhut considers himself a man of the Right. It is also clear that he considers himself an advocate of smaller government, a "humbler foreign policy," and the sort of environmentalism that acknowledges the human animal's rightful place in nature. Yet these values and goals are liberal values and goals. They are the historic values and goals of the Left, not the Right.

This is why any libertarians who read Greenhut's preelection arguments for Bush would almost certainly have rejected them as unsound. If they were libertarians — i.e., classical liberals — and if their historical understanding of American politics went back any more than half a century, they knew that it was scarcely possible for a libertarian to support a Republican. The Republicans are and have always been the party of big, mercantilist government and an aggressive, meddlesome foreign policy — exactly what liberals (libertarians) have historically opposed. It is "by focusing on the history of the nineteenth century," Murray Rothbard wrote, that "we learn of the true origins of the various 'isms' of our day, as well as the illogical and mythical nature of the attempted 'conservative-libertarian' fusion."

How, Rothbard wondered, could a libertarian consider himself a man or woman of the Right, when "everywhere on the Right the 'open society' is condemned, and a coerced morality affirmed. God is supposed to be put back into government. Free speech is treated with suspicion and distrust, and the military are hailed as the greatest patriots, and conscription strongly upheld. Western imperialism is trumpeted as the proper way to deal with backward peoples."[\[12\]](#)

It is striking how contemporary this sounds for a passage that was written more than 40 years ago. It is striking how well the words of conservative leader William F. Buckley, Jr., quoted by Rothbard, still serve to capture the essence of the American right wing in our own time: "Where reconciliation of an individual's and the government's interests cannot be achieved, the interests of the government shall be given exclusive consideration."

The GOP is the conservative party in American politics, the party that since Lincoln (and Henry Clay and Alexander Hamilton before him) has stood for mercantilism, welfare statism, and war. Libertarians are not conservatives; they are not on the Right. They are on the Left, the last remnant of the original liberals. Though some true liberals remain in the Democratic Party of today, almost all of them have made the error of pursuing liberal goals by conservative means. And the majority in the party has been New Deal liberal — false liberal, conservative in liberal's clothing — since the 1930s. In effect, the United States is now governed by one or the other of two conservative parties.

Notes

[1] Murray N. Rothbard, "The Two Faces of Ronald Reagan" (1980).

- [2] Murray N. Rothbard, "The Myths of Reaganomics" (1988).
- [3] Timothy Noah, "Ronald Reagan, Party Animal," Slate June 5, 2004.
- [4] Molly Ivins, "Baghdad on the Bayou," September 28, 2005.
- [5] Sheldon Richman, "Ronald Reagan, Protectionist."
- [6] Murray N. Rothbard, "The Reagan Phenomenon" (1984).
- [7] Murray N. Rothbard, "The Myths of Reaganomics" (1988).
- [8] Ostrowski, "Republicans and Big Government" (2002).
- [9] Sean Wilentz, "Reconsideration: Bush's Ancestors," New York Times Magazine, October 16, 2005.
- [10] Quoted in Steven Greenhut, "Mr. Right?" Orange County (Calif.) Register, December 7, 2003.
- [11] Steven Greenhut, "Mr. Right?" Orange County (Calif.) Register, December 7, 2003.
- [12] Rothbard, "The Transformation of the American Right" (2009).