The Real '80s : If You Think It Was Just a Decade of Greed, You Missed the Revolution
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One does not speak well of the 1980s in polite company. In right-thinking circles, the decade merits at best a grim shake of the head; we recall it without fondness as a period of orgiastic consumption presided over by a Claymation President bent on crushing the poor, engorging the rich and impoverishing future generations; a time of crooked financiers shuffling and reshuffling assets, of debt and deception and the selling of our birthright to the Japanese. Oddly, for all the sense of potlatch that goes with the era, we also think of the '80s as a deeply conservative time, a pathetic attempt to relive the '50s and return to an imaginary America that, despite the weight of our nostalgia for it, really never existed. Yet the strongest sense is one of sickening excess. The era's enduring images, for many of us, form a neat trinity: the windowless hulk of an empty factory, a shiny BMW driving past a bread line, and perhaps the funereal specter of financier Ivan Boesky--his black suit, gaunt face and elongated teeth giving him the cast of a carrion eater.

Fortunately, this is a cartoon.

Oh, there was greed, there was Ronald Reagan, there were crooked financiers in funny suits and bad toupees. But the truth is, they weren't as important as, say, the rise of the microchip or the increasing porousness of national borders. In fact, this image of the '80s as a kind of moral inferno is a dangerous one, and not just because it's distorted and false. It's dangerous because it could blind us to what is really important about the decade, which is that it was a time of enormous, even radical change.

What the changes had in common, mostly, was personal freedom, which increased in the '80s not just in this country but almost everywhere. Personal freedom in America had been expanding for years, but for most of the postwar era, freedom and equality had gone together. As opportunities opened up to more and more Americans, regardless of their religion or ethnicity or gender, the middle class grew, and the gap between rich and poor narrowed.

In the '80s, though, freedom and equality were in opposition, and equality was largely the loser. Having schooling or wit became vastly more lucrative than not having these things. Women who became lawyers married men who became physicians, while waitresses married deliverymen, further widening the gap between rich and poor. Those trends aren't likely to reverse themselves any time soon, and, as it turns out, the usual suspects deserve little of the blame.

What happened in the '80s has vast implications for our society. World markets are only likely to get freer. The rewards to intellectual capital are only likely to grow. In a global economy that pays for brains and enterprise, what can we do for those with only strong backs or steadiness to offer? What are the limits of personal freedom in a heterogeneous society? Can we survive the diminished sense of obligation that accompanies the unfettered movement of capital, people and goods?

The changes of the 1980s are still playing out. They are shaping the ‘90s and beyond in America, regardless of who is in the White House or what happens on Wall Street. Now that the period’s most cartoonish excesses have been swept away, there is good reason to look back at the decade for a peek at where we’re headed and how we ought to handle things once we get there.

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Much of what happened during the 1980s seems obvious. We saw the savings and loan industry immolate itself, the peace dividend disappearing in the flames of a burlesque Sun Belt Gotterdammerung. A jail-bound monomaniac named Michael Milken reinvented junk bonds. There was the corporate raiding, the widening gap between rich and poor, the actor in the White House whose schedule was often based on astrology. Men really did slick back their hair and wear yellow ties. On the global scene, communism collapsed, the Iron Curtain fell and democracy spread, not just in Eastern Europe but in Latin America and elsewhere. Free markets and greed--the greedy are always with us--killed the big bad oil cartel.

But there were a lot of other changes that crept over us slowly, changes whose importance was easier to miss.

In the ‘80s in America, personal computers became ubiquitous, ushering in the greatest revolution in information management since papyrus. With the adoption of a clever new “packet-switching” data-communications standard, the Internet was born, establishing the paradigm for an information network of such power and scope that, eventually, it will change the world in ways we can barely foresee.

The microchip revolution of the ‘80s has already helped to liberate ideas, capital and even work itself from the constraints of place. Today, companies needing documents keyed into computers can have the work done in the Caribbean or Ireland or Asia for a fraction of the cost, until finally that onerous task disappears altogether. Contract computer programming is a growing business in India, and Russian programmers are plying their skills from the Silicon Valley to Lyndhurst, N.J.

The microchip revolution penetrated the home in the ‘80s as well. In 1980, “Nintendo” was unknown in America. Ten years later, according to David Sheff, author of “Game Over,” a book about Nintendo, Super Mario was “more recognized by American children than Mickey Mouse.” Video games became so common in American households that in the early 1990s, Sheff reports, “Nintendo netted as much as all the American movie studios combined and profited more than any of them, and more than the three television networks combined.” More than Apple or IBM, it was Nintendo that brought computers to the American home and made the media interactive.

During the 1980s, in an unprecedented democratization of personal finance, middle-class Americans stopped being depositors and instead became investors, with a shot at the superior returns and diversification (not to mention the risk) once open only to the wealthy. About 40 million of us now have money in mutual funds, perhaps 10 times as many as in 1979, and by now fund assets exceed $2 trillion, which means that mutual funds will soon have more money than America’s banks.

In the ‘80s, perhaps 10 million immigrants, mostly Third World immigrants, colored our future, altered our labor markets and pushed salsa ahead of ketchup as the nation’s condiment of choice. America is now a country in which Muslims just may outnumber Episcopalians. Imported goods--another form of imported labor--also became hugely more important, and imported capital, for better or worse, became our lifeblood. Never before had the oceans that separate us from the rest of the world seemed so small.

Unfettered markets played a big role in this. Worldwide, governments eased their grip on domestic industries and got out of businesses they couldn’t possibly run. In this country, deregulated airlines carried more passengers more cheaply than ever before, and for all the attention paid to takeovers, the deal of the decade was the breakup of American Telephone & Telegraph, which opened the door to the telecommunications revolution occurring all around us. No single corporate transaction during the ‘80s comes close for far-reaching impact. (One example: Economist David R. Henderson has calculated that, “adjusted for inflation, the cost of a long-distance phone call fell by 47%" from 1980 to 1989.)

In the ‘80s, there was a revolution in our ability to manipulate our own biology, which was in keeping with the continuing revolution in individual rights and the expansion of personal freedom that predominated in this supposedly conservative decade. The first American test-tube baby was born in 1981; now more than 300 clinics offer in-vitro fertilization, and today mothers can bear their own grandchildren. Despite a supposed backlash against feminism, American women sharply narrowed the earnings gap, in comparison to the ‘60s or ‘70s, and came to outnumber men in law school. Gays increasingly became parents; there are now openly gay congressmen, professional athletes and members of the clergy.

In truth, the social revolution that began in the 1960s continued right through the 1980s, oblivious to who was in the White House. The American family continued to splinter, single parents became more common than ever and “community” came to imply “subculture.” There was the investment community, the lesbian community, the health-care community and the off-road-vehicle community; yet the more communities there were, the less community there seemed to be. The ‘80s weren’t selfish so much as they were self-absorbed. It’s no wonder we came to be haunted by the homeless, those refugees from a time when communities took care of people who couldn’t, or wouldn’t, take care of themselves. These spectral presences remind us that freedom, far from being free, can be so costly that it requires payment in a coin we haven’t minted yet, no matter how much money we may make.

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It was in the economy that so many of the changes of the ‘80s most clearly manifested themselves, yet no aspect of American life was more misunderstood. Many people think that America’s economy went into decline, that the only jobs available were as burger flippers and that American manufacturing withered. We sold our soul for imports. Government policy and greedy financiers were to blame.

What actually happened was much more complicated, but perhaps the most important thing to bear in mind is that it was no one's fault. Ignore all the finger-pointing. What happened was the result of historical and economic forces that no one could control.

To understand the inevitable transformation of the American economy that occurred during the '80s, we need to go back to 1979, when President Jimmy Carter ushered in the decade in the person of a tall, taciturn economist who smoked a cigar at his own Senate nomination hearings--Paul A. Volcker.

The son of a legendary, upright city manager who saved Teaneck, N.J., from financial ruin, Volcker grew up with thrift in his marrow, and when Carter turned to Volcker to head the Federal Reserve Board, he chose a nominal Democrat single-mindedly dedicated to slaying the beast of inflation. Volcker persuaded his fellow Fed governors to make a seemingly technical decision to change how the Fed tries to control the world's supply of dollars, adopting (and modifying) the ideas of the influential free-market economist Milton Friedman on this score. The result, very soon, was extremely tight money and staggeringly high interest rates--a prime rate of 21.5% in late 1980--which pushed the nation into the worst recession since the Great Depression.

America entered this recession, and embarked on the '80s, after years of slow productivity growth, its sclerotic large companies in many ways unprepared for modern challenges. Personal income had been stagnant since 1973, and throughout the 1970s, the rich got richer while the poor got poorer.

For a close-up of America's economic problems in those days, consider the tire industry. Once practically unchallenged in the domestic marketplace, America's tire makers were headed for a fall in the 1970s. The world had discovered that the radials pioneered by Michelin in France and Pirelli in Italy were far superior to the bias-ply tires that still prevailed here. Radials got better gas mileage, which made them increasingly *de rigueur* as original equipment after the 1973 oil shock, and they were more durable.

Yet America's tire industry seemed unable to adapt to the rapidly changing global environment. Most U.S. tire capacity, configured for producing bias-plies, was useless in the coming world of radials, and many U.S. operations were crammed into ancient and inefficient factories. Japanese cars, meanwhile, offering better quality and fuel efficiency, were pouring into the country. They came with Japanese tires.

A brutal shakeout was inevitable, and the recession of 1981 triggered it. In 1979 about 127,000 Americans worked in tire manufacturing. In 1983 the figure was just 94,000. Last year it averaged 81,300. Yet these 81,300 tire workers managed to produce a record 260 million tires. In fact, 36% fewer workers made 17% more tires.

They achieved not only quantity but also quality. The switch to radials meant tires that last two to four times as long, and that in most places obviate snow tires and chains (with help from the spread of front-wheel and four-wheel-drive vehicles). The National Highway Traffic Safety Administration, which grades tires on tread wear, temperature and traction, has found that while 100 was a typical tread-wear rating before radials, it's no longer uncommon to find tires rated above 500. Tires are scoring so high, says NHTSA engineer Nelson Gordy, that the agency is thinking of changing the rating system.

What happened? Prodded by international competition, the American tire industry was re-created in the ‘80s. Many venerable firms were sold to motivated European and Japanese buyers, who often paid top dollar to buy into the gigantic U.S. market and then backed up their purchases with large additional investments. Thus, Firestone Inc. was acquired for $2.6 billion in 1988 by Bridgestone Corp. of Japan, which invested another $1.5 billion modernizing Firestone factories. Just a year after the acquisition, Bridgestone built a $350-million state-of-the-art truck-tire plant in rural Warren County, Tenn. Pirelli, which bought Armstrong for $197 million in 1988, invested more than that in upgrading Armstrong facilities. Continental bought General Tire. Michelin bought Uniroyal-Goodrich.

Today Goodyear Tire & Rubber Co. is the last of the American tire giants (after escaping a British takeover attempt). But its main global competitors--Bridgestone-Firestone, Michelin and others--all have factories here. American tire-making long ago left Ohio--where Akron is living on quite nicely without it--but not for Taiwan or Guadalajara. Today the industry is centered in Oklahoma, Tennessee and North Carolina, at plants that are still almost entirely union. New Fords often come with Michelins, but new Toyotas often come with Goodyears.

In an era when many Americans imagine that U.S. manufacturing is on the wane, it may come as a surprise that this sort of thing wasn’t unique to the tire industry. Although 1.6 million U.S. manufacturing jobs, 8% of the total, were lost from 1979 to 1990, American manufacturing is stronger than it has been in two decades. In fact, manufacturing accounted for more of the national output in 1989 than in 1979. Better yet, U.S. manufacturing is strongest in the most profitable areas: not TV sets and VCRs, but business equipment and technology.

In the last half of the 1980s, for instance, steel output shot up, and American producers began to beat back imports. How? The Bureau of Labor Statistics in a May, 1994, study points to the rise of efficient new mini-mills, the restructuring of big old facilities into smaller, nimbler plants and the spread of advanced steelmaking technology. Productivity--output per hour worked--accelerated to an average annual gain of 3.5% from 1979 to 1991, after years of no gains at all.

For steelworkers, though, the new technology meant considerable suffering. It cut the average number of jobs in the industry by a stunning 6.1% annually from 1979 to 1992, and it raised the skill level of the jobs that remained. Improved furnaces, continuous casting, new finishing facilities and computerized controls all required more training, the government survey found. Yet, if we were to have any steel industry at all, staying with obsolete equipment and ways of doing things was not an option. Thus, what went wrong during the ‘80s was not the disappearance of 355,000 steelmaking jobs since 1973; that was inevitable. Where we failed was in not doing more for those whose jobs disappeared.

The economy did produce more jobs, a net increase of 19 million during the longest peacetime expansion since World War II. But the mark of this prosperity was its unevenness; the best-educated benefited most. Many of the new jobs paid poorly or lacked benefits such as health insurance. Women made strong gains, although they still were paid less than men, and many were forced into the workplace because their spouses earned less.

It's hard to overemphasize the role of the personal computer in why the '80s produced the winners and losers that they did. The IBM PC appeared in 1981. Apple and others were already making small computers, but the IBM imprimatur told corporate America that this was a business machine, not a toy. IBM made the unbelievably fateful decision to adopt an "open architecture," meaning that it would tell everyone how its personal computers worked so there would be plenty of add-on equpment, and thus IBM's type of computers became standard.

The effect was staggering. In 1979 there were fewer than 1 million personal computers being used in this country. The figure now probably exceeds 50 million, and computers are an integral part of a telecommunications system that also includes 10 million fax machines and 15 million cellular telephones. Worldwide, computers are now outselling automobiles.

Princeton economist Alan B. Krueger, who has studied the effects of computers on wages, finds that people who use a computer at work earn 10% to 15% more than those who don't. (To rule out genetic factors, he even studied twins in cases where one sibling had computer skills and the other didn't.) More remarkably, Krueger figures that "the proliferation of computers can account for between one-third and one-half of the increase in the rate of return to education" from 1984 to 1989. In other words, computers played a big role in the income-inequality drama.

Consider once again the tire industry, this time the fate of a single plant in Akron. Starting in 1916, Goodyear made tires in this great brick factory, its 12-story clock tower the keynote of the city's skyline just as Goodyear was the cornerstone of the city's economy. Generations of workers, some college educated but most not, brought home a healthy paycheck from the old place until it closed in 1978. Like so much of Akron's tire industry, it was obsolete.

Unlike so many other old plants, though, this one didn't end up shuttered. Goodyear instead invested $125 million to transform it into the company's flagship technical center. Now, nearly 1,000 engineers, scientists and others with advanced training work there designing and evaluating new tires. Goodyear has been using computer-aided design since the 1960s, but thanks to spectacular advances in computing power during the '80s, specialists at the tech center can test "virtual" tires, even using data that emulates the suspension of a specific automobile. Sophisticated what-if analyses are suddenly possible, and custom-designed new tires can be produced in vastly less time. But don't expect to walk into a job there with nothing but a high school diploma. Nowadays, practically everyone who works at the World War I-vintage facility has computer skills. Bill Egan, Goodyear's chief engineer of product design, says the building today has more computers than staff.

So U.S. manufacturing didn't die during the '80s; it merely adapted, and necessarily so. What about all the other articles of belief about the American economy during the decade?

Rapacious corporate raiders dismembered healthy companies and destroyed jobs and communities.

True, $1.3 trillion in corporate assets changed hands, and a lot of unpleasant people made a fortune in the process. But they did us all a favor by getting U.S. companies out of the conglomerate game, as managers recognized at last that in order to make money you actually need to know something about the business you're in. Accordingly, most of the takeovers were friendly. The threat of hostile takeover did help awaken complacent managements, and hostile takeovers helped redeploy assets more efficiently. But they didn't cost many jobs. A University of Chicago study of the hostile takeovers from 1984-86 found that only 2.5% of the workers at acquired companies were fired. That group was disproportionately white collar--folks whose unemployment rate is generally low--and total layoffs among those companies came to only 26,000.

Junk bonds and fraud brought on the savings-and-loan crisis.

The savings and loans collapsed because Uncle Sam, in an attempt to save a dying industry, deregulated how thrifts could invest and what interest they could pay without removing the federal guarantee of deposits. The taxpayers thus took on all the risk. More than 75% of the junk-bond exposure was concentrated in only 10 thrift institutions. On the other hand, junk bonds funded trailblazing companies such as MCI Communications and Turner Broadcasting. And they provided capital for aggressive newcomers to shake up slothful corporations. If you think junk bonds are discredited relics, consider that the face value of junk bonds issued in 1993 was far greater than in any year during their supposed heyday.

Social spending was cut to the bone during the '80s.

Actually, social spending grew. Housing subsidies for the poor, for instance, steadily increased under Presidents Ronald Reagan and George Bush. Welfare? It didn't keep pace with inflation but fell behind at a slower rate than in the '70s. Public education? Even allowing for inflation, spending per pupil rose 29% in the '80s. What changed is what we expect from the schools and the kids we send them. Today's schools must cope with more languages, more single-parent households, more TV and more permissive child-rearing. What changed, in other words, was us.

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At this point it's fair to ask, if the '80s are so widely misunderstood, why should this be so? Were not the machinations of Wall Street important? Was there no spirit of selfishness in the land? Didn't Reagan matter? The answer, of course, is yes on all counts. The Reagan Administration, in particular, left us with staggering deficits that would have been hard to imagine previously. Yet American governments in the '80s had little to do with the computer, communications, biotechnology, family and personal-rights revolutions that drove domestic change during the period.

The gap between rich and poor increased in most of the industrialized world during the '80s, although nowhere as much as in this country. The Reagan Administration did weaken trade unions and keep down the minimum wage. Federal tax policies also contributed. Yet by far the biggest factor in growing economic inequality was the ever-higher compensation paid for knowledge and the poor wages paid for physical labor, as opposed to the gains on stocks, bonds or real estate.

Why wages got more and more unequal isn't well understood; the most likely culprits include changing technology; an increasingly global economy in which goods, people and capital move more freely than ever, and changes in the work force. Even scholars such as Harvard's David M. Cutler, formerly with the President's Council of Economic Advisors, and Gary Burtless, at the Democratic-oriented Brookings Institution, acknowledge that this development would have arisen no matter who was President.

In California, for example, fruit and vegetable farming continued to expand during the '80s as America's appetite for fresh produce grew. Yet despite the increased demand for agricultural workers, inflation-adjusted wages fell 18% during the decade, according to Don Villarejo, executive director of the nonprofit California Institute for Rural Studies.

The United Farm Workers ascribes the wage fallback to the pro-management stance of the state Agricultural Labor Relations Board under former Gov. George Deukmejian. But an even bigger factor was the Mexican economic restructuring of the 1980s, which sent rural migrants pouring north into the fields of California. Villarejo and others say that the number of workers just increased too fast, driving down the price of labor. Philip L. Martin, an agricultural economist at UC Davis, says flatly, "The answer is illegal immigration adding to the supply of labor and changing the wage structure."

One primary reason that the '80s are the misunderstood decade is that the media and the intelligentsia are Democrats by affiliation and agnostic in their view of commerce. Capitalism--the word itself seems a kind of expletive in our mouths--makes us flinch. Its amoral nature, its emphasis on self-interest, its happy readiness to reward the unworthy, all make us squeamish. The corruption of men like Boesky and the outrageous pay of many corporate chieftains repel us. Among opinion makers, there is also a tendency toward guilt, perhaps as a result of a tenured niche funded by some merchant prince, or a consciousness that the life of the mind beats clawing out a living in a factory or office. Growth is regarded with intense suspicion, and thus the '80s, an era of growth, are suspect.

Much of this thinking reflects a distinct remove from purposeful wealth production. Writers and other opinion-makers pay more attention to government, or more precisely, politics, magnifying its importance through a distorting lens. Michael Walzer has observed that many intellectuals on the left believe "that if you get the politics right, the economics will follow." He wisely added that "this is a big mistake."

It would be just as great a mistake to cling to the notion that the '80s were a time dominated by some greedy "others." In fact, during the '80s we learned to accept a world in which America is more integrated into a global whole, and in which markets must be allowed to function if we are to have any hope of prosperity. We also learned, by and large, to get comfortable with our progress toward ever-greater individual freedom, whether that implies marriage between two men or boundless opportunities for moneymaking, for those so inclined.

What was really so bad about the ‘80s was an excess of personal freedom. In the ‘90s, we’ll have to recognize that the odd thing about freedom is how, at the extreme, it comes to resemble its opposite. Think of gridlock on the freeway: everybody free to drive but nobody able to move. The trick will be finding the courage to give up a little individual freedom so that all of us can be freer together--of the consequences of neglected children, for example. That is a tall order; the campaign season that just ended showed how adept our political system has become at telling us what we want to hear. What we don’t want to hear about, especially those of us who can afford it most, is sacrifice.