

Neoliberal Policies Associated With Reaganomics Actually Started With Carter



*Historian David N. Gibbs ~
University of Arizona*

09-03-2024 ~ *Historian David N. Gibbs, author of “The Revolt of the Rich,” says we mustn’t whitewash President Carter’s record.*

Research has long established strong links between neoliberal policies and increasing rates of inequality. [Susan George](#), for instance, argued quite convincingly that increasing inequality stems from the neoliberal practices of placing public wealth into private hands, enforcing huge tax cuts for the rich and suppressing wages for average workers. And a [recent study](#) by psychology researchers shows that neoliberalism has resulted in both preferences and support for greater income inequality. Moreover, the study in question argues that the culprit for the impact on attitudes is “Thatcherism.” Indeed, most researchers place the origins of the neoliberal counterrevolution in the postwar era with the policies initiated by Margaret Thatcher and Ronald Reagan in the U.K. and the U.S., respectively.

However, a new book by the historian [David N. Gibbs](#), titled, [The Revolt of the Rich: How the Politics of the 1970s Widened America’s Class Divide](#), contends that we should look to the administrations of Richard Nixon and Jimmy Carter in particular for setting up the foundations for the launching of the neoliberal

counterrevolution in the United States. As such, as its author points out in this exclusive interview for *Truthout*, too much credit has been assigned to the Thatcher-Reagan duo for the end of the Keynesian social democratic approach to government and economics. As Gibbs says, “We should not whitewash Carter’s record” as he was “certainly no friend to the working class.” Gibbs is professor of history at the University of Arizona.

*C. J. Polychroniou: The first three decades of the postwar era were marked by substantial economic growth and shared prosperity. Indeed, income gains were evenly distributed and the gap between those high up on the income ladder and those at the middle and bottom did not experience much change. However, economic growth slowed down during the second half of the 1970s and the income gap widened, with the very top earners pulling much further ahead since — to the point that current inequality levels today are close to those observed during the Gilded Age. The general consensus is that neoliberal policies have been at the root of extreme inequality, and the major beneficiaries of these policies are indeed the dominant classes. Moreover, the conventional view is that the first wave of neoliberalism begins in the 1980s with Reaganomics and Thatcherism, but in your recently published book, *The Revolt of the Rich*, you argue that it was actually the Nixon administration that laid the groundwork for the shift to a conservative economic platform, and that it was the Carter administration in turn that ushered in the first wave of neoliberalism.*

Can you briefly describe some of the actions that the Nixon administration took to build up political momentum for the advance of right-wing economics and what forces were involved in the rightward transformation of U.S. politics? And how did the labor movement and the progressive forces of the time respond to the rise of economic conservatism and the revolt of the rich?

David N. Gibbs: Richard Nixon aspired to be a transformational president, one who would overturn the regulated capitalism inherited from the New Deal, in favor of a free market revolution. He was influenced by the laissez faire worldview of the University of Chicago economist Milton Friedman, whom Nixon admired. Though Friedman never held any official position, he acted as an informal adviser to the administration. Associates of Friedman were appointed to key positions in the Departments of Treasury, Agriculture and Justice, as well as the Council of Economic Advisors, often at the recommendation of Friedman himself. Their association with the presidency helped to elevate the prestige of

Friedmanite economics, a prestige that endured long after Nixon left the scene.

To amplify Friedman's message, Nixon relied on a rightist intellectual network, focused on the American Enterprise Institute (AEI), a free market bastion. The president leaned on corporate executives to increase their funding of AEI, building it up as a Washington powerhouse. At the same time, the president encouraged executives to defund the centrist Brookings Institution and other rivals to the rising AEI.

Simultaneously, Nixon mobilized social conservatives and evangelical Christians against the cultural changes of this period, including such "immoral" developments as homosexuality, abortion rights and secularism in public life. Nixon was extremely clever in melding together business and social conservatives to give conservatism a mass base of voters, forging what would soon become an unbeatable coalition.

Having laid the political groundwork, Nixon was never able to fully implement his radical vision for the future. His career was cut short by Watergate, followed by his 1974 resignation. However, the business forces that the president had unleashed developed a momentum of their own, which endured and accelerated even after he left office.

Corporate America would engage in a massive influence campaign throughout the 1970s after Watergate, using a dense network of think tanks, lobby groups and publicity agencies to spread their message, while Friedman and his academic colleagues would furnish the guiding principles. The campaign that Nixon set in motion would ultimately transform U.S. public policy, mostly toward the end of the decade.

What is surprising is how little opposition there was to the rightward campaign. The labor movement had lost its most dynamic leaders during the Red Scare of the 1940s and 1950s. Much of the remaining union leadership, especially George Meany of the AFL-CIO, were ineffective. Organized labor seemed much more interested in advancing anti-communist unions overseas, often in cooperation with the CIA, than they were in defending worker rights in the United States.

Many new progressive groups emerged during the 1970s, but these focused on noneconomic issues for the most part, involving race, gender and sexuality, as well as environmentalism. And the diverse progressive groups were unable to

work together in a broad coalition, which limited their influence. As a result, there was no serious effort to oppose the corporate-led assault on the New Deal.

One conclusion I have drawn is that the right was far better at political strategy than the left. When the right plays the game of politics, they play to win, and they usually do.

The 1970s saw a period of détente between the United States and the Soviet Union. But in your book, you also point out there were powerful forces — such as the military-industrial complex, corporate interests and the Israel lobby — that worked against détente and favored militarism. Do you see a relationship between militarism and the general turn to right-wing economics?

The 1970s produced an elite campaign aimed at increasing military spending and reinvigorating U.S. militarism after its failures in Vietnam, as well as ending détente with the Soviet Union. The lead group in this campaign was the Committee on the Present Danger (CPD), backed by a wide range of corporate interests, especially weapons producers, as well as the Israel lobby. The CPD campaign was so successful that there was a major increase in military spending, which began toward the end of the Carter presidency and continued into the Reagan presidency, producing the largest peacetime military buildup in U.S. history. The rise in military spending had important effects on the domestic economy by diverting funds away from social programs aimed at helping the indigent.

The economic crises of this period produced deep cuts in federal spending for virtually all areas, consistent with neoliberal doctrines of budgetary austerity, but the military was exempted. The military-industrial complex benefited from this budgetary generosity. The government thus pursued a policy of militarism, to the benefit of corporate America and at the expense of the lowest income groups.

Chapter five of your book is titled “The Rich Go Global.” How does neoliberalism relate to globalization? Is there a causation or even a correlation?

The main objective of the corporate campaign was to overturn the regulated capitalism inherited from the New Deal and replace it with laissez faire capitalism. The New Deal system had been extended internationally through the 1944 Bretton Woods agreement, which laid out the postwar economic architecture. Central to Bretton Woods was that currency exchange rates would

be regulated by the International Monetary Fund, a newly created public institution, reducing the role of financial speculators. The purpose was to enable full employment and redistributionist policies to proceed at a global level, unimpeded by destabilizing financial speculation.

The Bretton Woods system was dismantled in the early 1970s, thus deregulating international finance. We can credit this change to years of lobbying by bankers and conservative economists, led by the ubiquitous Friedman. The IMF lost its regulatory function, while private bankers regained their influence. Speculation in currency trading exploded, producing windfalls for bankers.

The deregulation of international finance led to what has been termed the “financialization” of the U.S. domestic economy. As a result of financialization, investors could make quick profits by engaging in speculation (typically selling off dollars, while purchasing stronger currencies), rather than through long-term investments in manufacturing. And there was usually a government bailout waiting for the banks when speculative ventures ended badly.

The new, deregulated system had a negative impact on industry, eliminating many high-paying factory jobs which were offshored to low-wage countries. This process was facilitated by the free flow of capital across borders, made possible by deregulation. The New Deal system was thus replaced by a very conservative form of globalization, one that worked against the U.S. working class.

I think it is a widely accepted fact that Jimmy Carter was, from the beginning, a conservative Democrat, but it isn't typically acknowledged that he ushered in the age of neoliberalism. Can you talk about the sort of neoliberal economic policies that Carter enforced and why you think he subordinated U.S. society to the logic and power of “free markets?”

The move toward free market economics was finally implemented during the presidency of Jimmy Carter. While Nixon had laid the foundations for a later conservative transformation, it was President Carter who first set forth these policies on a large scale. He was keenly focused on removing industrial regulations inherited from the New Deal.

A central figure was Carter's deregulation adviser, Alfred Kahn, a Cornell University professor. I have examined Kahn's private papers and was stunned by the intensity of his anti-labor ideology. Under the influence of Kahn, Carter

deregulated multiple industrial sectors, beginning with airlines, which had the effect of permanently reducing wages. Carter also deregulated domestic finance, intensifying the process of financialization begun during Nixon's presidency, with additional negative effects on wage earners.

Carter's economic conservatism was expressed in multiple domains, including regressive taxation "reforms," which increased the tax burden on wage earners, while it reduced taxation of investors. And Carter began the process of using monetary policy as a means of fighting inflation by reducing wages and increasing unemployment. He was certainly no friend to the working class.

Your book makes it quite clear that the neoliberal policies associated with Reaganomics and Thatcherism actually started with Carter. Why is it then that neoliberalism in the U.S. has been pinned on Ronald Reagan?

According to popular mythology, Carter was a relatively centrist figure, while Reagan was a right-wing ideologue; it was Reagan who inaugurated the neoliberal era in economic policy, according to this view. But the reality is that Reagan only intensified a rightward turn that was already in full swing under Carter. Why the persistence of this myth, that Carter was a political moderate? I think the reason is that Reagan used conservative, ideological language to justify his policies, proudly emphasizing his free market orientation, so he received all the credit for America's right turn in economic policy, while Carter preferred non-ideological language, which masked the essentially Friedmanite character of his economic program.

Another factor influencing public perception has been Carter's post-presidency, which is very impressive. But Carter must also be judged on the basis of his presidency, which transformed the country in a far more inegalitarian direction than had been the case previously. We should not whitewash Carter's record.

How do we explain the lasting impact of the revolt of the rich?

The long-term impact of the revolt of the rich has been to elevate the influence of money in U.S. politics. I emphasize the importance of what has been termed "deep lobbying," which seeks to influence public opinion. Deep lobbying goes well beyond the traditional conception of lobbying that focuses on short-term goals, such as advancing specific pieces of legislation. The purpose of deep lobbying is to transform politics over the long term by altering the climate of discussion. The

upsurge of deep lobbying in the 1970s permanently shifted the balance of power toward the economic elite; it was an elite takeover.

An outstanding example of deep lobbying is the contemporary role of Charles Koch of Koch Industries and a series of Koch-connected billionaires who have used their vast wealth to set up free market think tanks at hundreds of colleges and universities across the United States, including at my own institution, the University of Arizona. Koch's aim is to use educational institutions to spread free market ideas and to deepen still further the laissez faire revolution begun in the 1970s.

While everyone has focused on the superficial culture wars, Koch has been promoting laissez faire economics, deregulation and income inequality. The beauty of deep lobbying is that it is done through stealth, so it does not even look like lobbying.

The main impact of the revolt of the rich was to make the United States a far less democratic country.

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