Meet the economist behind the one percent's stealth takeover of America

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Ask people to name the key minds that have shaped America's burst of radical right-wing attacks on working conditions, consumer rights and public services, and they will typically mention figures like free market-champion Milton Friedman, libertarian guru Ayn Rand, and laissez-faire economists Friedrich Hayek and Ludwig von Mises.

James McGill Buchanan is a name you will rarely hear unless you've taken several classes in economics. And if the Tennessee-born Nobel laureate were alive today, it would suit him just fine that most well-informed journalists, liberal politicians, and even many economics students have little understanding of his work.

The reason? Duke historian Nancy MacLean contends that his philosophy is so stark that even young libertarian acolytes are only introduced to it after they have accepted the relatively sunny perspective of Ayn Rand. (Yes, you read that correctly). If Americans really knew what Buchanan thought and promoted, and how destructively his vision is manifesting under their noses, it would dawn on them how close the country is to a transformation most would not even want to imagine, much less accept.

That is a dangerous blind spot, MacLean argues in a meticulously researched book, *Democracy in Chains*, a finalist for the National Book Award in Nonfiction. While Americans grapple with Donald Trump's chaotic presidency, we may be missing the key to changes that are taking place far beyond the level of mere politics. Once these changes are locked into place, there may be no going back.

An unlocked door in Virginia

MacLean's book reads like an intellectual detective story. In 2010, she moved to North Carolina, where a Tea Party-dominated Republican Party got control of both houses of the state legislature and began pushing through a radical program to suppress voter rights, decimate public services, and slash taxes on the wealthy that shocked a state long a beacon of southern moderation. Up to this point, the figure of James Buchanan flickered in her peripheral vision, but as she began to study his work closely, the events in North Carolina and also Wisconsin, where Governor Scott Walker was leading assaults on collective bargaining rights, shifted her focus.

Could it be that this relatively obscure economist's distinctive thought was being put forcefully into action in real time?

MacLean could not gain access to Buchanan's papers to test her hypothesis until after his death in January 2013. That year, just as the government was being shut down by Ted Cruz & Co., she traveled to George Mason University in Virginia, where the economist's papers lay willy-nilly across the offices of a building now abandoned by the Koch-funded faculty to a new, fancier center in Arlington.

MacLean was stunned. The archive of the man who had sought to stay under the radar had been left totally unsorted and unguarded. The historian plunged in, and she read through boxes and drawers full of papers that included personal correspondence between Buchanan and billionaire industrialist Charles Koch. That's when she had an amazing realization: here was the intellectual linchpin of a stealth revolution currently in progress.

A theory of property supremacy

Buchanan, a 1940 graduate of Middle Tennessee State University who later attended the University of Chicago for graduate study, started out as a conventional public finance

economist. But he grew frustrated by the way in which economic theorists ignored the political process.

Buchanan began working on a description of power that started out as a critique of how institutions functioned in the relatively liberal 1950s and ‘60s, a time when economist John Maynard Keynes’s ideas about the need for government intervention in markets to protect people from flaws so clearly demonstrated in the Great Depression held sway. Buchanan, MacLean notes, was incensed at what he saw as a move toward socialism and deeply suspicious of any form of state action that channels resources to the public. Why should the increasingly powerful federal government be able to force the wealthy to pay for goods and programs that served ordinary citizens and the poor?

In thinking about how people make political decisions and choices, Buchanan concluded that you could only understand them as individuals seeking personal advantage. In interview cited by MacLean, the economist observed that in the 1950s Americans commonly assumed that elected officials wanted to act in the public interest. Buchanan vehemently disagreed — that was a belief he wanted, as he put it, to “tear down.” His ideas developed into a theory that came to be known as “public choice.”

Buchanan’s view of human nature was distinctly dismal. Adam Smith saw human beings as self-interested and hungry for personal power and material comfort, but he also acknowledged social instincts like compassion and fairness. Buchanan, in contrast, insisted that people were primarily driven by venal self-interest. Crediting people with altruism or a desire to serve others was “romantic” fantasy: politicians and government workers were out for themselves, and so, for that matter, were teachers, doctors, and civil rights activists. They wanted to control others and wrest away their resources: “Each person seeks mastery over a world of slaves,” he wrote in his 1975 book, *The Limits of Liberty*.

Does that sound like your kindergarten teacher? It did to Buchanan.

The people who needed protection were property owners, and their rights could only be secured though constitutional limits to prevent the majority of voters from encroaching on them, an idea Buchanan lays out in works like *Property as a Guarantor of Liberty* (1993). MacLean observes that Buchanan saw society as a cutthroat realm of makers (entrepreneurs) constantly under siege by takers (everybody else) His own language was often more stark, warning the alleged “prey” of “parasites” and “predators” out to fleece them.

In 1965 the economist launched a center dedicated to his theories at the University of Virginia, which later relocated to George Mason University. MacLean describes how he trained thinkers to push back against the *Brown v. Board of Education* decision to desegregate America’s public schools and to challenge the constitutional perspectives and federal policy that enabled it. She notes that he took care to use economic and political precepts, rather than overtly racial arguments, to make his case, which nonetheless gave cover to racists who knew that spelling out their prejudices would alienate the country.

All the while, a ghost hovered in the background — that of John C. Calhoun of South Carolina, senator and seventh vice president of the United States.

Calhoun was an intellectual and political powerhouse in the South from the 1820s until his death in 1850, expending his formidable energy to defend slavery. Calhoun, called the “Marx of the Master Class” by historian Richard Hofstadter, saw himself and his fellow southern oligarchs as victims of the majority. Therefore, as MacLean explains, he sought to create “constitutional gadgets” to constrict the operations of government.

Economists Tyler Cowen and Alexander Tabarrok, both of George Mason University, have noted the two men's affinities, heralding Calhoun "a precursor of modern public choice theory" who "anticipates" Buchanan's thinking. MacLean observes that both focused on how democracy constrains property owners and aimed for ways to restrict the latitude of voters. She argues out that unlike even the most property-friendly founders Alexander Hamilton and James Madison, Buchanan wanted a private governing elite of corporate power that was wholly released from public accountability.

Suppressing voting, changing legislative processes so that a normal majority could no longer prevail, sowing public distrust of government institutions— all these were tactics toward the goal. But the Holy Grail was the Constitution: alter it and you could increase and secure the power of the wealthy in a way that no politician could ever challenge.

Gravy train to oligarchy

MacLean explains that Virginia's white elite and the pro-corporate president of the University of Virginia, Colgate Darden, who had married into the DuPont family, found Buchanan's ideas to be spot on. In nurturing a new intelligentsia to commit to his values, Buchanan stated that he needed a "gravy train," and with backers like Charles Koch and conservative foundations like the Scaife Family Charitable Trusts, others hopped aboard. Money, Buchanan knew, can be a persuasive tool in academia. His circle of influence began to widen.

MacLean observes that the Virginia school, as Buchanan's brand of economic and political thinking is known, is a kind of cousin to the better-known, market-oriented Chicago and Austrian schools — proponents of all three were members of the Mont Pelerin Society, an international neoliberal organization which included Milton Friedman and Friedrich Hayek. But the Virginia school's focus and career missions were distinct. In an interview with the Institute for New Economic Thinking (INET), MacLean described Friedman and Buchanan as yin and yang:

"Friedman was this genial, personable character who loved to be in the limelight and made a sunny case for the free market and the freedom to choose and so forth. Buchanan was the dark side of this: he thought, ok, fine, they can make a case for the free market, but everybody knows that free markets have externalities and other problems. So he wanted to keep people from believing that government could be the alternative to those problems."

The Virginia school also differs from other economic schools in a marked reliance on abstract theory rather than mathematics or empirical evidence. That a Nobel Prize was awarded in 1986 to an economist who so determinedly bucked the academic trends of his day was nothing short of stunning, MacLean observes. But, then, it was the peak of the Reagan era, an administration several Buchanan students joined.

Buchanan's school focused on public choice theory, later adding constitutional economics and the new field of law and economics to its core research and advocacy. The economist saw that his vision would never come to fruition by focusing on *who* rules. It was much better to focus on *the rules themselves*, and that required a "constitutional revolution."

MacLean describes how the economist developed a grand project to train operatives to staff institutions funded by like-minded tycoons, most significantly Charles Koch, who became interested in his work in the '70s and sought the economist's input in promoting "Austrian economics" in the U.S. and in advising the Cato Institute, a libertarian think tank.

Koch, whose mission was to save capitalists like himself from democracy, found the ultimate theoretical tool in the work of the southern economist. The historian writes that Koch preferred Buchanan to Milton Friedman

and his "Chicago boys" because, she says, quoting a libertarian insider, they wanted "to make government work more efficiently when the true libertarian should be tearing it out at the root."

With Koch's money and enthusiasm, Buchanan's academic school evolved into something much bigger. By the 1990s, Koch realized that Buchanan's ideas — transmitted through stealth and deliberate deception, as MacLean amply documents — could help take government down through incremental assaults that the media would hardly notice. The tycoon knew that the project was extremely radical, even a "revolution" in governance, but he talked like a conservative to make his plans sound more palatable.

MacLean details how partnered with Koch, Buchanan's outpost at George Mason University was able to connect libertarian economists with right-wing political actors and supporters of corporations like Shell Oil, Exxon, Ford, IBM, Chase Manhattan Bank, and General Motors. Together they could push economic ideas to public through media, promote new curricula for economics education, and court politicians in nearby Washington, D.C.

At the 1997 fiftieth anniversary of the Mont Pelerin Society, MacLean recounts that Buchanan and his associate Henry Manne, a founding theorist of libertarian economic approaches to law, focused on such affronts to capitalists as environmentalism and public health and welfare, expressing eagerness to dismantle Social Security, Medicaid, and Medicare as well as kill public education because it tended to foster community values. Feminism had to go, too: the scholars considered it a socialist project.

The oligarchic revolution unfolds

Buchanan's ideas began to have huge impact, especially in America and in Britain. In his home country, the economist was deeply involved efforts to cut taxes on the wealthy in 1970s and 1980s and he advised proponents of Reagan Revolution in their quest to unleash markets and posit government as the "problem" rather than the "solution." The Koch-funded Virginia school coached scholars, lawyers, politicians, and business people to apply stark right-wing perspectives on everything from deficits to taxes to school privatization. In Britain, Buchanan's work helped to inspire the public sector reforms of Margaret Thatcher and her political progeny.

To put the success into perspective, MacLean points to the fact that Henry Manne, whom Buchanan was instrumental in hiring, created legal programs for law professors and federal judges which could boast that by 1990 two of every five sitting federal judges had participated. "40 percent of the U.S. federal judiciary," writes MacLean, "had been treated to a Koch-backed curriculum."

MacLean illustrates that in South America, Buchanan was able to first truly set his ideas in motion by helping a bare-knuckles dictatorship ensure the permanence of much of the radical transformation it inflicted on a country that had been a beacon of social progress. The historian emphasizes that Buchanan's role in the disastrous Pinochet government of Chile has been underestimated partly because unlike Milton Friedman, who advertised his activities, Buchanan had the shrewdness to keep his involvement quiet. With his guidance, the military junta deployed public choice economics in the creation of a new constitution, which required balanced budgets and thereby prevented the government from spending to meet public needs. Supermajorities would be required for any changes of substance, leaving the public little recourse to challenge programs like the privatization of social security.

The dictator's human rights abuses and pillage of the country's resources did not seem to bother Buchanan, MacLean argues, so long as the wealthy got their way. "Despotism may be the only organizational alternative to the

political structure that we observe," the economist had written in *The Limits of Liberty*. If you have been wondering about the end result of the Virginia school philosophy, well, the economist helpfully spelled it out.

A world of slaves

Most Americans haven't seen what's coming.

MacLean notes that when the Kochs' control of the GOP kicked into high gear after the financial crisis of 2007-08, many were so stunned by the "shock-and-awe" tactics of shutting down government, destroying labor unions, and rolling back services that meet citizens' basic necessities that few realized that many leading the charge had been trained in economics at Virginia institutions, especially George Mason University. Wasn't it just a new, particularly vicious wave of partisan politics?

It wasn't. MacLean convincingly illustrates that it was something far more disturbing.

MacLean is not the only scholar to sound the alarm that the country is experiencing a hostile takeover that is well on its way to radically, and perhaps permanently, altering the society. Peter Temin, former head of the MIT economics department, INET grantee, and author of *The Vanishing Middle Class*, as well as economist Gordon Lafer of the University of Oregon and author of *The One Percent Solution*, have provided eye-opening analyses of where America is headed and why. MacLean adds another dimension to this dystopian big picture, acquainting us with what has been overlooked in the capitalist right wing's playbook.

She observes, for example, that many liberals have missed the point of strategies like privatization. Efforts to "reform" public education and Social Security are not just about a preference for the private sector over the public sector, she argues. You can wrap your head around, even if you don't agree. Instead, MacLean contents, the goal of these strategies is to radically alter power relations, weakening pro-public forces and enhancing the lobbying power and commitment of the corporations that take over public services and resources, thus advancing the plans to dismantle democracy and make way for a return to oligarchy. The majority will be held captive so that the wealthy can finally be free to do as they please, no matter how destructive.

MacLean argues that despite the rhetoric of Virginia school acolytes, shrinking big government is not really the point. The oligarchs require a government with tremendous new powers so that they can bypass the will of the people. This, as MacLean points out, requires greatly expanding police powers "to control the resultant popular anger." The spreading use of pre-emption by GOP-controlled state legislatures to suppress local progressive victories such as living wage ordinances is another example of the right's aggressive use of state power.

Could these right-wing capitalists allow private companies to fill prisons with helpless citizens—or, more profitable still, right-less undocumented immigrants? *They could, and have*. Might they engineer a retirement crisis by moving Americans to inadequate 401(k)s? *Done.* Take away the rights of consumers and workers to bring grievances to court by making them sign forced arbitration agreements? *Check.* Gut public education to the point where ordinary people have such bleak prospects that they have no energy to fight back? *Getting it done.*

Would they even refuse children clean water? *Actually, yes.*

MacLean notes that in Flint, Michigan, Americans got a taste of what the emerging oligarchy will look like — it tastes like poisoned water. There, the Koch-funded Mackinac Center pushed for legislation that would allow the governor to take control of communities facing emergency and put unelected managers in charge. In Flint, one such manager switched the city's water supply

to a polluted river, but the Mackinac Center's lobbyists ensured that the law was fortified by protections against lawsuits that poisoned inhabitants might bring. Tens of thousands of children were exposed to lead, a substance known to cause serious health problems including brain damage.

Tyler Cowen has provided an economic justification for this kind of brutality, stating that where it is difficult to get clean water, private companies should take over and make people pay for it. "This includes giving them the right to cut off people who don't—or can't—pay their bills," the economist explains.

To many this sounds grotesquely inhumane, but it is a way of thinking that has deep roots in America. In *Why I, Too, Am Not a Conservative* (2005), Buchanan considers the charge of heartlessness made against the kind of classic liberal that he took himself to be. MacLean interprets his discussion to mean that people who "failed to foresee and save money for their future needs" are to be treated, as Buchanan put it, "as subordinate members of the species, akin to…animals who are dependent.'"

Do you have your education, health care, and retirement personally funded against all possible exigencies? Then that means you.

Buchanan was not a dystopian novelist. He was a Nobel Laureate whose sinister logic exerts vast influence over America's trajectory. It is no wonder that Cowen, on his popular blog Marginal Revolution, does not mention Buchanan on a list of underrated influential libertarian thinkers, though elsewhere on the blog, he expresses admiration for several of Buchanan's contributions and acknowledges that the southern economist "thought more consistently in terms of 'rules of the games' than perhaps any other economist."

The rules of the game are now clear.

Research like MacLean's provides hope that toxic ideas like Buchanan's may finally begin to face public scrutiny. Yet at this very moment, the Kochs' State Policy Network and the American Legislative Exchange Council (ALEC), a group that connects corporate agents to conservative lawmakers to produce legislation, are involved in projects that the Trump-obsessed media hardly notices, like pumping money into state judicial races. Their aim is to stack the legal deck against Americans in ways that MacLean argues may have even bigger effects than Citizens United, the 2010 Supreme Court ruling which unleashed unlimited corporate spending on American politics. The goal is to create a judiciary that will interpret the Constitution in favor of corporations and the wealthy in ways that Buchanan would have heartily approved.

"The United States is now at one of those historic forks in the road whose outcome will prove as fateful as those of the 1860s, the 1930s, and the 1960s," writes MacLean. "To value liberty for the wealthy minority above all else and enshrine it in the nation's governing rules, as Calhoun and Buchanan both called for and the Koch network is achieving, play by play, is to consent to an oligarchy in all but the outer husk of representative form."

Nobody can say we weren't warned.