

The Rise and Fall of the New Liberals: How the Democrats Lost Their Majority

by Henry M. J. Tonks

Americans awoke on November 6, 2024, to the aftershocks of an electoral earthquake. Democrats' electoral coalition finally fractured, costing them the popular vote for only the second time since 1988. Donald Trump's victory underlined the parlous state of modern American liberalism. Post-election, the Democratic Party's policy agenda has become an arena of contestation between potentially irreconcilable party factions. Political commentators have necessarily devoted much attention to understanding how and to what extent the Republican Party has been remade. But this tells only half the story. Arguably, indeed, this is the half less crucial to understanding the volatile past decade of American politics.

Since the 1960s, the Democratic Party has transformed. From a party rooted since the New Deal era in both "developmental liberalism" and a version of social democratic class politics, it has grown into a broad but precarious canopy beneath which shelters a fractious mix of political interests and formations, from finance-friendly fiscal policy to redistributionism, and a fragile barbell-shaped electoral coalition. The 2024 U.S. elections underscored the difficulty that American liberalism faces in fashioning a durable political majority from these constituent parts. Nevertheless, to argue that the Republican Party is poised to become a true majority party could well be wrong.

The history of American politics can plausibly be said to have turned on several electoral "realignments," each of which crystallized into a broad-based and durable democratic majority that enabled the winning party to exercise power for transformative ends and define the terms of political debate.¹ The election of 1896 ushered in a cross-class Republi-

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can coalition that lasted until the Great Depression. In the 1932 election, Democrats forged a “New Deal coalition” maintained by the party’s viselike electoral grip on the industrial working class.² Although the “Reagan Revolution” of 1980 recast America’s fiscal and regulatory policies, the GOP did not establish the durable sort of majority that undergirded liberalism’s long reign between the Great Depression and the 1970s. And yet, the Democratic Party, which Adlai Stevenson once described as “the party of everyone,” has neither retained its postwar majority nor forged a durable new one. The Democrats’ contemporary failures originate in the transformation of liberalism that began in the 1970s. While this transformation remade the Democratic coalition in ways that presaged the defeat of 2024, it is often misunderstood by critics of contemporary liberalism.

THE NEW LIBERALS

This transformation’s architects are to be found among a diffuse group of political actors whom I term the “New Liberals.” These included policy entrepreneurs such as Robert Reich and Lester Thurow; politicians such as Gary Hart, Michael Dukakis, and, most prominent, Bill Clinton; and Wall Street potentates such as Robert Rubin and Felix G. Rohatyn. While the “New Liberals” together transformed American liberalism, they were never a coherent ideological movement. These figures—many of whom were factional rivals within Democratic politics—cycled through a variety of political identities: from their origins in 1960s “New Politics,” they began a complex progression from “Watergate Babies” to “Atari Democrats” to “New Democrats” (a designation most associated with the Democratic Leadership Council, formed in 1985).³ Embracing a term coined by *Washington Monthly* editor Charles Peters and popularized by *Esquire* journalist Randall Rothenberg, some New Liberals in the early 1980s, such as New Jersey senator Bill Bradley and Colorado congressman (later senator) Timothy E. Wirth, called themselves “neoliberals.”⁴ Peters and his political allies adopted the term without any intention of evoking the then little-known association of “neoliberalism” with the Mont Pelerin Society’s free market dogma. That said, their use of the term proved convenient decades later when “neoliberal” became a popular epithet.

A variegated political formation rather than a unitary ideological movement, the New Liberals ultimately engineered the demographic recomposition of the Democratic Party. The party shifted away from its core base in an industrial, predominantly white slice of the working-

class and toward a rising “professional class” often concentrated in metropolitan regions and employed in new sectors of the knowledge economy.⁵ This demographic recomposition produced the broad, often powerful, yet also precarious electoral coalition of the twenty-first century: highly-educated metropolitan professionals and the multiracial, primarily nonindustrial working class.⁶ The last decade has demonstrated this coalition’s precarity, most starkly as the GOP has begun to erode Democrats’ margins among working-class voters of all races.

The contours of this transformation are well-mapped by commentators, historians, and political analysts. But two significant misconceptions persist. The first is that New Liberals turned away from the liberal state and toward “the market,” entering an ideological embrace of neoliberalism. This misconception forms the core of a popular narrative of “liberal betrayal,” of which Thomas Frank’s Trump-era work is the purest distillation.⁷ In reality, the New Liberals coalesced around a vision for renewed government activism through industrial policy. As I explain later, this vision disintegrated in the mid-1990s.

The second misconception is that Democrats’ “neoliberal turn” was a purely defensive response to movement conservatism and the ascendancy of Ronald Reagan’s GOP.⁸ In fact, New Liberals, between the 1970s and mid-1990s, were responding to intermingled economic factors: deindustrialization and global economic competition (especially from Japan).⁹ Even more profoundly than did the Reaganite GOP, these structural economic shifts threatened liberalism because they undercut the material foundations of its political power. New Liberals set out to tame these shifts.

The reason the New Liberals helped create today’s unstable political landscape lies in how their party transformation played out. Although the New Liberals astutely recognized how structural economic shifts were destabilizing liberalism, these shifts were beyond the ability of any one party-in-power to reverse. Ultimately, the New Liberals’ project produced a political transformation for the Democrats, but also policy stasis. Reorienting the Democratic Party around an electoral core of college-educated professionals made it more difficult to construct a popular majority durable beyond each election cycle. New Liberals responded to their economic challenges with an ambitious, even visionary, policy agenda. When they failed to embed it in popular politics, however, the party they forged subsided into an occasionally successful yet profoundly limited policy settlement balancing the new, financialized political economy with redistributionism. This fragile

settlement was constantly under threat from Republican welfare retrenchment and fiscal profligacy.

The political upheavals of 2016 to 2024, and the uncertain direction of American politics today, cannot be truly understood without an accounting of this history: a tale not of betrayal, nor even of failure, but of grand ambitions constrained.

CRISIS OF THE LIBERAL CONSENSUS

Essentially hegemonic between 1945 and 1968, postwar liberalism and its “consensus” rested on three pillars in the U.S. political economy: industrial production, demand-side federal fiscal policy, and localized developmental regimes generally structured around public-private partnerships.¹⁰ The U.S. economy enjoyed a dramatic expansion in the context of early Cold War spending and increasing affluence largely remained the norm until the crises of the 1970s.

Critically, the postwar economic settlement relied on a relative absence of global economic competition. It was the emergence of serious industrial competitors among Cold War allies, particularly Japan and West Germany, that most significantly threatened the political economy of postwar liberalism. For reasons of Cold War strategy, the United States invested in building up allies’ economies. Combined with firms’ underinvestment in modernization within key industrial sectors such as steel, this meant that the postwar decades saw geopolitics privileged over the domestic economy.¹¹ When the U.S. ran its first trade deficit in nearly a century in 1971, many politicians worried that this augured the decline of America’s international economic primacy.¹² A sharp contraction in productivity growth began in 1973, and the trend would not be fully reversed until the mid-1990s.¹³ Inflation, which had started trending upward in the late 1960s, spun out of control. America’s postwar order was coming apart at the seams.

While the postwar economic settlement’s 1970s breakdown became the crucible for the Democratic Party’s transformation, nothing shaped the personal character of the New Liberals more profoundly than the growth of U.S. higher education. Cold War funding for research enabled a longer-term buildup of universities, which had already benefitted from the G.I. Bill (1944).¹⁴ Between 1949 and 1959, the number of students in U.S. higher education grew by 50 percent from 2.4 million to 3.6 million. During the 1960s, this number doubled, eventually reaching 11.6 million in 1979 and plateauing at around 14 million as the Cold War ended. This expansion, entwined with federal funding for university-

based R&D, which grew by more than 500 percent from 1953 to 1967, benefited higher-ed institutions at all levels and throughout the country.¹⁵ Growing colleges and universities supplied highly-credentialed workers for tech, professional services, and healthcare sectors.¹⁶ The New Liberals' political sensibility was incubated in these expanding institutions of higher education; as Bill Clinton's oleaginous retainer Sidney Blumenthal put it, the New Liberal president was "the leading meritocrat of America's first mass generation of college-educated meritocrats."¹⁷

This does not mean college-educated Americans were historically a Democratic constituency. In Ronald Reagan's 1984 reelection, "educational polarization" was basically nonexistent. Educational polarization among white voters really began in 2000; the 2016 election was an acceleration of a two-decade trend rather than a manifestation of Donald Trump's unique electoral appeal to non-college-educated whites.¹⁸ The point, instead, is that the growth of higher education and the knowledge economy meant the professional class grew in influence within the Democratic Party from the late-1960s onward. New Liberals' emergence thus took place at the confluence of a new professional class formation and a political crisis.

Many New Liberals first cut their political teeth in "New Politics," a product of the 1960s ferment that saw more socially liberal, usually antiwar, often suburbanite activists "drawing on a Progressive middle-class reformist tradition" to forge "a new liberal style and Democratic Party." To critical historians such as Jeffrey Bloodworth, "New Politics" seems nothing more than effete liberalism: a revolt of the seminar room against the union hall.¹⁹ Such liberals flocked to Minnesota senator Eugene McCarthy's insurgent primary challenge to President Lyndon B. Johnson in 1968, with some of them backing Robert F. Kennedy after Johnson quit the race. "New Politics"-style reformers later formed the bedrock of support for George McGovern's antiwar 1972 presidential campaign. Indeed, McGovern's campaign was managed by the future Atari Democrat par excellence: Gary Hart, then a little-known Denver environmental lawyer.

Between 1968 and 1976, the desire to reform the Democratic Party animated the new generation of liberal reformers more than any policy agenda. Many antiwar liberal activists were frustrated when the 1968 presidential nomination went to Johnson's vice president, Hubert Humphrey, who proved slow to break with the president's policy in Vietnam.

In the wake of Richard Nixon's victory in the 1968 election, the Democratic National Committee created the Commission on Party Structure and Delegate Selection, better known as the McGovern-Fraser Commission. Reform-minded liberals dominated the commission, which was initially co-chaired by McGovern (who left to run for president) and Minnesota congressman Donald Fraser. Reformers were primarily drawn from the "educated and affluent."²⁰ They aimed to chisel away the primeval encrustations of labor-dominated Democratic machine politics, motivated in part by opposition to the destructive lunacy of America's war in Vietnam, which most labor leaders vociferously supported, and in part by their social disconnection from the "regular" party. This seemingly arcane process of reform produced a dramatic restructuring of institutional power within the Democratic Party: the opening of delegate selection and electoral-candidate nomination facilitated an elite replacement of party activists, rank-and-file workers, and mid-level personnel, effectively shifting the party away from "blue-collar constituencies" and toward a new leadership coalition that was "white-collar from top to bottom."²¹

The Democratic nominating process in 1972 saw the ascendancy of "New Politics" and the entrenchment of the party's new reform-minded elite. One senior AFL-CIO official fretfully declared in 1972 that "We aren't going to let these Harvard-Berkeley Camelots take over our party"—even as more than four-fifths of delegates at that year's Democratic National Convention were pro-reform.²² Of course, the pro-reform faction's chosen candidate, McGovern, went down to catastrophic defeat in 1972. But reformers reached new heights of influence in 1974, when a huge number of Democrats were elected to federal, state, and local office in the aftermath of the Watergate scandal.²³ Known as "Watergate Babies," many of these newly elected officeholders spearheaded the sociological transformation of the Democratic Party. Most Watergate Babies were in their thirties, many touted impeccable professional-class credentials, such as Peace Corps service and Rhodes Scholarships. Many of them saw their political mission as treating Americans' crisis of confidence with the medicine of competence and "good government." Speaking for his fellow Watergate Babies, Hart, now the junior U.S. senator from Colorado, declared, "We are not a bunch of little Hubert Humphreys." Massachusetts congressman Paul E. Tsongas opined, "A lot of us were instinctively more reformers than liberals. . . . I see myself and always did as a reformer first and a liberal second."²⁴ The Watergate Babies also included soon-to-be prominent state-level officials such as Arizona attorney general and eventual gover-

nor Bruce Babbitt, Massachusetts's studious, technocratic governor Michael Dukakis, and California's governor Jerry Brown, an ex-seminarian and uneasy scion of the Golden State's greatest postwar governor, Pat Brown.

The Watergate Babies' ascendancy also changed the geography of Democratic support. "It was very suburban," one congressman in this so-called class of 1974 later told the *Atlantic*. Their success seemed to suggest that suburban voters in the Northeast, California, and Colorado, an older generation of whom had voted Republican, could apparently "tolerate social- and foreign-policy liberalism" but "had no interest in big-spending, high-taxing, pro-labor Democrats."²⁵ Congressmen in the class of 1974, such as Colorado's Timothy E. Wirth, represented suburban districts with more voters working in key sectors of the "new" economy, such as telecommunications and consumer electronics, than in "traditional," more heavily unionized industries.²⁶

True to Tsongas's description of a cohort oriented more toward reform than toward liberalism per se, the Watergate Babies' main priority was, at first, institutional and procedural reform of Capitol Hill. By overhauling institutional rules, such as the seniority system which determined committee chairmanships, and by centralizing more power in party leadership, the Watergate Babies reduced the authority of old-line politicians, many of them unreconstructed Southern Democrats, with political bases in "traditional" Democratic districts.²⁷

Reform-minded Watergate Babies grew up to be the New Liberals of the late-1970s and 1980s. Their shared professional-class background, with its meritocratic ethos and technocratic inclinations, at times fit uneasily with the modalities of postwar liberalism. Certainly, it left many of them politically and culturally alienated from New Deal-style labor politics, which they tended to see as exhausted and discredited after 1968. Yet it would be a profound mistake to see the New Liberals' rise as, at heart, a story about "antigovernment" reaction. This was made clear in New Liberals' diagnosis of their paramount policy challenge: the economic crisis of the 1970s. Creating a new, reform-oriented, professional-class Democratic Party was part of New Liberals' political strategy. Yet, at least during the decade after 1974, they sought not to repudiate but rather to recast the activist liberal state.

"THE DAYS OF THE UNLIMITED FRONTIER ARE OVER"

In an April 1976 speech to a California high-tech trade association, Gary Hart took up the theme of "Big Government: Myth or Reality?" Hart

contended that popular perceptions of federal bureaucratic bloat were much exaggerated. The real problem, he told his audience of tech executives, was Americans' "expectations . . . big promises that cannot be backed up by performance." The 1970s had taught him that "[l]earning to live within limits is the essential lesson." Gesturing at the decade's rapidly growing economic anxiety, Hart declared that "the days of the unlimited frontier are over."²⁸ Hart's language echoed Jerry Brown's famous description, in his first State of the State Address to California, of Americans entering an "era of limits": "sluggish economic growth, increasing social instability, widespread unemployment and unprecedented environmental challenges."²⁹ The personally frugal Brown even outdid his predecessor, Ronald Reagan, in astringent fiscal discipline.

Brown's governorship (1975–83), however, also prefigured the New Liberals' principal preoccupation in the 1980s: high-tech industrial policy. Brown's fascination with innovation and technology was most associated with vaguely eccentric appeals to a "cosmic" vision; famously, news media lampooned him as "Governor Moonbeam."³⁰ But Brown's agenda was instantiated in California's Office of Appropriate Technology, a new, interdepartmental state agency that invested in high-tech R&D, renewable energy development, and environmental protection, and encouraged local public-private partnerships.³¹ Brown daringly, sometimes confusingly, mixed together liberal and conservative rhetoric, combining professional-class political issues such as environmentalism with governmental activism.

Michael Dukakis, another governor in the class of 1974, similarly blazed the New Liberal path in Massachusetts. Defeated in the 1978 gubernatorial primary over a tax increase (his opponent subsequently became a high-profile "Reagan Democrat"), Dukakis won back the Bay State governorship in 1982 and served two more terms. (Of course, he lost the presidential election to George H. W. Bush in 1988.) The industrial contraction of the 1970s afflicted the Northeast more severely than almost any other part of the country, and Dukakis sought to build up a new economy in Massachusetts in response. His efforts across three nonconsecutive terms as governor yielded the "Massachusetts Miracle," a dramatic growth in high-tech manufacturing and construction that came to an end in the 1990–91 recession but laid the groundwork for Greater Boston's continuing global leadership in biotech. "State government wasn't the sole reason for this success," Dukakis told the liberal magazine *Mother Jones* during the 1988 campaign, but "very aggressive state economic development has played a major role. . . . It's been a real partnership."³² A public venture capital fund, a financing

agency for infrastructural investments and industrial development and modernization, and a development fund for rural Bay State communities represented remarkably robust government intervention in shaping the Massachusetts economy even as Dukakis cloaked his policy activism in the rhetoric of good government and managerial “efficiency.”³³

It’s worth dwelling on such state-level governing experiments because the New Liberals lacked the opportunity to enact policy at the federal level between their emergence during the crises of the 1970s and Bill Clinton’s election in 1992. Jimmy Carter’s presidency from 1977 to 1981 played out as an interregnum, not only between Republican presidencies but also between liberalism’s generative upheaval (1968–76) and New Liberals’ recomposition in the Reagan era.

Carter’s administration is now commonly understood as a more consequential, innovative presidency than popular memory long suggested. He can plausibly be considered “the first real neo-liberal,” in the words of his White House domestic policy advisor Stuart Eizenstat.³⁴ This assessment is based largely on Carter’s record of sectoral deregulation in trucking, airlines, and telecommunications, and procedural deregulation streamlining federal agencies’ requirements for regulatory review. Such policy decisions, though undertaken mostly to promote consumer choice (influenced by left-liberal critics of postwar liberalism such as Ralph Nader), prepared the ground for Reagan-era financial deregulation.³⁵ Carter’s appointment of Paul Volcker as chairman of the Federal Reserve proved a critical inflection point following Volcker’s 1979 decision to raise interest rates.³⁶ In April 1980, Eizenstat mused in a speech that economic policy needed to shift toward “the supply side,” away from demand-side stimulus.³⁷

These decisions formed only one part of a strange patchwork of economic policies undertaken during the Carter years. At first, Carter pursued some measure of economic stimulus to tackle unemployment. The battle against inflation occupied much of his presidency from 1978. Finally, in 1980, he stumbled into a so-called revitalization agenda, proposing a vague program of developmental investment, though it quickly disappeared from the election-year agenda.³⁸ So, though Carter’s tangled policy choices presaged America’s neoliberal economic settlement, his presidency played little role (certainly, no deliberate role) in reshaping the Democratic Party in the long-term. This point is crucial to understanding how the New Liberals developed after the 1970s. Seeded earlier, liberalism’s class transformation accelerated amid the crises of that decade. It was in response to these crises, and locked out of

national executive power, that New Liberals began formulating a coherent policy program in the 1980s.

New Liberals on Capitol Hill came together in the winter of 1981 in a new group within the House Democratic Caucus, the Committee on Party Effectiveness (CPE). Although including members dispersed along the Democratic ideological spectrum, its economic policy unit—dubbed by *Newsweek* as the Democrats’ “economic truth squad”—was dominated by Tim Wirth (the Watergate Baby from Colorado) and Missouri congressman Richard A. Gephardt, who claimed to be offering “new” economic ideas.³⁹ CPE members such as California congressmen Leon Panetta and Norman Mineta went on to prominent roles in New Liberal presidential administrations. Another member, Tony Coelho (the comedian Bob Hope’s former chauffeur), concurrently chaired the congressional Democrats’ campaign arm. There, he pioneered new corporate fundraising strategies in response to the liberalization of campaign finance regulations, the financial sector’s growth, and the increased political activism of once-sleepy Beltway trade associations. CPE’s executive director, Al From, coined the phrase “New Democrats” when he cofounded the centrist Democratic Leadership Council in 1985.

Compiling a pamphlet on economic policy which would be published in 1982 as *Rebuilding the Road to Opportunity* (usually called the “Yellow Book”), CPE looped in several policy entrepreneurs to advise on its work. Most notable were MIT economist Lester Thurow—who advocated for a federal industrial strategy in his book on America’s economic challenges, *The Zero-Sum Society* (1980)—as well as Robert Reich and Ira Magaziner, coauthors of a pro-industrial policy volume, *Minding America’s Business* (1982). CPE pronounced itself to be seeking “new ideas” and “bold approaches” to what one of its advisers called an economic “restructuring” away from “traditional” productive industries (e.g., steel and automaking) and toward the design and manufacture of high-tech goods.²⁰ Thurow delineated these as, respectively, “sunset” and “sunrise” sectors.

CPE’s mania for high tech led to one of the New Liberals’ most famous labels: “Atari Democrats.” Initially coined in jest by a Democratic aide, Chris Matthews, the term stuck: New Liberals such as Wirth and his Senate allies Hart, Bill Bradley, and Tsongas, who had risen from the House in 1978, approved. The term clearly evoked their fascination with technological innovation. Admiringly, the Republican-leaning *Wall Street Journal* hailed them as “growth Democrats.”⁴¹

It was around this time that Charles Peters's term "neoliberal" went mainstream. Peters's magazine, the *Washington Monthly*, galvanized its readership: rather like the Beltway version of the Velvet Underground's first album, not many people read it, but everyone who did became an Atari Democrat. In the winter of 1982, *Esquire*'s Randall Rothenberg profiled a coterie of these figures and labeled them "the neoliberal club." They included Peters himself, fellow *Monthly* writer (and former Carter speechwriter) James Fallows, Gephardt, Wirth, Hart, Bradley, Tsongas, governors including Dukakis and Babbitt, Thurow, and Reich. Rothenberg also roped in the prolific Wall Street financier Felix Rohatyn. These Democratic players, Rothenberg gushed, were "cool pragmatists," "technocratic in their interests," more interested in "the entrepreneurial spirit" than welfare programs. Bradley summed up their view of liberalism's great challenge: "traditional Democratic [economic] responses . . . had their origins in the Thirties" and were not suited to "the problems of the Eighties," especially competition from buoyant industrial economies like West Germany and Japan.⁴²

The paradox, as Wirth himself noted, was that many of his comrades' "new ideas" turned out not to be especially new after all: pursuing economic growth and targeted investment in shaping markets were really "classic Democratic ideas."⁴³ Rothenberg, who expanded his *Esquire* story into *The Neoliberals: Creating the New American Politics* (1984), admitted that his subjects' ideas were "a curious admixture of conservative and liberal." The former tended to be noneconomic proposals like compulsory national service (a longtime pet topic of Charlie Peters, later promoted heavily by Southern centrists), or vague skepticism of bureaucratic bloat. The latter, so-called liberal ideas, included "central economic planning."⁴⁴

This came to the fore when CPE published its economic program in the 1982 *Yellow Book*, coauthored by Wirth and Gephardt. The *Yellow Book* can reasonably be understood as the mission statement of the Atari Democrats (i.e., New Liberals), and its centerpiece was a new American industrial policy. CPE's program called for ambitious public investment in computing, pharmaceuticals, fiber-optic communications technology, electronics products and components, and data science, alongside "revitalization" of automaking and steel. No doubt jabbing at labor leaders, with whom they continued to have a fractious relationship, CPE gnomically called for "worker democracy" in the private sector. CPE's marquee proposal was for a new federal agency, the Economic Cooperation Council, which could coordinate economic development policies, set up subnational public-private developmental partnerships, and which

would include a bureau to “collect or develop first class economic data to identify markets and products, identify targeted foreign economic strategies, and uncover weaknesses in existing [U.S.] industries.”⁴⁵ CPE’s members and advisers were open about their inspiration: Japan. The Economic Cooperation Council was modeled on American analysts’ understanding of the Ministry of International Trade and Industry (MITI), a near-mythic government department that had sluiced Japan’s tech sector with subsidies and invested in upgrading the technology of the country’s auto industry. A *New York Times* editorial christened CPE’s proposed agency an American “MITI-Minus.”⁴⁶

New Liberals were not the only advocates of industrial policy, which enjoyed a florescence of interest among politicians and policy thinkers in the early 1980s. Ted Kennedy, an old-line liberal, convened a Senate group to study industrial policy (this did include New Liberal Bill Bradley). The AFL-CIO’s leadership endorsed the idea, advocating a national development bank for the auto and steel industries. But New Liberals in CPE and policy entrepreneurs like Reich, Thurow, and Magaziner drove much of the debate, and they masterminded a series of legislative proposals in 1982–84 (fated, of course, not to pass the gauntlet of a Republican Senate and White House).⁴⁷ CPE’s high-tech industrial policy and blueprints for public-private partnerships mirrored governing approaches taken by New Liberals such as Brown and Dukakis; inevitably, these efforts attracted the attention of other New Liberal-aligned governors such as Arkansas’s Bill Clinton. Even though the development bank idea was controversial to Wirth and Gephardt, a version of it was endorsed by Rohatyn, who described it as a new Reconstruction Finance Corporation (a Depression-era development agency).⁴⁸

The New Liberals’ industrial policy programs demonstrated their coalescence around a coherent policy vision. This vision, as CPE put it in a 1984 pamphlet, was about “moving beyond the myth of the free market.”⁴⁹ Though New Liberals were acutely aware of political pressure from President Reagan’s electorally empowered conservative movement, their policy agenda cannot be reduced to a sort of reaction or imitation. Rather, it was rooted in their own analysis of ongoing structural economic shifts. America’s productive economy was struggling, fiscal crises had battered state and municipal governments, and global competitors (principally Japan) looked set to overtake the U.S. economy. New Liberals conceived of their preferred industrial policies as the means to meet these challenges and, at the same time, renew the value proposition of liberalism.

This economic vision was one of “reindustrialization,” in the vogueish term of the era, rather than one of acquiescence to financialization and what New Liberal adviser Reich derided as “paper entrepreneurialism.”⁵⁰ Moreover, the New Liberals’ vision encompassed regional development. Reich proposed regional public investment banks for building high-tech firms beyond existing hubs in Silicon Valley and Massachusetts. Tsongas’s “High Tech Morrill Act” floated regional public-private-university R&D consortia; considering its higher-ed focus, this demonstrably melded New Liberals’ policy agenda with their professional-class interests.⁵¹ CPE recruited older-line congressional Democrats from struggling districts in Buffalo, New York, and Michigan’s Macomb County (home of the fabled “Reagan Democrats”) to help sell industrial policy as a path to reviving ancestral Democratic heartlands.

Would “reindustrialization” combined, in the short- to medium-term, with substantial construction jobs have supported a scale of employment comparable to that of America’s postwar industrial golden age?⁵² Recently, the Biden Administration’s spotty track record of boosting manufacturing employment through its industrial policy suggests that the original New Liberals might have overestimated how broad-based their “reindustrialization” agenda’s benefits could have been.⁵³ Granted, the contemporary comparison is inexact given increased automation, the intervening decades’ steep decline of manufacturing employment, and the fact that New Liberals in the 1980s wished to invest concurrently in strategic sectors of the “traditional” industrial economy.

In the end, it is impossible to erase these question marks over New Liberals’ formative policy agenda. But neither do they contradict a key insight: New Liberals crafted their policy agenda in the 1980s to recast activist, market-shaping and -managing liberal government. They did not emerge with an ideological project of repudiating Democratic government activism. Furthermore, this New Liberal policy agenda was rooted in an assessment of political economy: industrial decline eroded the foundations of the Democratic Party’s power. Addressing it was, therefore, essential. That the New Liberals appeared to realize this—that, in fact, their policy coalescence was predicated on it—makes the agenda’s collapse in the 1990s even more remarkable.

SLOUCHING TOWARD NEOLIBERALISM

The transformation of New Liberals' nascent industrial policy agenda into the Democratic Party's Clinton- to Obama-era policy settlement—neoliberalism-friendly economic policy entwined with meliorative, if occasionally restrained, social programs—came about for three reasons. First, from the early 1980s all the way through the first year of Clinton's presidency, New Liberals failed to build a popular political base for their agenda. Second, both geopolitical and economic conditions in the early-1990s occluded their chance to enact such policies. Third, related to each of these, New Liberals' own class transformation of the party proved a stumbling-block for their policy agenda. All three contain lessons for today's Democratic Party.

The first problem, indeed, resonates disconcertingly with Democrats' experience of the Biden administration. American voters were disinterested, when they were not outrightly hostile, to "Bidenomics," not least because the administration never crafted a coherent political strategy for its policy program. Similarly, in the 1980s, the New Liberals allowed industrial policy to remain an overwhelmingly elite preoccupation: the topic elicited breathless coverage in the *Harvard Business Review*, inspired dozens of highbrow books, and drew policymakers into thoughtful discussions in the well-appointed conference rooms of Beltway think tanks. But it never became a campaign issue. Anxiety over Japan owning the future was a genuinely popular phenomenon in 1980s America—in *Blade Runner* (1982), twenty-first-century Los Angeles is suffused with Japanese ads, language, and food—but interest in MITI was not.⁵⁴

Although it never became a popular political program, New Liberals continued to place industrial policy at the center of their policy vision throughout the 1980s. Pamphlets in 1984, 1986, and 1990 that succeeded the *Yellow Book* reiterated plans for an Economic Cooperation Council (eventually rechristened as the Council on Industrial Competitiveness).⁵⁵ Many New Liberals took steps to tie interest groups into their initiatives; for example, Jerry Brown, leaving office in 1983, secured Silicon Valley firms' financial backing for an industrial policy advocacy group that collaborated with Congressional politicians.

As the economy's shift away from productive industries and manufacturing employment continued, CPE cofounder Dick Gephardt suggested an alternative approach for liberal reformers: moving *back* toward a closer alliance with organized labor. Gephardt had once been a poster-boy for the New Liberals; in 1985, *Businessweek* mused that he

was poised to become “champion of the Yuppies.”⁵⁶ But in his 1988 presidential campaign, Gephardt paired New Liberal-friendly calls for “reindustrialization” with what the *Wall Street Journal* called a “strong populist message” about blue-collar jobs and hawkish trade policy.⁵⁷ Gephardt promised the United Food and Commercial Workers International Union that he would be a “tough president” who would “go to bat” to open markets for American-made products.⁵⁸

Gephardt’s campaign was not, however, simply an exercise in labor-liberal nostalgia. To be sure, proposals like the “Gephardt amendment”—which would have unilaterally compelled countries such as Japan to reduce their own trade surpluses with the United States—went beyond targeted aid to corporate interests such as semiconductor chipmakers.⁵⁹ But it misunderstands his relationship to the New Liberals to conclude, as a recent history of the 1988 election does, that Gephardt’s campaign simply assailed “conventional economic wisdom” while most party leaders took a “neoliberal perspective.”⁶⁰ Gephardt’s so-called populist campaign flowed from the same concern with industrial decline that first engendered the New Liberals’ political formation. His aggressive advocacy of “managed trade” represented a policy evolution from the New Liberal ferment: using the state’s market-shaping power to address international economic competition and industrial decline. The Missouri congressman’s most famous television ad, targeted toward blue-collar workers in Iowa and in Southern “Super Tuesday” states, evoked typical fears of East Asia by criticizing auto trade restrictions instituted by “the Koreans.”⁶¹

Gephardt, the former founding New Liberal, presciently sensed that the party’s emerging professional-class base did not form a clear electoral majority. Rather than merely harking back to postwar labor-liberalism, Gephardt sought in his 1988 campaign to recast New Liberal themes in a way that would appeal to traditionally Democratic lower-middle- and working-class voters in the Rustbelt and struggling parts of the South. His effort failed. And with scant interest, let alone a clear electoral mandate, from the broader electorate, industrial policy was unlikely to survive the vicissitudes of governing.

New Liberals’ chance for national government finally arrived in 1993 with Bill Clinton’s ascension to the presidency. Clinton’s 1992 campaign partly flowed from a New Liberal current that is well known today: the Democratic Leadership Council (DLC). Established in 1985 after Reagan’s landslide reelection by Gephardt and CPE executive director Al From, the DLC made an explicitly regional and demographic argument about the party’s future: the road to rebuilding a durable

Democratic majority ran through middle-class, “mainstream” voters in the South and Sunbelt. (Gephardt, a Missourian, was followed as DLC chairman by a Virginian, a Georgian, the Arkansan Clinton, and a Louisianan.) Though making more explicit appeals to “traditional” working-class voters than did rival New Liberals like Dukakis or Hart, the DLC essentially accepted the New Liberals’ professional-class recomposition of Democratic elites.

Several historical accounts of liberalism’s transformation focus, sometimes exclusively, on the DLC.⁶² Among liberalism’s critics on the party’s left wing, the DLC is synonymous with the New Liberals—and, therefore, with an ideological turn toward neoliberalism.⁶³ In fact, the DLC ought to be understood only as a specific variety of the New Liberal political formation. The DLC was a reaction by certain New Liberals against the political legacy of 1960s social movements. An early DLC board member put it bluntly at a postmortem on the 1984 Reagan landslide: “Blacks own the Democratic Party.”⁶⁴ All of the 1960s social movements, another DLC supporter later opined, “had a core of sense to them. But . . . feminism had gone to a point of gender-norming . . . the civil rights thing took a wrong turn.”⁶⁵ The 1984 presidential campaign of civil rights activist Jesse Jackson, who advocated a multiracial “Rainbow Coalition,” especially irritated DLC leaders. Jackson, in turn, responded to the DLC’s attacks by lambasting them as the “Southern White Boys Caucus.” Essentially, the DLC adapted old-line Democrats’ critiques of “New Politics” reformers from the 1960s and 1970s but accommodated them to the party’s ongoing class transformation. The DLC’s target, in other words, was cultural liberalism as a set of values and as a political aesthetic, but *not* the class formations which had underpinned “New Politics” liberal reform.

At heart, the DLC was more concerned with cultural politics than with substantive economic ideas. Its economic agenda was essentially spatchcocked together from CPE’s existing proposals and garnished with rhetorical morsels about “responsibility,” “winning in the world economy,” and “democratic capitalism.”⁶⁶ As a recent history of his presidency makes clear, Bill Clinton was far more useful to the DLC in enhancing its prestige than the organization was to Clinton in securing the 1992 presidential nomination.⁶⁷ Omnivorously engaged by the detail of social and economic policies, Clinton drew heavily on foundational New Liberal ideas of market-shaping public investment, economic restructuring, and global competition, both as Arkansas’s governor in the 1980s and during his 1992 campaign. Clinton’s campaign was

advised by Reich; that of his Democratic primary competitor, the fellow New Liberal Tsongas, by Thurow.

Clinton thus brought into power a Democratic Party undergoing class transformation, whose leadership was dominated by New Liberals, and which was seemingly prepared to enact ambitious economic reforms. Reich, now in Clinton's cabinet, advocated CPE-style investments in high-tech "reindustrialization," albeit stopping short of the old New Liberal coterie's "MITI-Minus," and in large-scale jobs training programs in the wake of the brutal 1990–91 recession.⁶⁸ Economic advisors such as Laura D. Tyson, formerly a researcher at the pro-industrial-policy Berkeley Roundtable on the International Economy, advocated aggressive "managed trade" with Japan to protect the U.S. auto industry and pry open an East Asian market for American-made technological goods.⁶⁹ Clinton and Reich's old friend Ira Magaziner was to oversee a healthcare reform initiative based on the concept of "managed competition," involving measures such as tighter regulation of insurance companies, subsidies to consumers, and a national spending cap.⁷⁰ Clinton's campaign, however, had focused more on populist-inflected themes such as a middle-class tax cut than on a grander agenda for reforming the U.S. political economy. At best, discrete components of the latter flashed across the slick surface of his well-oiled campaign. The lack of a clear mandate for the New Liberals' agenda, in other words, remained a looming political problem.

Clinton's grander vision, however, was more severely occluded by geopolitical and economic conditions. The Cold War's end during his campaign blew apart the remaining barriers to freer flows of capital; the animal spirits of financialized globalization soon rushed into this historical opening. Even more importantly in the immediate term, Japan's asset price bubble had burst in 1991. By 1994, it was clear to American policymakers that their ally's economy was undergoing broad, likely long-term stagnation. New Liberal elites' interest in a possible "Japanese economic model" now seemed eccentric.

If these geopolitical and global economic developments effaced the 1970s and 1980s program of industrial policy, changes in the domestic U.S. economy constrained other initiatives. Health care reform was partly moored to the support of blue-chip industrial firms, many with densely unionized workforces, such as IBM, Kodak, and the Big Three automakers. Such firms were no longer the American workforce's focal point. Fast-growing retail and service-sector employers had less incentive to support sweeping reform: containing Americans' health care costs was of less concern to employers who did not pay for employees'

healthcare.⁷¹ Arguably, New Liberals who devised a policy program in the 1980s misjudged postindustrial shifts underway in the American economy. In the 1990s, this shifting center of gravity in the economy helped bring the Clinton administration's plans down to earth. By the middle of his second year in office, Clinton had essentially retreated from the broader ambitions of New Liberal plans for a market-shaping and market-managing state.

Beyond the lack of a popular political base and the constraints of geopolitical and economic conditions, the collapse of New Liberals' more ambitious agenda can also be traced to their *own* class transformation of liberalism. Herein resides the most significant historical lesson for Democrats in navigating American politics from 2016 to 2024: the party's reorientation, set in motion from 1968 to 1993, delivered a political transformation but left the party with a static policy platform. These entwined outcomes were the consequences of the New Liberals' own decisions.

New Liberal political actors themselves emerged from the burgeoning professional class, and commonly worked in knowledge economy sectors. After their factional coalescence around industrial policy in the 1980s, however, these "new" Democrats focused more deliberately on building up suburbanites as a core Democratic constituency. "Suburbia," Congressman Bob Matsui of California told the *Wall Street Journal* during the 1988 election season, "is where the [electoral] battle will be fought well into the next century." The *Journal* reported that Democrats targeted both more affluent suburban areas, from the verdant enclaves of Greater Boston's Route 128 suburbs to Chicago's picturesque North Shore, and squarely middle-class, less college-educated suburbs such as Parma, Ohio, and Fremont, California.⁷² In that year's presidential election, Democrats' share of voters in the top-third of the income scale matched its historical peak of around 42.5 percent of the two-party vote, a proportion unseen since the 1960 and 1964 elections. This proportion rose in every subsequent presidential election, first reaching near-parity with the GOP's share in 2012. While increasing across every sector after 1984, Democrats won the votes of a majority of top earners in human services (e.g. healthcare, social services), arts, professional services, and scientific sectors in 1992. With occasional fluctuations, this trend has continued through to the present.⁷³ Indeed, Kamala Harris won households with an income higher than \$100,000, as well as those with incomes lower than \$30,000 (Donald Trump won everything in between).⁷⁴

Democrats performed reliably well among their traditional blue-collar white constituency during the 1990s and in their pre-2016 electoral victories, but the overarching trend is unmistakable. Aided by New Liberals' own electoral strategies and by party leaders' increased alignment around knowledge economy sectors, the Democratic Party's core voter base became increasingly college-educated, affluent, and suburban; certainly, in addition to African Americans, this category increasingly constituted the party's most *reliable* voters.

The problem was that this electoral base conflicted with New Liberals' foundational 1980s policy agenda. Given professional-class liberalism's 1960s and 1970s roots in disillusionment with the postwar liberal state, New Liberals were unsurprisingly reluctant to associate their policy proposals with "big government." Throughout the 1980s, New Liberals such as Hart, Wirth, and Dukakis had presaged Clinton's rhetoric by distancing themselves from a discredited liberal legacy and describing themselves as "post-New Deal" skeptics of an interventionist state. That they did so while crafting and, at the state level, implementing interventionist market-shaping policies introduced an irreconcilable tension into New Liberal politics.⁷⁵

These transforming class politics hastened New Liberals' subsidence in the mid-1990s into a policy settlement which balanced accommodation to the neoliberal economy with redistributionist policies. The first symbolic moment came during administration negotiations over the 1993 budget, when President Clinton chose to privilege deficit reduction (successfully designed to boost investor confidence) over public investment of the sort favored by Reich, largely aligning with the preferences of National Economic Council director Robert Rubin, a former Goldman Sachs arbitrageur and onetime fundraiser for Walter Mondale's 1984 presidential campaign.⁷⁶ Coupled with low interest rates, this uncorked a flow of financial liquidity that washed over Americans on every rung of the economic ladder in the 1990s. But it also consolidated the structural shift away from the productive economy.

The second symbolic moment came when the Clinton White House supported the passage of the North American Free Trade Agreement (NAFTA) in December 1993, going against the majority of congressional Democrats led, ironically, by former New Liberal Dick Gephardt. Critics invariably overstate the impact of NAFTA itself on U.S. manufacturing jobs, which was relatively modest.⁷⁷ But in political terms, NAFTA was decisive. Its passage indicated New Liberals' retreat from manufacturing-heavy constituencies especially in the South and Midwest. And the embrace of this post-Cold War model of free trade extinguished the

political viability of developmental public investment along the lines of New Liberals' original vision of industrial policy.

Ever since these lost opportunities in the early to mid-1990s, Democrats have struggled to articulate a clear policy vision beyond prudent, meliorative management of the neoliberal political economy. This difficulty was exacerbated by the party's class transformation: as voters beyond the professional-class base either became less reliable or, in the case of working-class, non-college-educated whites, started defecting entirely, it became difficult to build a durable majority resistant to the whipsaw of biennial national elections. Despite real fractures within the Republican Party's leadership and shifts in the party's base, Democrats have struggled to rebuild a reliable political coalition.

Barack Obama's presidency represented the apogee (and perhaps apotheosis) of professional-class liberalism. The Affordable Care Act (2010) constituted the greatest expansion of America's welfare state since the Great Society. It expanded Medicaid coverage to adults at higher income levels than the program initially allowed (a policy several Republican-governed states have steadfastly declined to implement) and grew enrollment in the Children's Health Insurance Program (CHIP), a growth in health coverage of around 16.6 million Americans between 2013 and the end of 2017. The Act's effects were considerable enough to have reduced income inequality.⁷⁸ At the same time, however, the Obama era failed to entrench the Democrats' 2008 and 2012 majorities. Even in its most successful manifestation, the party's policy settlement does not provide the basis for a durable majority and has not balanced the New Liberal professional-class base with retention or gains among lower-middle income voters.

DEMOCRATS CONFRONT THE POPULIST CHALLENGE

Democrats find themselves in a state of ideological disarray at the start of the second Trump Administration. But there is reason to believe talk of a Republican realignment may be overstated. Trump 2.0 is riven by political, social, and ideological contradictions far starker than those of the president's first term.⁷⁹ Some commentators have already suggested that 2024 might turn out to resemble 2004 more than 1980.⁸⁰ If correct, this provides an opening for Democrats: by reenergizing liberalism, they could recover from last year's electoral disaster far quicker than was the case in the 1980s. However, this also raises the stakes. In this scenario, Democrats cannot claim to be on the wrong side of history. They must

instead act fast, take agency, and genuinely work to reshape liberalism's political offering to the majority of American voters.

Democrats could commit to an agenda defined by moderate economic populism, cultural moderation, and effective governance. Such an agenda would not look altogether dissimilar to the 1992 Clinton campaign—although its outcomes must be different from the Clinton administration's retreat once in office.

Since November's rout, much ink has been spilled and podcast audio recorded about how Democrats' divergence from the cultural mainstream doomed them in the 2024 election. Obviously, Democrats are increasingly associated with a sort of humorless liberal elitism. The party clearly needs to embrace candidates in the cultural mainstream. In a *New York Times* interview two weeks after winning Arizona's Senate race, Democrat Ruben Gallego described his campaign as embracing "identity politics"—*working-class* Latino identity politics. "[U]se identity politics to connect," Gallego opined, "but . . . deliver an economic message at the end."⁸¹ Gallego—like other Democrats who prevailed in tight races, such as Wisconsin senator Tammy Baldwin and Ohio congresswoman Marcy Kaptur, or Nebraska's independent Senate candidate Dan Osborn who stunningly overperformed against a GOP incumbent—distanced himself from ultraliberal immigration policies and politically toxic anti-border-security rhetoric.

But Democrats would be letting themselves off far too easily if all they did was, as Michigan's Ivy League-educated, erstwhile CIA-operative Senator Elissa Slotkin put it in late-November, substitute the language of the "assembly line" for the argot of the "faculty lounge."⁸² Cultural moderation is necessary. But if it's the only lesson Democrats learn from the populist challenge, then it will prove a distraction. (Besides, since the days of the DLC, Democratic elites have actually *enjoyed* deprecating their most self-righteous progressive voters.) At the same time, simply talking about "kitchen table" issues is not enough. The critical imperative is far more complex: Democrats must learn to make government effective again.

MAKE GOVERNMENT EFFECTIVE AGAIN

Government in America has a long-term credibility problem. Public trust in the federal government to "do what is right" has broadly declined since the late 1960s; in 2024, only one in five Americans trusted Washington.⁸³ But this distrust does not seem to stem from antipathy toward the *idea* of activist government, which in principle polls well.

Large majorities of respondents tell pollsters that the federal government does too little to help lower- and middle-income Americans.⁸⁴ During the 2024 campaign, news media fawned over a TV ad in which Donald Trump claimed, “Kamala is for they/them.” But the ad’s more important line was its second: “I am for you.”

Democrats’ rout after the Biden administration’s remarkable legislative productivity appears to discredit what the president’s supporters conceived of as “deliverism.”⁸⁵ The real problem, however, was that the administration did not really deliver all that much. As *Politico* reported in December, more than \$40 billion for expanding broadband internet service “has yet to connect a single household.” A build-out of the nation’s electric vehicle (EV) infrastructure has built very little. Indeed, more than half of appropriated funds for the administration’s industrial policy, clean energy, and infrastructure projects has yet to reach agencies charged with actual implementation.⁸⁶ Vice President Harris comfortably won voters who pay very close attention to politics and policymaking. The great challenge she faced was that too few Americans saw the effects of the administration’s ambitious policymaking.

For the socially maladjusted plutocrats of “DOGE” who dream (and meme) about the destruction of the American state, making government “effective” or “efficient” means doing less. Democrats must reimagine “effectiveness” as making it easier for government to do *more*. Moreover, doing more must encompass fixes for lower- and middle-income Americans’ long-term cost of living crisis and not focus solely on the high-level developmentalism embraced under President Biden. This does not mean abandoning the industrial policy-style agenda Biden revived. Rather, making government effective again means translating this agenda into tangible gains while cultivating the more politically fruitful terrain of bread-and-butter economics.

Even as pandemic-induced inflation spiked, income gains outstripped price increases.⁸⁷ But Americans’ first experience of truly high inflation in decades underscored a long-term “affordability crisis” of critical social costs such as healthcare, childcare, and housing.⁸⁸ Consequently, Democrats would do well to embrace “YIMBYism”: a bonfire of restrictions on building houses for private developers coupled with turbocharged public construction of social housing, infrastructure, and manufacturing facilities. As the *Atlantic*’s Jerusalem Demsas persuasively argues, “community input” (itself an artifact of professional-class liberalism’s efflorescence in the 1960s and ’70s) and zoning regulations stymie development.⁸⁹ Access to affordable housing improves a wide range of outcomes from productivity to innovation to fertility rates. It is

notable that the cosponsors of Congress's YIMBY Act include many Democrats in purple districts such as Kansas's Sharice Davids, Ohio's Greg Landsman, and Michigan's Hillary Scholten. Representative Marie Gluesenkamp Perez, who represents a rural Washington district won by Trump, not only cosponsored the YIMBY Act but achieved a new level of public attention post-election for her crusade against allegedly restrictive food-preparation regulations in daycare facilities.⁹⁰

Furthermore, building housing as well as infrastructure would reverse growing impressions of public decay and disorder in deep-blue American cities such as New York, Chicago, and San Francisco (which, famously, trended more to the Right than swing states in 2024). Pennsylvania governor Josh Shapiro, a likely 2028 presidential contender and *bête noire* of the Online Left, first attracted national media notice for his speedy repair of an I-95 bridge collapse; in November 2024, he signed an executive order fast-tracking the permitting process for infrastructure projects.⁹¹ The prominent liberal commentator Ezra Klein describes such an agenda as a "liberalism that builds."⁹² The Right tends to monopolize languages of growth and government effectiveness without actually illuminating a pathway toward realizing such ideals. Democrats' key task in the wake of 2024 is to show how these ideals are best brought to fruition by ambitious, activist, and muscular liberal government.

Around childcare and healthcare costs, populist-Right intellectuals such as Oren Cass, an influence on Vice President J. D. Vance, signal a potential space for bipartisan collaboration, notwithstanding the fact that Vance's reformist faction is as yet a minority in the GOP coalition. But the greater tendency for Republicans to *talk* more about these cost of living issues affords Democrats the opportunity to embrace a moderate economic populist message that centers them, pointing to Republicans' lack of commitment to addressing such issues. Kamala Harris's proposal to expand Medicare to include homecare in 2024 showed that Democrats remain invested in these sorts of vital issues. Democrats' major electoral successes of the first Trump era, notably the 2018 midterms, were propelled by messaging around healthcare and kitchen-table concerns. But it is vital that the party makes this sort of tangible policy offering the center of their political communications—instead of allowing them to remain peripheral to a more reactive "resistance"-oriented message. Talking about these issue sets in straightforward language and de-emphasizing boutique concerns such as student-loan abolition—notably, successful Democratic governors like Shapiro and Tim Walz have abolished college-degree requirements for

public employees—are basic requirements for Democrats in the years ahead. But voters will only trust Democrats to address kitchen-table concerns if liberals forcefully demonstrate that they want to make government more effective.

WHERE NEXT FOR INDUSTRIAL POLICY?

The historical irony of President Biden's term was that Democrats seized an opportunity to rediscover the New Liberals' formative concern—industrial policy—and then failed to alchemize this into political gold. Does this mean that Democrats ought to abandon industrial policy in favor, once again, of prudently managing a neoliberal political economy? Some influential policy entrepreneurs such as Matthew Yglesias argue for this approach.

Advocates of revived industrial policy must grapple with 2024's revelation that American voters might prioritize low prices over low unemployment, accept an economy dominated by lower-paid service sector jobs rather than embrace long-term public investments with relatively few short-term gains. Yet it would be the height of fatalism for Democrats to respond to this by replicating the New Liberals' signal failure: the retreat from ambitions for a market-shaping state. Reinvigorating U.S. manufacturing, reestablishing technological leadership over China, and securing a fairer trade regime for American workers are goals that the post-1970s neoliberal political economy definitively proved itself incapable of achieving.

However, industrial policy's advocates may well have to accept that it will not be the *political* centerpiece of a renewed Democratic agenda, even if it remains—as hopefully it can—the long-term *policy* goal. How, then, to ensure that this does not replicate another, related, New Liberal failure, which was to never build a popular constituency for industrial policy? One answer could be a coherent effort to frame industrial policy investments as part of the moderately economic-populist approach to cost of living crises and kitchen-table issues: Democrats pledge to focus on addressing housing supply, while presenting industrial policy as a down-payment on extending immediate socioeconomic gains into the future. This simple notion underscores the extent to which Democrats' 2024 loss was seeded by President Biden's inept political communication (a stark contrast, again, with the administration's policy successes).

Though simple in conception, this rhetorical recasting of industrial policy will likely be difficult to effectuate, requiring highly skilled political communicators who evince a deep interest in complex econom-

ic issues and an ability to frame them in relation to lower- and middle-income Americans' lived experiences. It is highly possible that Democrats will not have the political space to "do both" (i.e., proximate cost of living fixes and long-term industrial policy-style investments) for several years to come. Yet the continued attenuation of middle-income manufacturing jobs, the escalation of climate crisis, and the threat of U.S.-China geopolitical and military tensions mean we cannot really afford to wait. This is why, once again, making government effective again is so crucial. If Democrats can make a persuasive case for unleashing nimble, activist, even entrepreneurial government – while highlighting blue states where government *is* getting things done, from Michigan and Pennsylvania to Minnesota and Colorado—then they will begin accruing the political capital for longer-term industrial policies.

THE FUTURE OF THE PROFESSIONAL-CLASS ELECTORATE

A Democratic agenda of moderate economic populism, cultural moderation, and effective governance would offer a clearer rejoinder to the false promises of Right-populism than either the policy stasis of the post-Cold War era or the frustrated experimentation of the Biden Presidency. Liberals are left to wonder, however, where their electoral future lies at the end of the party's decades-long demographic transformation. What 2024 demonstrated is that today's liberal electorate, the product of that post-1960s transformation, is *insufficient* for building a popular majority as long as Democrats' lower-to-middle-income vote share continues to decay. However, I would contend that moving beyond the professional-class liberal electorate that New Liberals built is a Right- and Left-populist fantasy.

In mid-2016, New York senator Chuck Schumer opined that "[f]or every blue-collar Democrat we lose in western Pennsylvania, we will pick up two moderate Republicans in the suburbs in Philadelphia, and you can repeat that in Ohio and Illinois and Wisconsin."⁹³ Schumer's comment became notorious, an indictment of liberalism's post-1960s political transformation. The electoral record since Schumer's remark has in fact proven complex. Elections in 2018 and 2022 suggest that Democrats' advantage with high-propensity voters furnishes the party with a potent base in off-year elections. The most impressive anti-Trump mobilization of our era arguably came not among the Left's mythical blue-collar majority-in-waiting, but among highly-educated suburban women: the electoral foundation of both the party in Congress and the state-level gains powering successful policy experimentation in

Colorado, Michigan, Minnesota, Pennsylvania, Illinois, and Wisconsin.⁹⁴ This new Democratic base's proven electoral value and down-ballot resilience is one reason why attempting simply to move beyond it would be a mistake.

The other reason is that, in contrast to similar voters in earlier decades, there are signs that professional-class liberals will now support a more expansive economic agenda. Democrats' affluent, highly-educated voters appear to be strongly supportive of more redistributive social policies.⁹⁵ Ballot initiative victories from deep-red Missouri's 2018 Medicaid expansion to Illinois's 2024 income-tax increase relied on suburban votes to offset opposition in less-affluent rural areas. Pitting redistribution against "predistribution" could well be a false dichotomy: if younger suburban Democrats are indeed willing to support wealth transfers, there is little reason to think they would oppose policies such as universal free pre-K that could also benefit them.

The 2018 midterms perhaps suggest the medium- to longer-term potential of professional-class liberalism. The changing nature of Democrats' suburban, professional-class constituency was captured in microcosm by the election of Lauren Underwood to represent the western Chicago suburbs of Illinois's fourteenth congressional district. Representing a suburban district that had voted red in 2016 as a highly-credentialed professional (she trained as a nurse at Johns Hopkins University), Underwood has made racial disparities in maternal health outcomes her signature policy issue in Congress, promising a sort of social democracy with intersectional characteristics.⁹⁶ Compiling an unequivocally liberal record while representing a district in the ninetieth wealth percentile, Underwood is an emblematic figure of Democrats' new economically liberal, professional-class constituency. Though it is understandable to make the case, as do perceptive commentators such as Michael Lind, that Democrats must pivot away from professional-class voters in order to craft a moderately populist economic agenda, I would argue this is mistaken. Rather, I believe that Democrats can advance the sort of agenda sketched above to begin winning back middle-income exurban and rural voters while maintaining the vast majority of their more affluent metropolitan electorate. Though the New Liberals' successful political transformation of their party destabilized it, professional-class liberals are themselves changing. There is reason to believe that this electorate will remain loyal—necessary but woefully insufficient—for rebuilding the broader coalition Democrats urgently need.

BEYOND 2024

Reconsidering the history of the New Liberals reveals how Democrats realigned from the party of the lunchpail to the party of Whole Foods. It may also provide some lessons for liberals as they embark on the journey toward renewal. It may seem perverse to suggest, but liberalism's transformation since the 1970s offers some salutary guidelines for today's Democratic Party. As Randall Rothenberg illustrated in *The Neoliberals*, the New Liberals were remarkably adept at building power as an intraparty faction. No Democratic faction or left-liberal political dispensation since has committed itself as methodically to developing institutions, executing a media strategy to build high-level influence, and cultivating members both among elected officeholders and within the public policy community. It is also necessary to recover the New Liberals' foundational assessment of their times. Critical accounts that impugn them as cross-partisan allies of the GOP conservative movement miss that their political project arose from an analysis of structural economic changes and postwar liberalism's concomitant political displacement.

To my mind, the 2024 election is not definitively a "realigning" election on the scale of 1932, nor even of the partial realignment of 1980. Democrats' relative resilience in down-ballot races in key swing states such as Wisconsin, Michigan, and Nevada, and their maintenance of a state-legislature majority in Pennsylvania despite its much-reddened federal election results militate against seeing 2024 as a tectonic shift. Rather, the result seems both conditional and a sort of culmination driven by post-pandemic inflation and representing the final proof that the Democratic Party's class transformation makes them highly electorally precarious. Democrats today can take some lessons from the New Liberals about how to build a high-level political project and devise a policy agenda. Then, they can learn from their predecessors' most fundamental mistake: any new policy agenda must not only address structural challenges, but also be firmly rooted in a popular political base.⁴

NOTES

¹ Walter Dean Burnham, *Critical Elections and the Mainsprings of American Politics* (New York: W. W. Norton, 1970); for a brilliantly persuasive reworking of the notion of "realignments" as structuring American politics, see: Timothy Shenk, *Realigners: Partisan Hacks, Political Visionaries, and the Struggle to Rule American Democracy* (New York: Farrar, Straus and Giroux, 2022).

- ² Steve Fraser and Gary Gerstle, eds., *The Rise and Fall of the New Deal Order, 1930–1980* (Princeton: Princeton University Press, 1989), x–xi.
- ³ Al From, *The New Democrats and the Return to Power* (New York: Macmillan, 2013).
- ⁴ Charles Peters, “A Neoliberal’s Manifesto,” *Washington Monthly* (May 1983): 8–18; Randall Rothenberg, *The Neoliberals: Creating the New American Politics* (New York: Simon & Schuster, 1984).
- ⁵ Brent Cebul and Lily Geismer, eds., *Mastery and Drift: Professional-Class Liberals Since the 1960s* (Chicago: University of Chicago Press, forthcoming 2025).
- ⁶ Jacob S. Hacker et al., “Bridging the Blue Divide: The Democrats’ New Metro Coalition and the Unexpected Prominence of Redistribution,” *Perspectives on Politics* 22 no. 3, 2024: 609–629.
- ⁷ Thomas Frank, *Listen, Liberal: Or, What Ever Happened to the Party of the People?* (New York: Metropolitan Books, 2016).
- ⁸ For synthetic histories of the period that adopt some version of this framing, see: Gary Gerstle, *The Rise and Fall of the Neoliberal Order: America and the World in the Free Market Era* (New York: Oxford University Press, 2022); Sean Wilentz, *The Age of Reagan: A History, 1974–2008* (New York: HarperCollins, 2008).
- ⁹ For a recent account that, while critical and de-emphasizing industrial policy, frames the New Liberals (or New Democrats) as offering a distinct political ethos rooted in liberalism’s history, see: Lily Geismer, *Left Behind: The Democrats’ Failed Attempt to Solve Inequality* (New York: PublicAffairs, 2022).
- ¹⁰ Brent Cebul, *Illusions of Progress: Business, Poverty, and Liberalism in the American Century* (Philadelphia: University of Pennsylvania Press, 2023); Robert Mason and Iwan Morgan, eds., *The Liberal Consensus Reconsidered: American Politics and Society in the Postwar Era* (Gainesville: University Press of Florida, 2017).
- ¹¹ This forms part of a broader argument in: Judith Stein, *Running Steel, Running America: Race, Economic Policy, and the Decline of Liberalism* (Chapel Hill: University of North Carolina Press, 1998).
- ¹² “Return to Reason on Trade,” *New York Times*, February 1, 1972, 36.
- ¹³ William Nordhaus, “Retrospective on the 1970s Productivity Slowdown,” Working Paper No. 10950, National Bureau of Economic Research (Cambridge, MA: 2004); for U.S. Bureau of Labor Statistics and industry output productivity figures, which show that manufacturing employment, peaked in 1979, just before the Volcker Shock precipitated a severe 1980–1982 recession, see Katelynn Harris, “Forty Years of Falling Manufacturing Employment,” *Beyond the Numbers: Employment and Unemployment* 9 no. 16, Bureau of Labor Statistics, U.S. Department of Labor, 2020.
- ¹⁴ Margaret O’Mara, *Cities of Knowledge: Cold War Science and the Search for the Next Silicon Valley* (Princeton: Princeton University Press, 2005).
- ¹⁵ David F. Labaree, “An Affair to Remember: America’s Brief Fling with the

University as a Public Good,” *Journal of Philosophy of Education* 50, no. 1 (2016): 20–36; here 28–30.

- ¹⁶ Obviously, the health care sector also encompasses a significant concentration of lower-paid, disproportionately female workers. By the twenty-first century, this segment of health care–sector employment was unionized at a broadly comparable rate to workers in most other parts of the private sector: in 2023, 8.3% of workers in healthcare support occupations were members of a union; see Table 1 in “Union Members — 2023,” January, 23 2024, Bureau of Labor Statistics, U.S. Department of Labor.
- ¹⁷ Sidney Blumenthal, *The Clinton Wars* (New York: Farrar, Straus & Giroux, 2003), 24.
- ¹⁸ William Marble, “What Explains Educational Realignment?: An Issue Voting Framework for Analyzing Electoral Coalitions,” SocArXiv, June 25 2024, 1.
- ¹⁹ Jeffrey Bloodworth, *Losing the Center: The Decline of American Liberalism, 1968–1992* (Lexington, KY: University Press of Kentucky, 2013), 16–18.
- ²⁰ Penn Kemble and Josh Muravchik, “The New Politics and the Democrats,” *Commentary*, December 1972.
- ²¹ Byron E. Shafer, *Quite Revolution: The Struggle for the Democratic Party and the Shaping of Post-Reform Politics* (New York: Russell Sage Foundation, 1983), 7, 530.
- ²² Alexander Barkan quoted in Otis L. Graham, Jr., “Liberalism After the Sixties: A Reconnaissance,” in *The Achievement of American Liberalism: The New Deal and Its Legacies*, ed. William H. Chafe (New York: Columbia University Press, 2003), 293–325; here, 305. Though they are easily caricatured as such, these reformers were not intrinsically “anti-party.” As political scientists Sam Rosenfeld and Daniel Schlozman have recently argued, reformers cultivated their own vision of active, institutionally healthy parties centered on issue groups and rising constituencies connected to feminist, environmental, and consumer rights movements. See: Sam Rosenfeld and Daniel Schlozman, *The Hollow Parties: The Many Pasts and Disordered Present of American Party Politics* (Princeton: Princeton University Press, 2024), 136–44.
- ²³ John A. Lawrence, *The Class of ’74: Congress after Watergate and the Roots of Partisanship* (Baltimore, MD: Johns Hopkins University Press, 2018).
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