1986

Wall Street

The Wild, Wild East and the Reagan Money Culture

The magic of opportunity—unreserved,
unfailing, unrestrained—isn't this the calling that unites us?
RONALD REAGAN, STATE OF THE UNION ADDRESS, 1986

Ronald Reagan wanted to free Americans from big government's grip, to liberate America's capitalist spirit. By repeating his antistatist, procapitalist mantra obsessively, he made the Reagan boom a celebration of free enterprise, a vindication of his philosophy. Yet even while unleashing many Americans' inner capitalist, Reagan echoed America's traditional ambivalence about excess. He often affirmed "the great civilized truths—values of family, work, neighborhood, and religion."

Alas, with the president, as with the nation, consumerism's seductive force overran the rhetorical obeisance to morality or a traditional way of life. As a result, Reaganite values-talk often functioned as a posture, a noble façade that eased the mad rush toward materialism. In Reagan's America, most were not yet ready to yell "Show me the money"—as they would in Clinton's America, echoing a line from the 1996 Tom Cruise film *Jerry Maguire.* But Americans were sufficiently dazzled by dollars to chase after the gold, then ease their guilt with the occasional presidential sermon or a strategic securities-fraud prosecution. That ambivalence, that hypocrisy, would shape the national love-hate relationship with the nation's financial capital, Wall Street.

In the 1980s Wall Street was no longer a clubby bastion of well-bred, martini-drinking WASPs in gray-flannel suits. "I look for PSD degrees" when hiring, said Alan "Ace" Greenberg of Bear Stearns, "Poor, Smart, and a deep Desire to be rich." Wall Street was hopping, populated with high-flying, scotch-drinking, merger-making, bond-trading, super-rich cowboys. Red suspenders, power ties—bright yellow, of course—two-toned blue shirts with white collars—these fashion accents radiated confidence, authority, wealth, and clout. Wall Street had zip, glitz, pizzazz, and the power to make poor boys millionaires while ravaging billion-dollar companies. MBAs who once disdained investment banks as too buttoned-down in style and too fill-in-the-blanks in sensibility now begged for posts on the cutting edge of corporate finance.

"The investment banker was a breed apart, a member of a master race of deal makers," Michael Lewis would write in his 1989 Wall Street memoir, *Liar's Poker.* "He possessed a vast, almost unimaginable talent and ambition. . . . He had two little red sports cars yet wanted four. To get them, he was, for a man in a suit, surprisingly willing to cause trouble." Working at Salomon Brothers plunged Lewis into "a modern gold rush. Never before have so many unskilled twenty-four-year-olds made so much money in so little time as we did this decade in New York and London."

By 1986 another, less appealing, image rested beside the glamorized portrait of the Wall Street honcho. It was of the stock manipulator doing the "perp walk," slinking out of plush corporate offices in handcuffs, wincing at the pop-pop-pop of photographers, and sinking into a well-earned nightmare of publicity, trials, bankruptcy, and jail. Gorging on the details in their newspapers, Americans were fascinated by the lifestyles of the rich and now infamous, vicariously living the life these people were about to lose.

Five-hundred-dollar-an-hour pinstriped mouthpieces insisted that their clients were scapegoats, that the government was criminalizing innocent conversations and prosecuting people for being creative and successful. At the other extreme, in his exposé, *Den of Thieves,* James B. Stewart labeled the junk-bond scandals "the greatest criminal conspiracy the financial world has ever known." Stewart claimed the Wall

Street brigands destroyed blue-chip companies such as General Foods, looting and crippling stalwarts such as Union Carbide: "Thousands of workers lost their jobs, companies loaded up with debt to pay for the deals, profits were sacrificed to pay interest costs on the borrowings." Resurrecting the muckrakers' tradition from an earlier Gilded Age, coloring reportage with moral outrage, Stewart proclaimed: "Violations of the securities laws are not victimless crimes. . . . We are all victims."

The story of the new Gilded Age, the Greed Decade, was a classic American tale, reflecting the era but shaped by tropes echoing throughout American history. It would be celebrated in the aesthetic of the time—the gleaming chrome and glass multimillion-dollar skyscrapers Donald Trump and others built, the shimmering silvery sheen of a thousand-dollar Don Johnson *Miami Vice* suit, the shining steel surface and sharp curves of a $245 CD player, the alluring deep blue and lightweight design of $40 Calvin Klein jeans, the sparkling white Ralph Lauren sheets evoking just a hint of British aristocracy in average Americans' homes. It would be embedded in the ethics of the time—the go-for-it-with-gusto Reaganite ethos that enabled corporate CEOs to compensate themselves magnificently, encouraged Wall Street raiders to dismantle companies systematically, and emboldened millions of city dwellers to step over thousands of homeless fellow citizens silently. It would be denigrated in the literature of the time, with titles excoriating the *Predator's Ball,* the *Barbarians at the Gate,* the *Bonfire of the Vanities.* The rise of the Wall Street "Master of the Universe"—in Tom Wolfe's apt phrase—was rooted in corporate America's own restoration, after the 1970s' stagflation. The fall of the Wall Street shark—and many Americans' delight in watching Ivan Boesky or Michael Milken crash—was rooted in guilt, in an enduring American ambivalence about money and power.

Abundance has been a central theme in American history. For what the historian David Potter called "the people of plenty," the twentieth century certainly was the epoch of excess, the time when America became a prosperous, middle-class consumer society, and most could take their good fortune for granted. The economic historian Robert Fogel notes that in an earlier era, individuals worried about "food, clothing, and shelter, which used to constitute over 80 percent of the consumption of households. To be poor in the decades before World War I was to be deprived of these tangible essentials of life and to be vulnerable to disease and early death." The country became so wealthy that even "the poverty line" by 1980 was "at a level of real income that was attained a century ago only by those in the top 10 percent of the income distribution."

The 1980s was not the first prosperous decade, nor was Ronald Reagan the first presidential cheerleader for consumerism. Franklin D. Roosevelt's "fear of fear itself" warning and various New Deal initiatives including the National Recovery Administration sought to boost consumer confidence; three decades later, John and Jackie Kennedy set new standards for higher living at a time of growing prosperity. In the 1980s Americans were reaping the rewards of a forty-year post–World War II boom. Yet the cold war in the 1950s, the youth rebellion and new crime wave in the 1960s, the sixties hangover and inflation in the 1970s had distracted national attention away from most Americans' new world of wealth. Just as the Gilded Age became a moment to notice—and fear—many of the nineteenth century's miraculous transformations, the 1980s became a moment to confront forty years of boom times, a boom that shifted millions from working with their hands to working with their heads, from manhandling materials to manipulating symbols; a boom that shifted most people's struggle from ensuring physical survival to seeking emotional, spiritual, psychological, and moral well-being. These changes occurred—and would be played out—with a media that was more aggressive, hysterical, lifestyle-oriented, and self-conscious. As a result, many Americans in the 1980s would wake up with exaggerated perceptions of nevertheless extraordinary social revolutions, facing the realities of modern—or dare we call it postmodern—life.

The Greatest Expansion in History

By most indicators, it was an amazing recovery, "the greatest economic expansion in history," Reagan's economics guru Martin Anderson insisted. Inflation declined and job creation soared. Interest rates dropped and the stock market boomed. Sixty months of uninterrupted growth from 1982 to 1987 produced twenty trillion dollars of new wealth. More than seventeen million new jobs would emerge during Reagan's presidency, while European job growth stagnated. The new service economy's "stunning" triumph added "$8,000 billion worth of new technology, 16,000 new shopping malls and three billion square feet of new office space (nearly as much again as existed in 1980)," according to the *New York Times.*

Cheerleaders toasting this greatest spurt of employment growth in American history celebrated Reaganesque deliverance from Carterite doom and gloom. Inflation dipped from double digits to about 4 percent a year. Securities deregulation creating discounted brokers' fees propeled thousands of investors into the stock market; airline deregulation triggered fare wars and the development of no-frills air travel, with People's Express crisscrossing the continent for $99 each way. Declining prices also lured consumers into buying new technologies, such as Apple's magical MacIntosh computer, which debuted at $3,195 but within a year sold for $2,600, with $900 in additional hardware included.

"There's visible, palpable daily evidence of stability," President Reagan's first chief economic adviser, Murray Weidenbaum, boasted. "The housewife goes into the supermarket and finds the price of milk is the same as last week and the week before." After declining in the 1970s, real disposable income per person, the money remaining after taxes and inflation, rose by 2.5 percent in 1983, then 5.8 percent a year later. "Inflation's decline—though orchestrated by Paul Volcker's Federal Reserve—has been the greatest accomplishment of the Reagan years," *Newsweek*'s Robert Samuelson rejoiced in April 1986.

Just as high inflation had sapped the nation's morale, low inflation boosted it. Corporations and households benefited. Corporate investment in capital improvements jumped 20 percent in 1984 and as much as 10 percent the next year, accelerating modernization and especially computerization. The automobile industry invested $14.3 billion in new factories and high-tech equipment in 1985, nearly double 1979's $8.3 billion investment. Businesses allocated 72 percent of their investments toward new equipment in 1985, a respectable leap from the mid-1970s' 68 percent average.

Whodunit: Was It Reagan's Recovery?

Clearly, Reagan had earned the bragging rights for the boom. The rules of presidential credit and blame were clear. Regardless of the root causes or what happened in the rest of the world, just as it had been Carter's inflation, just as it would be Clinton's boom, it was first Reagan's recession, then the Reagan recovery.

Yet Reagan had to share the honors for defeating inflation with the Federal Reserve Board Chairman Paul Volcker, a Jimmy Carter appointee. In fact, Volcker's careful manipulation of the money supply tamed that beast. Even as the economy cooled, Volcker boldly maintained high interest rates between October 1982 and April 1984. Only then did he gradually lower the cost of money. While rates remained high, they were stable, allowing Americans to adjust and regain confidence. In response, the market improvised vehicles such as adjustable-rate mortgages offering lower initial rates than home mortgages, which reduced the average home loans. High interest rates on savings accounts also injected more money back into consumers' wallets.

Reagan's achievement in this realm was mostly negative—he let the Fed do its job. "President Reagan must have received lots of advice to take on the Fed himself," a grateful Volcker later recalled. Reagan's respect for "the independence of the Federal Reserve," fueled by his "strong visceral aversion to inflation" and his natural passivity, gave Volcker's novel approach time to work.

Reagan had a simpler explanation for the boom. "The magic of opportunity—unreserved, unfailing, unrestrained—isn't this the calling that unites us?" the president asked during his 1986 State of the Union address. "I believe our tax rate cuts for the people have done more to spur a spirit of risk-taking and help America's economy break free than any program since John Kennedy's tax cut almost a quarter century ago." Allen Sinai, chief economist at Shearson Lehman/American Express, agreed, crediting the Reagan tax cuts with pumping $300 billion back into private hands and $50 billion back to business, from 1983 to 1985.

Overlooking the regressive tax increases he signed in 1982, 1983, and 1984, hoping to foster his reputation as the great tax cutter whose efforts saved "a damsel in distress, a lass named Endless Economic

Growth," Reagan demanded tax reform legislation as the centerpiece of his second-term agenda. Calling for a "Second American Revolution," he envisioned a "tax system that at long last is pro-family, pro-jobs, pro-future, and pro-America." After a prolonged, complex battle, Reagan signed the Tax Reform Act on October 22, 1986.

The Reaganites took pride in the tax reform, with Reagan again hijacking liberal language to hail "the best antipoverty bill, the best pro-family measure and the best job-creation program ever to come out of the Congress of the United States." The tax bill reduced the top marginal tax rate on the wealthiest from 50 percent to 28 percent and simplified the tax code. Forced to compromise, Reagan closed many business loopholes and raised corporate taxes. Still, Reagan was able to satisfy supply-siders, corporate executives, and fed-up American taxpayers while boasting about eliminating much governmental "gobbledygook." Historians would note that by eliminating some of the tax system's most egregious anomalies, Reagan undermined his assault on the system's viability. Others would lament that Reagan's example addicted his conservative successors in the 1990s to throwing tax cuts at problems, paralleling the Democrats' 1960s' addiction to throwing money at problems.

The conventional wisdom pitted Volcker's monetarism against Reagan's tax cutting. Most economists believed that cutting taxes caused a supply-side expansion of the consumer's bank account, which fed inflation. A young Harvard economist, Jeffrey Sachs, solved the theoretical mystery by applying the insights of the Columbia University economist Robert Mundell. Mundell advocated limiting the dollar's circulation—tight money achieved through high interest rates—along with an expansionary fiscal policy pumping dollars into consumers' wallets through tax cuts and generous government benefits. As of March 1985 Sachs attributed Reagan's "outstanding macroeconomic performance" to "an ingenious marriage"—though probably unintended—of Volcker's "tight" monetary policy balancing out Reagan's expansionary tax cuts. Carter, typically, had done the opposite, offering loose money and tight fiscal policy, boosting inflation.

Beyond Reagan's supply-side tinkering and Volcker's monetarism, other factors checked inflation. Oil prices dropped. The labor movement suffered from the 1981–82 recession and Reagan's hostility, with the president's crushing of PATCO intimidating other unions. The dollar was surprisingly strong. And deregulation intensified competition and lowered prices in key industries such as aviation.

More enduring forces at work propeled the economy. In Japan, a country even more dependent on oil than the United States, the energy crisis had not triggered a great inflation. America's real crisis in the 1970s stemmed from major corporations that had grown too big, bureaucratic, and staid. The classic failure was the Big Three automobile manufacturers' response to the energy crisis. Ford, Chrysler, and General Motors still churned out gas-guzzling behemoths while Honda and Toyota adapted and prospered.

An Economy Fueled by Junk Bonds and Corporate Raiders?

Creative financing became increasingly important in reviving corporate America. "Junk bonds," low-rated, high-yielding issues for new but potentially very profitable ventures, or for underappreciated and thus underfunded companies, encouraged new entrepreneurs and energized the once sleepy bond market. Elaborate stock swaps, bridge loans, and somewhat risky junk bonds promising high payoffs tomorrow after selling off lucrative corporate assets today allowed lean, aggressive buccaneers to swallow up larger companies in leveraged buyouts, or LBOs.

Michael Milken, an intense, gawky Californian, was the junk-bond guru. Milken was one of those brilliant outsiders who in breaking into the Wall Street club transformed it. A workaholic who slept only three to four hours a night, when he was young and commuting from New Jersey he rode the bus so he could read financial statements rather than feel compelled to chat with colleagues on the train. Oblivious to social convention, on winter mornings he wore a miner's lamp strapped to a leather aviation cap to illuminate his papers during his two-hour predawn bus ride to lower Manhattan.

By 1985 the forty-year-old had moved his operation out to Beverly Hills so he could raise his two children with a nice backyard and good weather. He was earning $25 million a year and was reputed to be worth twenty times that, having pioneered a $125 billion market. The *Wall Street Journal* would pronounce Milken the most influential financier since J. P. Morgan.

In preaching the junk-bond gospel, Milken embraced the notion of capitalism as "creative"—and lucrative—destruction. Stagflation had left many companies' stocks undervalued. Milken believed he was performing a public service by providing access to new money while nurturing fledgling ventures. He railed against corporate fat that fed only corporate executives' egos. He criticized conglomerates for losing their focus and advocated selling off extraneous businesses to forge a flush, focused company. Critics called it cannibalizing the company's assets. Milken called it progress.

Milken sometimes suffered from the zealot's tunnel vision. His market gospel reduced everything to a financial transaction and ignored the subtleties essential to weaving a resilient social fabric. Obsessed with financial capital, he shortchanged human and social capital. Applying Wall Street's cold calculus to Main Street, he flirted with social heresy by saying, "It doesn't make sense to pay the mortgage." Mortgages were essentially leveraged buyouts, where "you put down $5,000 and get $100,000." So, if your house price "goes up, you make a fortune. If the price goes down, you just put up $5,000—what the hell, you got tax write-offs and you go home and walk." Such coarsening and commodifying of social obligations fed many fears regarding the entire junk-bond approach.

The junk-bond market relied on a few wealthy individual and institutional investors. That fact, combined with the corporate world's hostility, each deal's complexity, the media's skepticism, and the unfortunate, misleading moniker—for the bonds were more risky than junky—put a premium on salesmanship. In that spirit, Milken's white-shoe, 150-year-old firm, Drexel Burnham, hosted two thousand CEOs, investors, and corporate raiders annually. One money manager called the conference "a revival meeting." The journalist Connie Bruck would demonize this "Predator's Ball" in her 1988 best-seller.

By 1985 half a dozen deals for billion-dollar companies were in play in one week alone, and junk-bond "takeover buccaneers" like T. Boone

Pickens, Carl Icahn, and Sir James Goldsmith were terrifying corporate managers. An industry of takeover artists, and defenders, developed. Ivan Boesky, the son of Russian Jewish immigrants, peddled ice cream in Detroit when he was thirteen but later prospered by mastering the niche market of risk arbitrage—buying the stocks of companies being targeted, or at risk. By March 1986 Boesky had accumulated a fund of $880 million for betting on which companies might be raided and see their stock prices soar. Such sums were distorting. The *New York Times* would note that investment bankers and corporate executives, "who had been happy, making $500,000 or $1 million a year," began to feel "they were missing out. . . . A new mentality took over." The focus shifted to making the big score.

Raiders relished their roguish reputations. As the takeover craze intensified, the threat of a raid sometimes generated a big payoff from a skittish corporation. Raiders sought to buy stock in an undervalued asset, quietly. They could then make money as the bidding war for the company boosted stock prices; from winning the fight and restructuring, including selling off lucrative assets; or by scaring existing management into buying back the stock the raiders accumulated. Perhaps the king of the "greenmailers" was Saul Steinberg, a paunchy graduate of Milken's alma mater, the Wharton Business School. In his senior year at Wharton during the 1960s, Steinberg began a long-term computer leasing company, Leasco. In 1968, only twenty-nine, Steinberg used his Leasco stock to take over the Reliance Insurance Company, a 151-year-old corporation headquartered in Philadelphia. Based on the resulting fifty-million-dollar jump in Steinberg's net worth, *Forbes* declared him the U.S. citizen under thirty who made the most money independently that year.

By the 1980s Steinberg was one of the takeover kings, working closely with Milken and flush with Drexel's bonds. In 1984 Steinberg's threat to take over Walt Disney netted him as much as forty million dollars, and legendary status as the "greenmail king." By middecade Steinberg's company was worth ten billion dollars, and his third wife, Gayfryd, was trying to make him respectable.

The raiders' tactics, theatrics, and statistics fascinated Americans. Just as the army slang of World War II seeped into 1940s' America, and the argot of the movement seeped into 1960s' America, the shorthand of the Wall Street deal-makers seeped into 1980s' America. In the 1988 blockbuster movie *Die Hard,* Harry Ellis, a corporate executive held hostage by international terrorists, offers to help them track down John McClane, the Bruce Willis character fighting them. "Hey, business is business," Ellis says, reflecting Hollywood's caricature of Reaganite corporate ethics. "You use a gun, I use a fountain pen, what's the difference? To put it in my terms, you're here on a hostile takeover and you grab us for some greenmail but you didn't expect a poison pill was gonna be running around the building. Hans, bubbie, I'm your white knight."

The big payoffs enriching others, and Reagan's message to build America by earning and consuming, fed a get-rich-quick mentality. Hundreds of thousands of investors massed the market, welcomed by a 1975 Securities and Exchange Commission decision deregulating brokers' fees, now paying lower commissions to discount brokerages such as Charles Schwab. Schwab grew from a small office in the 1970s to a billion-dollar company with sixteen hundred employees working in ninety branches serving a million investors by middecade. "The little guy has come back,'' Perrin Long of Lipper Analytical Services rejoiced. "He's feeling good. He's greedy. And he knows that the only way to make money is to buy stocks.''

In fact, new waves of "little guys" were discovering all kinds of financial instruments. In 1986 sales of stock, bond, and income mutual funds exceeded $200 billion, nearly doubling the previous year's record of $114 billion. The total net assets of all funds jumped from $495 billion in 1985 to $730 billion a year later, a more than sevenfold increase in six years. In one of the decade's great runs, the legendary Peter Lynch managed Fidelity's Magellan Fund from a $20 million value in 1978 to a $14 billion value in 1990. America's largest fund company in the 1980s, Fidelity offered 157 money market, bond, and stock funds, accounting for $103 billion of the $937 billion mutual fund industry in 1989. Led by Edward "Ned" C. Johnson, III, the company functioned as one of the nation's first "superbanks." Fidelity pioneered in the use of toll-free 800 numbers, then computers, to link investors to their accounts, while also allowing customers to use credit cards and write checks on various accounts. Such immediacy and liquidity addicted many clients to their various funds—and their fund companies—shifting money back and forth, hoping to maximize their profits.

The rise of the raiders and the 24/7 traders, combined with the Reaganite deregulation, fed a Wild West sensibility in the corporate world. Revolutionary innovations emerged in technology with computers, in pharmaceuticals with microbiology. Inventors and investors, managers and stockholders felt more powerful, more creative, more valued than they had in decades. The result was mixed, with dramatic innovations along with some dramatic manipulations. Nevertheless, the many lucrative advances combining technological wizardry and sheer creativity thrilled the president. "Never has there been a more exciting time to be alive—a time of rousing wonder and heroic achievement," he gushed in his 1986 State of the Union address. "As they said in the film *Back to the Future,* 'Where we are going, we don't need roads.'"

An Age of Excess: The Rich People's Liberation Movement

The Wall Street riches and Reaganite triumphalism ushered in an age of excess. Amid rampant consumerism, celebrity worship, and media concentration, let alone mass participation in markets via mutual funds, discount brokerages, and pension plans, Wall Street rallies spurred a national spending spree. In March 1986, after stock values rose by four hundred billion dollars in six months, economists celebrated "the ripple effect" on consumption. *Newsweek* called it "Wall Street's Gift to Main Street." "Everyone's just in a good mood during a rally," a bartender working the 5:23 p.m. train from New York to Connecticut's golden suburbs rejoiced, "and the tips just get much, much bigger."

A revolution in taste, and in attitudes toward money, began at the top, then spread. In a dizzying spiral, as the rich got richer, definitions of what it meant to be rich got richer, thus pressuring the very rich and the almost rich to try to get richer. Meanwhile, further down the salary scale, the yearning to taste the "lifestyles of the rich and famous" increased.

For corporate leaders, salaries, bonuses, and buyouts increased exponentially. Top executive compensation jumped 11.1 percent in 1983, and another 15.6 percent in 1984, making the median package nearly eight hundred thousand dollars and million-dollar packages common. The Princeton economist and *New York Times* columnist Paul Krugman argues that CEO salaries mushroomed independent of the laws of supply and demand. The relatively modest salaries of the 1930s through the 1950s reflected the post–New Deal, mass middle-class society's norms. Executives feared public and stockholder outrage. In the 1980s, just "like the sexual revolution of the 1960s," a "relaxation of old strictures, a new permissiveness," encouraged this financial profligacy. Corporate executives began seeing themselves as entrepreneurs rather than managers, as superstars rather than team players. At the same time, faith in business leaders skyrocketed, with three-quarters of Americans surveyed in 1984 expressing confidence in business leaders' "ability to make real contributions to our society." Celebrities also cashed in—the comedienne Joan Rivers would earn ten million dollars over three years. Basketball's Michael Jordan would sign a twenty-five-million-dollar contract covering eight years. By the end of the decade the populist analyst Kevin Phillips would note "the meaninglessness of being a millionaire in an era with nearly a hundred thousand 'decamillionaires.'"

Even as *Forbes* launched its list of the richest Americans, the coverage emphasized spending big, not just earning big. Americans felt vicariously rich reading about these "working rich" who consumed as zealously as they earned. A genre of party profiles developed, describing soirees more suited to the Versailles of Louis XIV than the New York of Ed Koch. Certain parties became legendary for their excesses. There was the half-million-dollar bar mitzvah the New York real estate magnate Gerald Guterman threw, taking six hundred guests overnight on the *Queen Elizabeth II* cruise ship to celebrate his son's thirteenth birthday. There was the two-million-dollar wedding of Laura Steinberg, the daughter of Saul Steinberg, to Jonathan Tisch, whose father, the former Postmaster General Preston Robert Tisch, ran the Loews Corporation. A hot designer, Arnold Scaasi, designed the bridal gown and all the wedding party dresses. The cake cost seventeen thousand dollars, and the flowers, up to five hundred thousand.

Having thrown such a wedding for her stepdaughter, Gayfryd Steinberg, the "queen" of nouvelle society, felt compelled to throw a million-dollar fiftieth-birthday bash for her husband Saul at their beach house, at Quoge in the Hamptons. Acres of Oriental rugs carpeted the estate inside and outside so guests would not get their feet wet. Dancers in seventeenth-century dress mingled with guests who ogled at ten live tableaux of Old Masters paintings Steinberg owned. Shortly thereafter Malcolm Forbes outdid the Steinbergs with a two-million-dollar seventieth-birthday extravaganza for himself wherein he flew 750 guests to Tangiers.

While one of the 250 Steinberg guests sniped: "Wouldn't it have been better to give us a hot dog and a check for $10,000?" most indulged guilt-free. Look at Guterman's charities, the rabbi of the extravagant bar mitzvah dad said. "I'm sooooo tired of hearing from people who weren't invited saying how tacky this party was," the socialite and TV personality Barbara Howar snapped. "I don't want to make it a way of life, you know. I'm right there—with everybody else—stepping over people living in cardboard boxes on the street in New York. But the Steinbergs have taken the system and benefited. . . . And I don't know if they threw smaller parties, how that would help the life of a woman living in a box on the street."

This attitude reflected what the columnist Richard Cohen called "'The Rich People's Liberation Movement,' a joyous freedom from previous restraints." Cohen blamed the Reagans for such decadence. "It was Nancy Reagan who could not say 'no' to designer dresses and who partied with some of the same people," Cohen seethed. This abdication of a social conscience was antisocial. "The party spending of the Steinbergs et al. is a pie in the face to us all," he wrote. "It produces momentary blindness and then a shock of self-recognition—a sense that there is a bit of the Steinbergs in many of us."

Actually, most seemed more envious than outraged. Beyond Park Avenue, the relaxed social inhibitions about money and the shift in focus from middle-class modesty to upper-class excess exposed many children to money management and money making. In exposing "Greed on Sesame Street," *Newsweek* found five different organizations in 1987 running kiddie "investment" seminars and business boot camps. Proud graduates dreamed of becoming corporate raiders or getting involved with "heavy-duty arbitrage."

Children were also being swept into the consumer culture earlier. Market segmentation in media subjected impressionable youngsters to sophisticated advertising blitzes. A $25 billion children's fashion industry relied on targeted marketing, image-making, and surfing the right trends. In Los Angeles, the Tot Couture line offered "a black, washed-silk miniature bomber jacket that any mommy would love for herself" for $116. Nationwide, twenty-thousand-square-foot Kids "R" Us stores grew from 2 outlets in 1983 to 112 five years later.

In a land of $80,000 kitchens and $8 million Old Masters, clothing balanced democracy with aristocracy for young and old alike. Most Americans could afford overpriced $20 Ellesse cotton T-shirts with the right label, or even $214 silk FILA sweatsuits with the right look. In inner-city high schools, students judged each other by what they wore. "When you have on the most expensive brand everybody notices you," one fifteen-year-old explained. "If you can't afford it, you're left out. You're a nerd." "Kids want the name. They want that stamp of approval and that's what they get from buying a designer name," Monique Greenwood of *Children's Business,* a monthly trade journal, explained. You were not just what you wore. But, without much of an investment, every man, woman, and child could feel like a king or queen.

Missionaries of Materialism: Calvin Klein and Ralph Lauren

By the 1980s few Americans worried about the basics of food, shelter, or clothing. Many acquired new insecurities about their rations being nutritious or nouvelle enough, their homes being well decorated or big enough, and their outfits being flattering or fashionable enough. Many frittered away time and money managing these new insecurities of abundance, as others preyed on these worries—and profited. Two missionaries of this new materialism, whose sagas epitomized this age of excess, and whose visions helped define it, were Calvin Klein and Ralph Lauren. The two were born three years apart in the same lower-middle-class Bronx neighborhood off Mosholu Parkway, raised in the same immigrant Jewish milieu. The two designers would become household names wrapping Americans in fabrics and fragrances that seemed to convey status and shape individual identities. Temperamental artists, hard-nosed businessmen, brilliant marketers, shrewd mass psychologists, glamorous celebrities, spendthrift arrivistes, and flamboyant egomaniacs, the two naturally became bitter rivals. They also represented competing strains of eighties' consumerism.

The younger one, Calvin Klein, was born in 1942. He graduated from the Fashion Institute of Technology and started his own clothing company with his boyhood friend Barry Schwartz. By 1980, when he sold two hundred thousand pairs of overpriced "designer" jeans in a week thanks to Brooke Shields' alluring advertisements, Klein was a fashion powerhouse. Throughout the 1980s, as he turned men's underwear from functional boxer shorts to sexy briefs with his name adorning the elastic, as he turned a perfume into a national obsession, Calvin Klein imbued his products with a raw, nearly pornographic, sexuality. A 1986 *Vanity Fair* ad for his fragrance Obsession showed a tangle of smooth white limbs and flowing blonde hair that sent the imagination racing—while sending feminists and moralists to the barricades. Calvin Klein's successful advertising campaigns, oozing sexuality, pushed the boundaries of what was considered proper, developing a more sensual and graphic standard.

Calvin Klein also helped inject a gay sensibility into American popular culture. The $500,000 advertising campaign launching his three-for-$14.50 jockey shorts and $5.50-a-piece men's bikini briefs helped teach Americans how to objectify men in advertising as much as they had learned to objectify women. The homoerotic photographer Bruce Weber turned the buff Olympic pole vaulter Tom Hintinaus into one of the decade's most popular pinups—for women and men. The photograph showed off a beautiful bronzed body with rippling muscles, tanning, framed by the white of the background, and clad only in a gleaming white pair of Calvin's underwear. The underwear—and all it was supposed to be hiding—stood at the center of the photo, with

Hintinaus's two large hands resting suggestively close by on his thighs. The ad was hung most prominently on a forty-foot by fifty-foot billboard hovering over Times Square.

Calvin Klein lived the life he celebrated. He divorced his first wife, as success made him want to jettison his Bronx Jewish roots, eventually marrying a gorgeous, well-bred employee. Plunging into the hedonism of the times, he indulged his omnivorous sexuality. He became a denizen of Studio 54, of Fire Island, and of Key West, discoing through a dizzying array of one-night stands with young men, even as he dated women occasionally. "I've tried everything, knew no limits. . . . I stopped at nothing. . . . I would do *anything*. . . . I'll say that anything I've wanted to do, I've done," Klein would recall.

As he "partied all the time," Klein's life soon became the caricature of a 1980s' morality tale. Business reverses sent him seeking junk bonds at the Predator's Ball with Michael Milken. As friends died of AIDS and Klein dodged repeated rumors about his imminent demise, he first ignored the disease, then eventually supported the cause grudgingly. By decade's end, Calvin Klein made the requisite visit to detox, escorted by a poster-child of celebrity dysfunction, Liza Minnelli.

Just as Calvin Klein epitomized and exploited the good middle-class kid's desire to be bad and sample postsixties' American pleasures, Ralph Lauren epitomized and exploited the aspiring middle-class kid's desire to find acceptance in the upper echelons of America's theoretically class-free society. The worst-kept secret about Ralph Lauren, born in 1939, was his real name, Ralphie Lifshitz. This distinguished Jewish last name evoking generations of rabbis did not transfer smoothly to the New World, even in Lifshitz's heavily Jewish, post–World War II Bronx. Suggesting in English an anatomical impossibility, "the name was a problem," Lauren recalled. "Kids would laugh. In class, every time I got up it would make me sweat." Insisting that he was not hiding his roots, he said: "If my name was Bernstein, I never would have changed my name."

When he was nineteen, Ralphie Lifshitz and his brother took the last name "Lauren." In 1967, when he started his own line of wide, colorful ties, he sought another name to express his immigrant-kid-from-the-Bronx aspirations, "Polo." "A little cachet," he would recall. "Glamorous, international, and playboyish. Very suave characters went to polo matches."

As his company expanded, as he launched his distinctive sport shirt with the polo player logo in 1972, Ralph Lauren decided he was selling a lifestyle, an identity, not simply lucrative product lines. "I'm interested in longevity, timelessness, style—not fashion," he said. Ralph Lauren preferred tweed jackets, chino pants, and Shetland sweaters to more faddish clothes. He hijacked WASP symbols for the new money aristocrats and wannabes. This act of cultural grave robbery infuriated the real polo-playing set. "He cheapened things that were secrets," a Palm Beach preppie complained.

In the 1980s Ralph Lauren appealed to a public returning to traditional values, and to Americans anxious about their status. And as with Calvin Klein, lavish advertising campaigns and Bruce Weber photographs swept him upward, although Lauren ads evoked elegant British country houses rather than sleazy San Francisco bathhouses. In 1982, when Calvin Klein was planning to sexualize men's underwear, Ralph Lauren launched his line of classic home furnishings. "I became, like, a cult," he would say.

In April 1986 Lauren opened his flagship store in a five-story French Renaissance revival palace at Madison Avenue and 72nd Street. Built in 1898 for five hundred thousand dollars, then renovated for anywhere from fourteen million—Lauren's estimate—to thirty-five million—his staff's appraisal—the Rhinelander mansion plunked customers into Ralph Lauren's dream world. When showing the mansion to the former Bloomingdale's chairman Marvin Taub, Lauren stopped at the imposing wooden staircase. He looked at one of the forbidding pictures of a long-dead lord meant to reassure the consumer that you sometimes have to spend a lot to feel a little bit like an English country gentleman. "That," Ralph Lauren said, pointing to the aristocrat's face, "is Grandpa Lifshitz."

A few months later, on September 1, 1986, Ralph Lauren graced the cover of *Time.* "SELLING THAT SPORTY LOOK, POLO'S RALPH LAUREN" accompanied a photo of Lauren looking like the patrician fresh off the tennis court. His confident smile, his full head of white hair tousled just enough, his white knit sweater, with a colorful but classic two-tone collar creating an elegant boundary with his white shirt, demonstrated the warm, evocative, seemingly natural look achieved through great effort. This was the eighties everyone wanted, even as the cover's corner offered the sobering headline about the Russian nuclear accident: "CHERNOBYL—A STARTLING REPORT."

Ralph Lauren's inclusive, enveloping consumerist identity paved the way for lifestyle totalitarians such as Martha Stewart. His broad vision impressed the *New York Times* architecture critic Paul Goldberger, who deemed him the 1980s' true design symbol. "Lauren has become a kind of one-man Bauhaus, a producer of everything from fabrics to furniture to buildings, all of which taken together, form a composite, a fully designed life." The nesting and the questing helped define the decade, as did the astonishing degree to which achieving the Ralph Lauren look, or sticking to one's Calvin's, become so essential to customers' identities.

High Anxiety: A Most Anxious Boom

And yet, despite all the consumerism, despite the hype, Americans remained remarkably skittish during this boom. While partying intensely, many did not seem to be enjoying themselves as much as their grandparents supposedly had in the 1920s or their parents had in the 1950s. "The 1950s sense was, 'If I play by all the rules, I'll make it up the economic ladder rung by rung,'" one pollster noted. "Now," Americans were less sure. Overworked and isolated, 59 percent of Americans felt very stressed at least weekly, and 30 percent felt stressed daily. Mixed economic signals sparked political and ideological clashes, which in turn exacerbated social and cultural tensions, along with fears about the future.

Hysteria about the trade imbalance with "Japan, Inc.," and about the West Germans' ruthless efficiency, triggered a round of breast-beating. Americans dreading their country's decline made tomes such as Paul Kennedy's 1987 book *The Rise and Fall of the Great Powers* surprise best-sellers. Moreover, experts repeatedly warned that this "splendid, if implausible" boom was a mirage and that a big bust was looming.

The economy's enduring structural problems fed such skepticism. Democrats warned of a Mastercard bubble, a credit-card craze inflated by buying today and deferring payment to a distant tomorrow. With record defense spending of $2.1 trillion during the Reagan years, and David Stockman's inability to enact Draconian cuts, the budget deficit soared from $914.3 billion in 1980 to $2 trillion by 1986. Interest payments servicing the debt became the second largest federal budget item after defense. By 1984 the federal government spent 24 percent of the gross national product, and, thanks to the tax cuts, tax revenues covered only 19 percent of GNP. The government had to close the gap by issuing bonds, often sold to overseas investors—in 1986 Japanese investors purchased $93 billion in U.S. bonds. This flood of treasury bills elevated interest rates and depressed the dollar. The United States, the world's biggest creditor in 1980, became the world's biggest debtor, with a trade deficit beginning in 1983 and mushrooming thereafter. Interest payments averaged $20 billion yearly. One economist, Fred Bergsten, would joke, "We finally understand the true meaning of supply-side economics: foreigners supply most of the goods and all of the money."

Inevitably, as in the 1920s or any other boom time, there were "sick industries," losers not just winners. Many economic sectors had banked on inflation persisting and interest rates remaining high. Real-estate speculators, farmers, and rural bankers who expected land values to appreciate, corporations that expected revenues to continue to rise just because prices did, commodities brokers who assumed a never-ending cost-value spiral did not welcome inflation's end. Moreover, the pace of change in the American economy, with computerization, automation, or simply fickle tastes, inevitably left behind some corporations, industries, and workers. Even as millions of new jobs were created, unemployment hovered around 7 percent through 1986.

Furthermore, Reagan's tax cut, combined with Wall Street's speculative mania and the structural realities of a service economy, enriched the rich and widened the gap between America's wealthiest 1, 2, 5, 10, or 20 percent and the poorest corresponding percentages. Critics worried about a middle class doubly squeezed, with the wealthy monopolizing too high a percentage of the nation's assets while too many good jobs disappeared or went abroad. Democrats charged that too many of the new jobs were short-term, service-oriented jobs, rather than long-term, manufacturing jobs, especially as transportation and communication advances encouraged outsourcing work to nonunionized, Third World workers.

Homelessness: Economic, Cultural, or Political Epidemic?

The epidemic of homelessness illustrated these subtler, less visible, more abstract structural problems. Despite being Boomtown USA, New York had as many as forty thousand homeless people roaming its streets, a not-so-silent army suggesting the conservative failure to have enough wealth "trickle down" to the masses. Conservatives countered that homelessness testified to liberals' failure to cope with the mentally ill. Both were correct.

Homelessness assaulted city-dwellers' eyes, ears, and noses, while pricking some consciences and hardening many other hearts. Homelessness thrust daily proof of social dysfunction and governmental failure in urban Americans' faces; it also raised questions about how much citizens were willing to do for their fellow Americans. Government figures estimated there were about 250,000 homeless people by the mid-1980s; homeless advocates boosted the estimates to 2 to 3 million.

The scourge of homelessness in the 1980s proved the cliché about the road to hell being paved with good intentions. The downtown revitalization projects and yuppie gentrification projects that generated such enthusiasm among urban planners wiped out the housing stock of thousands of poor people. Bulldozers destroyed approximately one million rooms in "flophouses," called single-room occupancies, or SROs—nearly half the national total.

This housing shortage appeared at a time when drug and alcohol addiction was shattering thousands of lives and sending many broken individuals toward what was once called "skid row," while a mass movement to "deinstitutionalize" the mentally ill added even more demand for low-income housing. The rights revolution of the 1960s and blind faith in the latest social science theories during the 1970s moved thousands of mental patients out of hospitals, which had often been harsh and neglectful. Unfortunately, many ended up wandering the even meaner streets, constituting up to a third of the homeless population. Neighborhoods have been turned into "outdoor psychiatric wards," New York's Mayor Ed Koch seethed. To the extent that the government helped create the problem, it only exacerbated the sense of governmental impotence the homelessness issue evoked.

In fact, increasingly, refugees from Reaganism were joining the refugees from reality at homeless shelters. Reagan's safety net apparently had some holes. *The New Republic* quoted a Community Services Society study: "Something happens—a job is lost, unemployment benefits run out, creditors and banks move in to foreclose, eviction proceedings begin—and quite suddenly the respectable poor find themselves among the disreputable homeless."

The "in-your-face" homeless problem, which may have been limited to thousands, reflected a deeper, often hidden, problem of the white poor, as many as ten million people who did not fit the prevailing paradigms or stereotypes. "There is a poverty we make policy for, and there is the real poverty situation," said Charles Murray, author of *Losing Ground*. Murray blasted the "Mississippi fallacy," the tendency to treat all the poor as the same, as hillbillies living in ramshackle huts.

The homeless and the underclass tended to be the popular targets for welfare and for media profiles even though the two-parent families with one full-time worker and single-working-mother families were most often neglected—and at risk. Raising the maximum amount individuals could earn before being eligible for programs hurt the marginally poor—who often worked—rather than the very poor—who did not. The statistics were sobering. From 1981 to 1986, roughly five million Americans who had held their jobs for three years or more lost them after plant closings or layoffs. "ECONOMIC RECOVERY IS SEEN AS BYPASSING AT LEAST 10 MILLION," headlines screamed. An estimated 33.7 million people lived below the poverty line in 1984, including 11.5 million children. Surprisingly, 2.1 million people worked full time but still ended up below the poverty line, and 8.5 million people were unemployed. The numbers were staggering, and especially unconscionable amid such wealth.

The political debate clouded this important debate about poverty—and the other structural issues. Sheer partisanship mingled with sincere ideological differences and certain cultural anxieties. Conservatives focused on equality of opportunity; liberals, on equality of condition. Conservatives celebrated a flexible free-enterprise economy naturally evolving from manufacturing toward a "postindustrial" service society; liberals mourned the loss of a manufacturing base with the same pessimistic conservatism that had nineteenth-century populists mourning their farms. Michael Moore's 1989 documentary *Roger and Me* captured and fed liberal anxiety. Offering little context to balance out his melancholy shots of closed factories and displaced individuals, Moore detailed his attempts to confront the head of General Motors, Roger Smith, about the devastating GM downsizing in Flint, Michigan.

Amid this background, Ronald Reagan was a polarizing symbol. Too much of the debate became personal, revolving around individuals' take on Reagan or faith in his vision. For example, Reaganites dismissed concerns about the skewed distribution of wealth by pointing to the wealthier society overall, including the lower inflation, which improved everyone's lot; the jobs bonanza; and the average citizen's real spending increase of 10.3 percent by 1984. The Democratic senator from New York—and legendary public intellectual—Daniel Patrick Moynihan mourned that the wealth was too concentrated, that the riches of the Upper East Side did not "trickle down" to Harlem or the South Bronx, communities still reeling from "an Armageddonic collapse" (although even a partisan such as Paul Krugman, from the perspective of 2002, would acknowledge that Reagan-era disparities looked "positively egalitarian" compared to the gross inequities that emerged in Bill Clinton's 1990s).

Typically, partisans on each side overstated the case. Democrats did not understand that the "deindustrialization of America" predated and transcended Reagan. America was evolving toward an information-age economy. Democrats were also too protective of status quo, heavily unionized manufacturing jobs to appreciate that in Europe, where Democratic-style policies kept the economy addicted to highly paid unionized jobs, unemployment rates skyrocketed and the economy stagnated. Democrats tended to count the 351,000 "McJobs" the service economy created between 1983 and 1986, while ignoring the 3 million new, lucrative, often satisfying "professional-managerial" positions the Bureau of Labor Statistics recorded. Many economists pooh-poohed the Democratic worries about a nation of too many hamburger flippers and Wal-Mart clerks. One wag dismissed this fear of the service economy as "the 'real nations don't make quiche' argument." As for the deficit, the 1990s' boom eclipsed the 1980s' deficit. By 2001 Vice President Richard Cheney would declare that "Reagan proved deficits don't matter"—an overstatement in the twenty-first century, perhaps, but a fair historical assessment of the Reagan deficit.

For their part, Republicans did not acknowledge that while Americans were better off than they had been under Carter, there had been more job growth in the 1970s. Besides, many American families were doing better partially because so many women had entered the workforce. By May 1984 over half of all adult women worked.

Americans were working harder and longer while earning only a little more, on the whole. Republicans tended to discount the economic, political, and cultural impact of so much wealth being in the hands of so few. By 1989 the top 1 percent of households was worth more than the bottom 90 percent, meaning that 834,000 households worth nearly $6 trillion balanced 84 million households worth nearly $5 trillion. This disparity made the United States "the most economically stratified of the industrial nations." Paul Krugman argued that the growing inequality polarized partisans, with positions calcifying around nonnegotiable economic stances and ideological issues. The 1950s' more modest middle-class society, he argued, fostered a more moderate, compromising politics.

Many of these economic quarrels reflected deeper ideological tensions and social concerns. Just as the Reaganites buttressed their economic critique of "tax-and-spend" Democrats with a moral critique of the resulting permissive society, Reagan's critics reinforced their economics with civics. Senator Moynihan mourned the dissolution of ties of both community and conscience between rich and poor neighbors, as "The Affluent City retreats to ever more concentrated and defended enclaves." Enraged that the "pursuit of happiness has been reduced to the ruthless pursuit of money," the liberal journalist Sidney Blumenthal complained that both "hedonism and unbridled capitalism effectively repudiate[d] . . . the social contract." A slew of scandals on Wall Street and beyond would seemingly confirm this criticism, putting Reagan and Reaganites on the defensive.

Scandal

Surprisingly, at the start of the third century of their national experiment, Americans remained bedeviled by the Puritan legacy. The legacy was only partially the dour moralizing the great journalist H. L. Mencken satirized as the haunting fear that someone, somewhere, might be happy. Young Wall Streeters did seem unduly dazzled by the "Bright Lights" of the "Big City," and a genre developed of Jay McInerney and Brent Easton Ellis novels, then movies, which celebrated and condemned the sybaritic lifestyle of the baby boomers' younger siblings. Especially before AIDS consciousness equated sex with death, eighties' partying did seem particularly raucous, with scenes in clubs, dormitories, and basements of drug abuse, binge drinking, and promiscuous sex.

The Puritan legacy also fostered an ambivalence about making money, even if the money was used constructively. Tom Wolfe's best-selling *Bonfire of the Vanities* and Oliver Stone's Academy Award–winning *Wall Street* would offer Puritan-style jeremiads masquerading behind the entertaining structures of popular literature and cinema. The Puritans, who were not as dour as Americans now believed, struggled over the challenges prosperity presented. Wealth might be an indicator of God's grace, but it could lead individuals astray. To this Puritan ambivalence, the American Revolutionary republican ideology added the Greco-Roman obsession with virtue and Americans' own disdain for the foppish luxury of King George's British court. The result was a country filled with go-getters who were seized with remorse when the getting got really good.

The greatest booms in American history triggered bouts of despair, searches for salvation, and, on occasion, ritual sacrifices to calm the collective conscience. The Jacksonian boom of the 1830s fed a reform movement and a religious awakening. The post–Civil War railroad boom of the 1880s would be remembered as the "Great Barbecue" or the Gilded Age, when robber barons plundered.

If in the 1880s the robber barons sustained critical attack, some of their successors in the 1980s endured actual prosecution. The Wall Street insider-trading scandal, which exploded in 1986, served as an ageless morality tale. The central figure, Ivan Boesky, was an easily caricatured speculator whose shameless embrace of avarice tested credulity. "Greed is all right, by the way," he infamously declared in a commencement speech delivered to the Business School at, of all places, the University of California at Berkeley. "I want you to know that. I think greed is healthy. You can be greedy and still feel good about yourself."

Boesky was at the heart of a scandal that reflected the unprecedented scale of eighties' excess, from the three hundred telephones in his office, including three in his limousine, to his reputation as the ruthless "King of the Arbitragers" who lived on a $10 million, 160-acre Westchester estate. In keeping with the outsized sums of the billion-dollar deals from which he siphoned profits, Boesky's penalty would be record-breaking—he returned $50 million in illegitimate profits and added a $50 million fine. He remained with a spare $100 million nevertheless.

The scandal first broke in May 1986, when a thirty-three-year-old mergers specialist for Drexel Burnham, Dennis Levine, was arrested for earning $12.6 million from insider tips in fifty-four separate deals. Analysts had been warning for a while that White-Collar Crime was Booming-Again, as one 1985 headline read. After Levine's arrest in May 1986, led in November 1986 to Boesky's downfall, the doubts metastasized. Levine and others told Boesky when their firms were preparing corporations for mergers or acquisitions, thus allowing Boesky to emerge as a "genius" by buying the companies' stocks before their big surge. For example, Boesky purchased 377,000 Nabisco shares before the food king's takeover battle went public, earning a $4 million profit days later. Boesky confirmed the public fear that the takeover game was a form of corporate highway robbery, and that the sums involved corrupted even good people. Boesky, as a "creature of Wall Street," is "part of a larger drama of our time," the *New York Times* suggested:

"the inefficiencies of corporate America, the transformation of Wall Street, the ascent of the Reagan Administration and its exaltation of the free-swinging entrepreneur," the "takeover frenzy" itself. By 1987, 70 percent of Americans surveyed worried about corporate ethics.

In a hortatory media environment, there was a mad rush to use the scandal to attack various pet peeves. Some lamented the pressure to make a buck, forcing everything to become "faster paced. You have to throw your elbows. You have to cut corners. If you break the law, you smile at the cops." Others, ranging from Harvard's liberal economist John Kenneth Galbraith to the chairman of General Motors, Roger Smith, attacked the whole takeover culture. Business, Smith said, is "more than a money game. It's the art of producing quality goods and services."

As part of his plea bargain, Boesky exposed other coconspirators. Drexel Burnham and Michael Milken were soon in prosecutor Rudy Giuliani's crosshairs. By the end of the decade, Boesky, Milken, and the millionaire tax evader Leona Helmsley would become poster-children for the avarice that overwhelmed America. The demise of the "greed is good" trio would enable Americans to feel virtuous even as they sought to profit as much as they could.

The Moral Crisis Beyond Wall Street, High and Low

That summer and fall of 1986 a parallel scandal extended the moral crisis from the Wall Street towers where the money was earned to the Upper East Side condominiums where the money was spent. Robert Chambers, Jr., the "Preppie Killer," was a fresh-faced, prep school graduate, indistinguishable from many young Boeskys-to-be working "on the Street." He came to epitomize the other side of the tattered social contract, the debilitating effects of hedonism, materialism, careerism, and the divorce epidemic on family life and private behavior. Chambers strangled his eighteen-year-old lover Jennifer Levin and left her body, with her bra pulled tightly around her neck, just behind the Metropolitan Museum of Art. His defense—that he, 6-foot-4, 220 pounds, accidentally choked the 120-pound woman during "rough sex" when she grabbed him too hard—guaranteed tabloid attention at a time when the media was becoming bolder in reporting sexual intimacies. That Levin was an errant child of the upper class, a refugee from a broken home, boozing at bars till dawn, rotating partners for romps in the bushes behind New York's cultural institutions, invited the orgy of breast-beating essential for feeding a great scandal.

While surrounded by many things, many American children were growing up deprived of many moorings. Modern Americans' "radical individualism," the sociologist Robert Bellah and his colleagues explained, created a largely "negative" process of "giving birth to oneself" by "breaking free from family, community, and inherited ideas." The result was a nation of searchers, filled with people hoping to "find themselves." But "[s]eparated from family, religion, and calling as sources of authority, duty, and moral example," Americans were no longer sure what kind of happiness they even wanted to pursue. The confusion caused much individual misery and social dysfunction amid great comfort and unprecedented freedoms.

Like consumerism itself, this problem of modern American's "spiritual estrangement" had a decades-long pedigree. The twentieth century was a centrifugal century, with urbanization, individuation, automation, media and communication, mobility and transportation, prosperity, and the rights revolution subverting individuals' ties with their families, their communities, the nation. Many, including Reagan, feared that the 1960s accelerated these processes so much as to threaten the character of the country.

Launching his campaign in 1979, Reagan acknowledged Americans' "hunger for a spiritual revival to feel once again as they felt years ago about this nation of ours." Time traveling films—destination 1950s—such as the *Back to the Future* series, which Reagan invoked in his 1986 State of the Union address, and Francis Ford Coppola's 1986 hit *Peggy Sue Got Married,* evoked these supposedly simpler times. Critics such as the family historian Stephanie Coonitz would grumble about this "nostalgia trap" weaving a fantasy about "the way we wish we were." The "traditional family," she insisted, is "an ahistorical amalgam of structures, values, and behaviors that never coexisted in the same time and place."

Another perspective on this problem, from a lower socioeconomic vantage point, came in 1987 when the independent movie *River's Edge* attracted more viewers than expected while generating anguished debates about the quality of American life. The movie, starring Keanu Reeves, Dennis Hopper, and Crispin Glover, recalled a 1981 incident in Milpitas, California. A sixteen-year-old boy killed his fourteen-year-old girlfriend, and their friends came to gawk at "the body in the hills" for two days before anyone called the police. The movie showed the aimless moral vacuum too many young Americans called home life. Parents had abdicated authority. Life was lived through a haze of marijuana smoke and cheap beer. Random sex was one of many indicators of the joyless partying and attenuated connections that emerged in a world with few rules, little structure, and no purpose. In the film's most quoted line, one teenage girl says, after viewing her dead friend's body: "I cried when that guy died in *Brian's Song* [a made-for-TV cancer tear-jerker]. You'd think I'd at least be able to cry for someone I hung around with."

The movie blamed the selfish, impotent parents for helping to raise "monsters." At one point the Keanu Reeves character—who at least reports the crime to the police, although without any explanation or emotion—asks his distracted, overworked single mother about his pot-smoking, gun-toting twelve-year-old brother: "Why do you let him hang around with those worthless friends?" "Why do I let him?" the mother shrieks. "What am I going to do?"

The question was not just "where our children were" at all hours of the night, the essayist Barbara Lazear Ascher lamented in the *New York Times* after the Levin murder. "The mystery was that children weren't wondering where their parents were. Perhaps they'd grown accustomed to the absence." This absence went beyond divorce or two-career families. "The abandonment was . . . emotional, spiritual and complete. . . . Parents wanted pals, not dependents. . . . They wanted to talk contraception, not character. If they wanted to talk at all."

These themes resonated in novels such as Bobbie Ann Mason's *In Country,* which would be produced as a 1989 movie starring Bruce Willis and Emily Lloyd. In the book, the teenaged protagonist searches for roots and anchors in a media-inundated throwaway society where quotations from *M*A*S*H* have replaced the Bible as words of wisdom. "You never told me anything," Sam tells her mother. The mother who has moved away from her daughter, the town, and her past utters a wonderfully eighties' ode to selfishness and the amnesia of the moment: "I think I deserve a little happiness now."

For all the nostalgic rhetoric, Reaganesque libertarianism and materialism became particularly toxic when combined with 1960s' antiauthoritarianism and antitraditionalism. This resulting radical individualism fed the sense of social, moral, and communal crisis amid all the talk of national restoration. Reagan could conjure up warm, fuzzy national feelings, but his vision remained more individual than communal.

During one of his presidency's most searing moments, when the space shuttle *Challenger* exploded on January 28, 1986, killing all seven crew members including the teacher-astronaut Christa McAuliffe, Reagan's eloquent speech reassured Americans. Yet his choice of words was instructive. In 1962 John F. Kennedy dreamed about a man on the moon continuing the quest for scientific knowledge. When George W. Bush in 2003 would eulogize the shuttle *Columbia* astronauts, he would combine nationalism and theology, praising their "idealism," and soothing with Isaiah's words that "Because of His great power and mighty strength, not one of them is missing." Reagan's speech was more individualistic, focusing on the astronauts as explorers, hailing their "daring" and "dedication."

Nevertheless, as a midwesterner with populist instincts, and as a conservative with a reputation for moralism, Ronald Reagan kept his distance from the New York scandals. Even his harshest critics never accused him of financial chicanery. He was vulnerable, especially with his wife Nancy, to charges of insensitivity, not knavery. The consumer crusader Ralph Nader accused Reagan, as a "friend of the business community," of giving the "green signal" that "he's not going to be tough on corporate crime" or on governmental corruption.

In truth, Reagan had bigger worries. In that scandal-plagued November of 1986, as the titans of takeover Ivan Boesky and Michael Milken descended into modern America's scandal-mongering inferno of hysterical journalists, aggressive prosecutors, overpriced lawyers, fair-weather friends, and humiliated relatives, Reagan endured his own descent into political hell. Day by day, headlines about the Wall Street scandal competed for space on the front page with news about Reagan's own scandal. Iran-Contra would span the globe from Central America to the Middle East and invite Americans into a peculiar shadowy West Wing world centered around a marine colonel named Oliver North, who would unwittingly help Ronald Reagan's precious popularity ratings go south.