

Merry Christmas! (12/25/2024)

The GOP-caused fiscal disaster and government shutdown has been postponed until March, but in the meantime, House Republicans have laid out their vision for the future of America.

In a budget document they released last year, anticipating this very moment, the legislators proposed dramatic \$9 trillion cuts to Social Security, food stamps, aid to women and children, Medicare and Medicaid, along a new round of tax cuts for America's billionaires. Their argument is that we need to "balance the budget now!"

This is the classic Two Santas strategy that the GOP has been running ever since 1981. In addition to showing the hypocrisy and depravity of these politicians who are happy to live on the largesse of rightwing billionaires but see no benefit in feeding hungry children, it also shows that Jude Wanniski's grand plan, adopted by Reagan in 1981, is alive and well.

It's No Accident

It's no accident or coincidence that the threat of a failure to pay the nation's bills or fund an upcoming year constantly happens when Republicans control the House of Representatives.

You could even call it a conspiracy: there's an amazing backstory — with a unique name — here. And it all started with a guy named Jude Wanniski, who literally transformed Republican Party politics with a plan that the American mainstream media, astonishingly, continues to ignore.

Here's how it works, laid it out in simple summary:

To set up its foundation, Wanniski's "Two Santas" strategy dictates, when Republicans control the White House, they must spend money like a drunken Santa and cut taxes on the rich, all to intentionally run up the US debt as far and as fast as possible.

They started this during the Reagan presidency and tripled down on it during the presidencies of Bush and Trump with massive tax cuts for billionaires and increases in spending across-the-board.

Those massive tax cuts and that uncontrolled spending during four Republican presidencies produced three results:

1. They *stimulated the economy* with a sort of sugar high, making people think that the GOP can produce a good economy;
2. They *raised the national debt* dramatically (it's at \$36 trillion today, *all of which* tracks back to Reagan's, Bush Jr.'s, and Trump's massive tax cuts and Bush's two illegal off-the-books wars);
3. And they made people think that *Republicans are the "tax-cut Santa Clauses."*

Part 2

Then comes part two of the one-two punch: when a Democrat is in the White House, Republicans must scream about the national debt as loudly and frantically as possible, freaking out about how "our children will have to pay for it!" and "you must cut spending to solve the crisis!"

The "debt crisis," that is, that they themselves created with their massive tax cuts and wild spending.

Do whatever it takes, the “Two Santas” strategy goes. Tie up legislation, deny a quorum, filibuster, shut down the government, whatever.

Which is why, following Wanniski’s script, Republicans were squealing about the national debt and saying they will refuse to fund the government, possibly crashing the US economy on Biden’s watch.

And, once again, the media covered it as a “Debt Crisis!” rather than what it really is: a cynical political and media strategy devised by Republicans in the 1970s, fine-tuned in the 1980s, and since then rolled out every time a Democrat is in the White House.

Politically, it’s a brilliant strategy that was hatched by a fellow most people have never heard of: Jude Wanniski.

Republican strategist Wanniski first proposed his Two Santa Clauses strategy in *The Wall Street Journal* in 1974, after Richard Nixon resigned in disgrace and the future of the Republican Party was so dim that books and articles were widely suggesting the GOP was about to go the way of the Whigs.

There was genuine despair across the GOP, particularly when Jerry Ford couldn’t even beat an unknown peanut farmer from rural Georgia for the presidency.

Wanniski argued back then that Republicans weren’t losing so many elections just because of Nixon’s corruption, but mostly because the Democrats had been viewed since the New Deal of the 1930s as the “Santa Claus party.”

On the other hand, the GOP, he said, was widely seen as the “party of Scrooge” because ever since the 1930s they’d publicly opposed everything from Social Security and Medicare to unemployment insurance and food stamps.

The Democrats, he noted, had gotten to play Santa Claus for decades when they passed out Social Security and unemployment checks — both programs of FDR’s Democratic New Deal — as well as their “big government” projects like roads, bridges, schools, and highways that gave a healthy union paycheck to workers and made our country shine.

Even worse, Democrats kept raising taxes on businesses and rich people to pay for all that “free stuff” — and Democrats’ 91% top tax rates on the morbidly rich didn’t have any negative effect at all on working people (wages were steadily going up until the Reagan Revolution, in fact).

It all added, Wanniski theorized, to the public perception that the Democrats were the true party of Santa Claus, using taxes on the morbidly rich to fund programs for the poor and the working class.

Americans loved the Democrats back then. And every time Republicans railed against these programs, they lost elections.

Therefore, Wanniski concluded, the GOP had to become a Santa Claus party, too.

But because Republicans hated the idea of helping working people, they had to come up with a new way to convince average voters that the GOP, too, had the Santa spirit. But what?

“Tax cuts!” said Wanniski.

To make this work, the Republicans would first have to turn the classical world of economics — which had operated on a simple demand-driven equation for seven thousand years — on its head. (Everybody then understood that demand — “working-class wages” — drove economies because working people spent most of the money they earn in the marketplace, producing “demand” for factory-output goods and services.)

To lay the ground for Two Santa Clauses, in 1974 Wanniski invented a new phrase — “Supply-Side Economics” — and claimed the reason economies grew and became robust wasn’t because people had good union jobs and thus enough money to buy things (“demand”) but, instead, because business made things (“supply”) available for sale, thus tantalizing people to part with their money.

The more products (supply) there were in the stores, he said, the faster the economy would grow. And the more money we gave rich people and their corporations (via tax cuts) the more stuff (supply) they’d generously produce for us to think about buying.

At a glance, this 1981 move by the Reagan Republicans to cut taxes while increasing spending seems irrational, cynical, and counterproductive. It certainly defies classic understandings of economics. But when you consider Jude Wanniski's playbook, it makes complete sense.

To help, Arthur Laffer took that equation a step further with the famous "Laffer Curve" napkin scribble he shared with Dick Cheney and Don Rumsfeld over lunch. Not only was supply-side a rational concept, Laffer suggested, but as taxes went down, revenue to the government would magically go up!

Neither concept made any sense — and time and our \$36 trillion national debt have proven both to be colossal idiocies — but if Americans would buy into it all, they offered the Republican Party a way out of the wilderness.

Ronald Reagan was the first national Republican politician to fully embrace the Two Santa Clauses strategy.

He told the American people straight-out that if he could cut taxes on rich people and businesses, those "job creators" (then a newly invented Republican phrase) would use their extra money to "build new factories" so all that new stuff "supplying" the economy would produce faster economic growth.

George HW Bush — like most Republicans in 1980 who hadn't read Wanniski's piece in The Wall Street Journal — was initially horrified. Ronald Reagan was proposing "Voodoo Economics," said Bush in the primary campaign, and Wanniski's supply-side and Laffer's tax-cut theories would throw the nation into debt while producing nothing to benefit average Americans.

But Wanniski had done his homework, selling "Voodoo" supply-side economics to the wealthy elders and influencers of the Republican Party.

Democrats, Wanniski told the GOP, had been "Santa Clauses" since 1933 by giving people things. From union jobs to food stamps, new schools to Social Security, the American people loved the "toys" and "free stuff" the Democratic Santas brought every year, as well as the growing economy the increasing union wages and social programs produced in middle class hands.

But Republicans could stimulate the economy by throwing trillions at defense contractors, oil companies, and other fat-cat donor industries, Jude's theory went: spending could actually increase without negative repercussions because that money would "trickle down" to workers from the billionaires and corporate CEOs buying new yachts and building new mansions.

Plus, Republicans could be double Santa Clauses by cutting people's taxes!

For working people, the tax cuts would only be a small token — a few hundred dollars a year at the most — but Republicans would heavily market them to the media and in political advertising. And the tax cuts for the rich, which weren't to be discussed in public, would amount to trillions of dollars, part of which they knew would be recycled back to the GOP as campaign contributions from the morbidly rich beneficiaries of those tax cuts.

There was no way, Wanniski said, that the Democrats could ever win again.

Every time a Democrat was in the White House, they'd be forced into the role of Santa-killers if they acted responsibly by raising taxes; or, even better, they'd be machine-gunning Santa by cutting spending on their own social programs.

Either one would lose them elections, and if Republicans executed the strategy right, they could force Democrats to do both!

Reagan took the federal budget deficit from under a trillion dollars when he was elected in 1980 to almost three trillion by 1988, and back then a dollar could buy far more than it buys today.

Republicans embraced Wanniski's theory with such gusto that Presidents Reagan and George HW Bush ran up more debt in twelve years than every president in history up until that time — from George Washington to Jimmy Carter — combined.

Surely this would both "starve the beast" of the American government and force the Democrats to make the politically suicidal move of becoming deficit hawks.

Bill Clinton, the first Democrat they blindsided with Two Santas, had run on an FDR-like platform of a “New Covenant” with the American people that would strengthen the institutions of the New Deal, re-empower labor, and institute a national single-payer health care system.

A few weeks before his inauguration, however, Wanniski-insiders Alan Greenspan, Larry Summers, and Goldman Sachs co-chairman Robert Rubin famously sat Clinton down and told him the facts of life: Reagan and Bush had run up such a huge deficit that he was going to have to both raise taxes and cut the size of government programs for the working class and poor.

Clinton buckled under the threat of a government shutdown: he raised taxes, balanced the budget, and cut numerous social programs. He declared an “end to welfare as we know it” and, in his second inaugural address, an “end to the era of big government.”

Clinton shot Santa Claus, and the result was an explosion of Republican wins across the country as GOP politicians campaigned on a “Republican Santa” platform of supply-side tax cuts and pork-rich spending increases.

Democrats had controlled the House of Representatives in almost every single year since the Republican Great Depression of the 1930s, but with Newt Gingrich rigorously enforcing Wanniski’s Two Santa Clauses strategy with brutal threats to shut down the government, they finally took it over in the middle of Clinton’s presidency.

State after state turned red, and the Republican Party rose to take over, in less than a decade, every single lever of power in the federal government, from the Supreme Court to Congress to the White House.

Newt had done his job in the House of Representatives. Looking at the wreckage of the Democratic Party all around Clinton in 1999, Wanniski wrote a gloating memo that said, in part:

“We of course should be indebted to Art Laffer for all time for his Curve... But as the primary political theoretician of the supply-side camp, I began arguing for the ‘Two Santa Claus Theory’ in 1974. If the Democrats are going to play Santa Claus by promoting more spending, the Republicans can never beat them by promoting less spending. They have to promise tax cuts...”

Ed Crane, then-president of the Koch-funded Libertarian CATO Institute, noted in a memo that year:

“When Jack Kemp, Newt Gingrich, Vin Weber, Connie Mack and the rest discovered Jude Wanniski and Art Laffer, they thought they’d died and gone to heaven. In supply-side economics they found a philosophy that gave them a free pass out of the debate over the proper role of government. ... That’s why you rarely, if ever, heard Kemp or Gingrich call for spending cuts, much less the elimination of programs and departments.”

Two Santa Clauses had fully seized the GOP mainstream.

Never again would Republicans worry about the debt or deficit when they were in office; but they knew well how to scream hysterically about it and hook in the economically naïve media as soon as Democrats again took power.

When Jude Wanniski died, George Gilder celebrated the Reagan/Bush adoption of his Two Santas “Voodoo Economics” scheme — then still considered irrational by mainstream economists — in a Wall Street Journal eulogy:

“Unbound by zero-sum economics, Jude forged the golden gift of a profound and passionate argument that the establishments of the mold must finally give way to the powers of the mind. ... He audaciously defied all the Buffetteers of the trade gap, the moldy figs of the Phillips Curve, the chic traders in money and principle, even the stultifying pillows of the Nobel Prize.”

Republicans got what they wanted from Wanniski’s work. Using the “fiscal responsibility” argument — essentially Two Santas in drag — Republicans have forced two Democratic presidents, and tried to try to force a third, to gut-shoot the Democratic Santa established by FDR.

Using this strategy, Republicans held power for forty years, transferred over \$50 trillion from working class families into the money bins of the top one percent, and cut organized labor’s representation in the workplace from around a third of workers when Reagan came into office to around 8 percent of the non-governmental workforce today.

Think back to Ronald Reagan, who more than tripled the US debt from a mere \$800 billion to \$2.6 trillion in his 8 years. That spending produced a massive stimulus to the economy, and the biggest non-wartime increase in America's national debt in all of our history until Trump.

There was nary a peep from Republicans about that 218% increase in our debt; they were just fine with it and to this day claim Reagan presided over a "great" economy.

When five right-wingers on the Supreme Court gave the White House to George W. Bush in 2000, he immediately reverted to Wanniski's "Two Santa" strategy and again nearly doubled the national debt, adding several trillion in borrowed money to pay for his two tax cuts for billionaires, and tossing in two unfunded wars for good measure, which also added at least (long term) another \$8 trillion.

There was not a whisper about that debt from any high-profile in-the-know Republicans; in fact, Dick Cheney — who knew Wanniski personally — famously said, amplifying Wanniski's strategy:

"Reagan proved deficits don't matter. We won the midterms. This is our due."

Bush and Cheney's tax cuts for the rich raised the debt by 86% to over \$10 trillion (and additional trillions in war debt that wasn't be put on the books until Obama entered office, so it looked like it was his).

Then came Democratic President Barack Obama, and suddenly the GOP was hysterical about the debt again.

So much so that they convinced a sitting Democratic president to propose a cut to Social Security (the "chained CPI"). Obama nearly shot the Democrats' biggest Santa Claus, just like Wanniski predicted, until outrage from the Democratic base stopped him. And then we got the "sequester" out of it: a freeze on Democratic spending and political power along with automatic cuts to social programs if certain terms weren't adhered to. It was a successful hostage-taking exercise that is still largely in place.

Next, Donald Trump raised our national debt by over \$8 trillion, and the GOP funded the government without a peep every year for the first three years of his administration, and then suspended the debt ceiling altogether for 2020 (so, if Biden won, he'd have to justify raising the debt ceiling for 2 years' worth of deficits, making it even more politically painful).

And last Friday, Republicans again tried using the renewal of government funding for fiscal year 2025 to drop their Two Santas bomb right onto President Joe Biden's head. After all, it worked against Clinton and Obama and the media never caught on. Why wouldn't they use it again?

And if the GOP's failure to fund the government crashes the economy, all the better. Republicans can just blame Biden: it'll give Trump a great bragging point and make it easier for him and Congress to pass a new tax cut for billionaires!

Americans deserve to know how we've been manipulated, and by whom. Sadly, although I and others (it's even detailed on Wikipedia!) have been calling out Wanniski's scheme for decades, none of the national media have ever seriously examined this 40+ year GOP strategy.

Hopefully when they write obituaries for Trump's effort last week to raise the debt ceiling, and revisit this scam in March, Democratic politicians and our media will, finally, call the GOP out on Wanniski's and Reagan's Two Santa Clauses scam and let Americans know how they've been conned for over 40 years.

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