

Neoliberalism, The Koch Brothers And Their Attack On Democracy

This discussion is based on the book, “Democracy in Chains”, by Nancy MacLean.¹
Additional material on the Koch brothers can be found in “Dark Money”, by Jane Mayer.²

Brief history of the neoliberal movement

Larry Kramer, formerly Dean of the Law School at Stanford University and now the director of the William and Flora Hewlett Philanthropic Foundation, recently called neoliberalism the “dominant intellectual and political force of our time.”³ What is 'neoliberalism', and how did it come to be such an economic force to be reckoned with? According to Wikipedia, “neoliberalism” was used during the 19th century to describe a laissez-faire type of capitalism; one that advocated for the privatization of industry, loosening of federal regulations, lowered taxes and fiscal austerity. The term dropped from general usage and then was resurrected in the mid-twentieth century by the Nobel Prize-winning, conservative economist, James M. Buchanan. Buchanan used it to advocate for a society in which spending on social programs had all but been eliminated and taxes on wealthy individuals and big businesses had been reduced. More than just theory, neoliberalism has, in fact, been tried in South America and with disastrous results. In Chile, during the 1970's and 80's when Augusto Pinochet was in power, Buchanan himself served as financial advisor to the Pinochet regime and put into effect a program of austerity that resulted in great hardship for the average citizen while benefiting the rich or the elite soon to be rich.⁴ A similar program was put into effect in Argentina in 2016, with a loss of personal freedom and an erosion of living standards that is perhaps best described by an Argentinian housewife, Claudia Genovesi, who knows full well what 'neoliberalism' stands for, even if she isn't a U.S. citizen and doesn't possess a degree in economics: “It's a neoliberal government; it's a government that does not favor the people,” she says, describing the Argentinean austerity program she has lived under for the last three years and in which there has been progressive inflation and a drastic cutback on domestic spending for basic services such as electricity, fuel, sanitation and transportation – even the cooking gas for her kitchen stove has now become unaffordable.⁵

The Brown v. Board of Education Supreme Court decision in 1954 kick-started the civil rights movement in America but it also fueled a deep well of resentment on the part of white southerners, who, like James Buchanan, had come to the conclusion that Brown was not just about how education in the United States should be carried out but also, inevitably, that it would lead to usurpation of state's rights by the federal government - particularly those rights claimed by southern states. In the 1970's, Buchanan's philosophy extolling the virtues of neoliberal conservatism came to the attention of Charles and David Koch; two very conservative, very wealthy brothers who had inherited their fortune from their father's early investments in oil and gas. The Kochs were willing, indeed, very willing, to put up the money

Buchanan needed to further his pursuit of an American society that operated on conservative principles. Like Buchanan, the Kochs, too, felt that the federal government had no right to tax wealthy individuals in order to give a portion of it to less well-off individuals. The Kochs took inspiration from Buchanan's words; "Why should I be taxed by the government to support others simply because I have more money than they do?". "Why should "makers" be forced to give to "takers?". To implement this philosophy the Koch brothers launched a wide-ranging campaign to make a conservative economy a reality: they began by contributing money to help elect politicians who would be in a position to redraw election districts to favor affluent white constituencies; they gave money to the University of Virginia to create a center for the purpose of teaching students the value of a conservative economy; once graduated, these college students would find employment with think tanks the Kochs had established to lobby lawmakers on behalf of conservative legislation. They founded the Libertarian Party early in the 1970's but when it got a drubbing in the election of 1980, with David on the ballot as the candidate for U.S. Vice-president, Charles Koch realized that the public would not readily accept the imposition of an austere society and so he switched to another strategy; one that would not need the public's cooperation nor even its awareness. He would use the judicial system, rather than the legislative, as the tool with which to bring about the profound economic and political changes he wanted. It was a brilliant and audacious idea and it continues today to be the linchpin by which GOP conservatives operate.⁶ Without the financial support of the Kochs, Buchanan's ideas probably would have remained just academic social philosophy but with it, neoliberalism became a force to be reckoned with. An unanticipated catalyst to the conservative movement has been the administration of Donald J. Trump; which, by accident or design, has become the catalyst by which many of the conservative's neoliberal initiatives have been put into effect. Headlines daily report the appointment of people to federal agencies and judgeships they once lobbied against. Many administrative agencies that safeguard the public's interest and welfare now barely function; including the offices of the Attorney General, Department of Health and Human Services, State Department, Bureau of Land Management, Defense Department, Department of Education, Housing and Urban Development; Homeland Security, Agriculture – as well as the intelligence agencies that are entrusted with America's safety - the FBI, CIA, NSA - all now are seriously underfunded, understaffed and suffering a severe loss of morale.⁷⁻¹³ Use of the term "democracy" in civics courses is being discouraged and the formula for determining eligibility for federal poverty funds is being revised.¹⁴⁻¹⁵

Commentary

So, is democracy today in "chains" as Nancy MacLean suggests? It is difficult to give a definitive answer to this since the Kochs keep their plans to themselves, avoid publicity and do not give interviews. Historically, they have always marshalled their financial and political clout against any legislation they felt would enlarge the power and scope of the federal government or result in a redistribution of personal wealth, so it is unlikely there will be

any change in that agenda any time soon. Importantly, the Kochs have never cared about how their agenda was to be brought about - or how it affected people - as long as the changes did happen. The Kochs were not present at James Buchanan's memorial service in 2013, not because they had some other, more pressing business to attend to but rather, by then, Buchanan had retired and was no longer in a position to be an effective spokesperson for the conservative right. He had outlived his usefulness to them. History will prove this again: Trump will be discarded when Trump no longer has power.

In 2005, James M. Buchanan wrote that, "people who didn't save money for their retirement (or old age – my comment) are to be treated as subordinate members of the species, akin to...animals who are dependent."¹⁶ This was further elaborated on by Tyler Cowen, director of the new alt-right Mercatus Center at George Mason University that Charles Koch had endowed: "When the new social contract is under way, people will be expected to fend for themselves much more than they do now...and while some will flourish others will fall by the wayside. And because worthy individuals will manage to climb their way out of poverty, it will make it easier to ignore those who are left behind. We will cut Medicaid for the poor; the fiscal shortfall will come out of real wages as various cost burdens are shifted to workers from employers and a government that does less. To compensate, people who have had their government benefits pared back should pack up and move to lower-cost states like Texas. Texas is skimpy on welfare benefits and Medicaid coverage and nearly three in ten of its residents have no health insurance, but the state does have jobs and very cheap housing to offset its sub par public services."¹⁷ Thus, 'liberal', in "neoliberalism", came to mean a society that was not devoted to social justice and the common good, as most people would take it to mean, but instead meant a society in which there were only two classes of people: those who were wealthy and those who were not - or in James Buchanan's words, only "makers" and "takers."

In his letter to the Hewlett Foundation, Larry Kramer suggests that the world's economies adopt a fairer distribution of wealth and opportunities than that afforded by neoliberalism – one that would benefit all segments of society. He makes two important suggestions; 1), researchers and policymakers should work from a data-based, context-specific, realistic understanding of how markets and the government interact, and 2), diminish the tendency towards a world-wide lack of communal thinking that persists today in the economists, philosophers, historians, political scientists, and lawyers who currently shape world economic policies. In effect, Larry Kramer was asking for a "dark intellectual web" type of analysis to be applied to solving the problem of how to get capitalism and the government to work together to make social welfare programs operable.¹⁸ Larry Kramer is not the first to call for an objective basis for determining economic policy: Alan B. Krueger, a brilliant Princeton economist who served as chairman of the Council of Economic Advisers under Barack Obama in 2011 and died in 2019 at the age of 58 at the height of his political career, earlier promoted the use of objective data – not theory – in determining the usefulness of economic policy. He personally interviewed people about the effect government policies have had on them, calling his research, "natural experiments", and emphasized that economics, in fact,

was part science and part social, with 'social' meaning understanding how people were

doing, how people were feeling."¹⁹⁻²⁰ How refreshing. Professor Krueger's call for using objective data to support economic policies was considered by James Buchanan to be a direct assault on the conservative values he cherished. In a letter to the Wall Street Journal he severely criticized Krueger, together with Krueger's fellow Harvard economist David Card, for daring to publish data showing that raising the minimum wage in fact did not inevitably cause a rise in unemployment - a belief sacred to conservative ideology at that time. To Buchanan, Krueger and Card were "undermining the credibility of economics as a discipline...a bevy of camp-following whores."²¹

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