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### **CLASSICAL LIBERALS, NEOCONSERVATIVES AND THE RISE OF THE RIGHT-WING POLICY-MAKER**

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‘WE WERE WILLING TO BE USED’: CLASSICAL LIBERALS,  
NEOCONSERVATIVES AND THE RISE OF THE RIGHT-WING POLICY-MAKER

Ever since the election of Franklin D. Roosevelt in 1932, right-wingers drawn to the conservative movement had vociferously, but ineffectively, protested against the progressive policies espoused by successive Democratic administrations and maintained by Dwight Eisenhower.<sup>1</sup> This state of affairs changed during the presidency of Richard Nixon who attempted to adjust the conservative canon to articulate a new political message capable of vanquishing the up until then dominant Democratic political narrative. Until recently both conservative activists and academic writers have tended to dismiss Nixon’s role in the rise of a politically successful conservative movement and to credit Ronald Reagan, more or less exclusively, with the triumphant development of a conservative challenge to the liberal-democratic hegemony. According to this reading, it was thanks to Reagan’s ‘sunny’ and positive disposition that conservatives could put forth an electorally successful political message.<sup>2</sup> Some scholars have even gone as far as to ‘reconsider’ Nixon as the one grand last liberal-progressive president in the FDR tradition.<sup>3</sup> Yet, the following pages demonstrate that Nixon rehearsed, in his own

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<sup>1</sup> See for instance ‘Publisher Statement’, *National Review*, November 19, 1955, p. 5 (hereafter *NR*).

<sup>2</sup> There is a significant – verging, in fact, in the positively alarming - and coherent body of literature examining the rise of the early American conservative movement. Nixon’s remarkable absence or, at best, the consistent downplay of the link between the Californian and the conservative movement may be seen in Sarah Katherine Mergel, *Conservative Intellectuals and Richard Nixon* (New York: Palgrave, 2010); Godfrey Hodgson, *The World Turned Right Side Up: A History of the Conservative Ascendancy in America* (Boston: Houghton Mifflin, 1996); Sidney Blumenthal, *The Rise of the Counter-Establishment: From Conservative Ideology to Political Power* (New York: Times Books, 1986); José María Marco, *La Nueva Revolución Americana* (Madrid: Ciudadela, 2007); Michael Schaller, *Right Turn: American Life in the Reagan-Bush Era* (New York: Oxford University Press, 2007); Sarah Diamond, *Roads To Dominion: Right-Wing Movements and Political Power in the United States* (New York: Guilford Publications, 1995); Jean Hardisty, *Mobilizing Resentment: Conservative Resurgence from the John Birch Society to the Promise Keepers* (Boston: Beacon Press, 1999); John Micklethwait and Adrian Wooldridge, *The Right Nation: Conservative Power in America* (New York: Penguin, 2004); Jerome L. Himmelstein, *To The Right: The Transformation of American Conservatism* (Berkeley: University of California Press, 1990). For a useful, succinct overview see James A. Hijiya, ‘The Conservative 1960s’, *Journal of American Studies*, 37, no. 2 (2003), pp. 201–227). The existing literature has also been enriched by ‘in-house’ conservative accounts – also forgetful of Nixon’s role -, such as Lee Edwards, *The Conservative Revolution: The Movement That Remade America* (New York: Free Press, 1999); William Rusher, *The Rise of the Right* (New York: William Morrow and Company, Inc., 1985).

<sup>3</sup> Joan Hoff, *Nixon Reconsidered* (New York: Basic Books, 1994), Dean J. Kotlowski, *Nixon’s Civil Rights: Politics, Principle and Policy* (Cambridge MA: Harvard University Press, 2001). An excellent overview of the literature may be found in David Greenberg, *Nixon’s Shadow: The History of an Image* (New York: Norton, 2003), particularly in pp. 200–202. The climate that led to the re-evaluation of Nixon by historians who, predominantly, saw the Californian as the man ‘they had loved to hate’ in their youths is rather well captured in the profession’s reaction to Oliver Stone’s biopic *Nixon* (1995); see Ron Briley, ‘Nixon and Historical Memory’, *Perspectives* 36, no. 3 (1996),

distinctive fashion, a remarkably successful switch to the right long before Reagan could capture the Republican presidential nomination.<sup>4</sup> His economic policies, were not just the chaotic result of unprincipled political strategies.<sup>5</sup> As may be seen in the following pages, although there was plenty of that, Richard Nixon's economic policies – and their final consequences – were also strongly informed by the president's and his advisors' philosophical views.

Throughout the 1950s and 60s the American conservative movement managed to consolidate itself as a significant political entity made up of several ideological and political subgroups pulled together by certain ideological coincidences, political objectives and organisational links.<sup>6</sup> By the presidential election of 1968 the undisputed leadership of this conservative movement was still the 'hard core' of intellectuals who had gathered around the pages of the weekly journal *National Review* under the general leadership of its main editor and stockholder William F. Buckley (hence, they also became known as 'Buckleyites') while its main political force rested with the bloc of Southern politicians led by Senator Strom Thurmond of South Carolina. Yet, however efficient conservatism had become at intellectual disputation and legislative nay-saying, neither of these groups had either the capacity or the interest to develop coherent, ready-for-action blueprints of policy reform in the realms of economic and welfare policies. It fell to another two particular subgroups, those of neoclassical liberals and

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<sup>4</sup> The excellent Robert Mason, *Richard Nixon and the Quest for a New Majority* (Chapel Hill NC: University of North Carolina Press, 2004) is perhaps the most cogent analysis going in this direction, see also the journalistic account by Rick Perlstein, *Nixonland: The Rise of a President and the Fracturing of America* (New York, 2008); For a more policy-oriented approach see Bruce J. Schulman and Julian E. Zelizer ed., *Rightward Bound: Making America Conservative in the 1970s*, (Cambridge MA: Harvard University Press, 2008). The most perceptive contemporary account – which has remained somewhat neglected by the literature - of Nixon's rhetorical swing to the right and deliberate manipulation of the 'backlash' may be found in Wills's *Nixon Agonistes*. Although a veteran of conservative circles, Wills penned the books as a liberal. For an equally interesting (and hostile) account of Nixon's 1968 campaign written from a new left perspective see Joe McGinniss, *The Selling of the President 1968* (New York: Pocket Books, 1970).

<sup>5</sup> The best evaluation of 'nixonomics' along these lines may be found in Allen J. Matusow, *Nixon's Economy: Booms, Busts, Dollars and Votes* (Lawrence KA: University Press of Kansas, 1998).

<sup>6</sup> The use of the term 'movement' has been object to considerable discussion, particularly among sociologists and political scientists. In the case of American conservatism the label is commonly used by the literature – predominately made up of historians – without much regard for theoretical niceties. For an introduction to these debates see Donatella Della Porta and Mario Dani, *Social Movements, An Introduction*, (Oxford: Blackwell, 2006). This articles follows that thread but it assumes that the conservative 'movement' – or 'community', or 'network' - during the late 1960s was a diverse epistemic community made up of six distinct sub-groupings – *National Review* conservatives, Southern conservatives, classical liberals, neoconservatives, American Enterprise Institute 'organisational' conservatives and the 'Young Turks' of the New Right – which, although philosophically and behaviourally autonomous, remained intimately associated under the overall leadership of the intellectuals who operated from the *National Review*.

neoconservatives, to become the conservatives first able to offer and experiment with positive policy options from within the executive.<sup>7</sup> Although by 1968 both neoconservatives and neoliberals were embedded in the conservative network, they undoubtedly were (and largely remain) two fully independent social networks-cum-epistemic communities built around quite different philosophical assumptions and distinct socio-cultural environments. Therefore the two groups could (and still can) be found opposing each other as often as working together. Yet, evaluating the work of neoconservatives and neoliberals in tandem is a useful exercise, for they shared two fundamental characteristics which also distinguished them from other conservative subfamilies. Firstly, they held a common behavioural or attitudinal characteristic. Unlike the other conservative families they never developed or tried to develop a mass following. They instead aimed at implementing long-lasting changes upon the American polity by exercising influence over the upper echelons of political power. From that fact came the second quality shared by these two groupings, for neoconservatives and neoliberals developed a relationship with the Nixon administration entirely unique within the American conservative movement: they provided the bulk of conservative personnel capable of undertaking managerial and policy work in the technocratic fields of welfare provision and economic management.<sup>8</sup>

Thanks to these men, during the Nixon administration, the limits of Lyndon Johnson's Great Society programmes became widely acknowledged, as was the fact that alternative forms of welfare administration and economic management deserved at least

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<sup>7</sup> Classical liberalism is a large and complex subfamily of the conservative movement that is, in turn, divided in several different ideological sub-subfamilies ranging from anarcho-capitalists to highly interventionist technocratic monetarists. Of these, the Austrian Economists led by Friedrich von Hayek were particularly relevant to conservative thought in the United States. Yet, for the purpose of this text they are, however, treated as a unit and variously labelled as neoliberals, classical liberals and libertarians. For more detailed accounts see Theodore Rosenof, 'Freedom, Planning and Totalitarianism: The Reception of F. A. Hayek's *The Road to Serfdom*', *Canadian Review of American Studies* 5, no. 2 (1974), pp. 149–65; George H. Nash, *Reappraising the Right: The Past and Future of American Conservatism* (Wilmington DE: ISI Books, 2009), pp. 47–49; Mark A. Smith, *The Right Talk: How Conservatives Transformed the Great Society into the Economic Society* (Princeton: Princeton University Press, 2007), pp. 99–100. For three excellent descriptions of Hayek's thought and career see Nick Bosanquet, *After the New Right* (London: Heinemann, 1983), pp.26–42; Richard Cockett, *Thinking the Unthinkable: Think Tanks and the Economic Counter-Revolution* (London: HarperCollins, 1994), pp. 9–121; Andrew Gamble, *Hayek: The Iron Cage of Liberty* (Cambridge: Polity Press, 1996).

<sup>8</sup> Jacob Heilbrunn, *They Knew They Were Right: The Rise of the Neocons* (New York: Anchor Books, 2009), p.165; Mark Gerson, *The Neoconservative Vision: From the Cold War to the Culture Wars* ((Lanham ML: Madison Books, 1996), pp. 5–6; Peter Steinfels, *The Neoconservative: The Men Who Are Changing America's Politics* (New York: Simon & Schuster, 1979), p. 9.

a hearing.<sup>9</sup> Among those policies gaining increased credence were the proposals put forward by neoconservatives advocating a reduction in direct federal involvement in welfare administration and a greater emphasis on certain cultural mores. Similarly, the specific prescriptions of monetarism – that is, of one of the remedies proposed by neoclassical liberalism to manage a modern economy – jumped from the realm of academic symposia to occupy the thoughts of officials at the Federal Reserve and the Department of the Treasury. As a consequence, during the following decade and a half, as two British scholars writing in the late 1980s put it, ‘conservative capitalism has changed the fundamental symbolic parameters of politics.’<sup>10</sup> These pages will examine how president Nixon’s wilful, calculated choices during and prior to his ascent to the White House were as critical to bringing around that result as ‘structural’ (that is, accidental and beyond anybody’s control) economic developments which were either not totally understood in the late 1960s and early 1970s, or actually occurred *subsequently* to Richard Nixon’s earlier policy initiatives. Events such as the implosion of Keynesian economics into intractable, *stagflation* or the seemingly uncontrollable expansion of welfare entitlement costs wildly beyond the estimates of their creators certainly help explain the sustained drift rightwards of public policy in the post-Nixon era. Yet it was Richard Nixon who launched the conservative policy proposals that would later dominate policy-making into the public arena *before* those developments permeated the public consciousness, and hence helped bring about their eventual re-adoption by subsequent administrations earlier and more smoothly than would have otherwise been possible. For, although their immediate success within the Nixon White House was limited, neoconservatives and neoliberals *did* succeed in drastically altering both the language used by policy-makers, and the ideological framework within which they operated.

A second crucial aspect of the neoconservatives and neoliberals’ stint in the Nixon White House was the transformation it brought upon the internal workings of the

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<sup>9</sup> See for instance Alonzo M. Hamby *Liberalism and Its Challengers. From FDR to Bush* (New York: Oxford University Press, 1992), pp. 260–61; Sean Wilentz, *The Age of Reagan: A History 1974-2008* (New York: HarperCollins, 2008), p. 23; Mark Blyth, *Great Transformations: Economic Ideas and Institutional Change in the Twentieth Century* (New York: Cambridge University Press, 2002), pp. 129–32.

<sup>10</sup> Kenneth Hoover and Raymond Plant, *Conservative Capitalism in Britain and the United States. A Critical Appraisal* (London: Routledge, 1989), p. 7. Plant and Hoover actually, and unsurprisingly enough, refer to Ronald Reagan and Margaret Thatcher, but the assertion is equally applicable to Nixon (and Edward Heath).

conservative movement they belonged to. The Nixon years significantly changed their relationship vis-à-vis the conservative hard core operating from the offices of *National Review*, and hence the subsequent make-up of the conservative movement after the president's demise. Thanks of their senior service in a presidential administration both neocons and neoliberals moved from being somewhat marginalised, rather subordinated elements of a movement firmly controlled the hard core into becoming fully autonomous, equal partners of a much more diverse and fragmented movement.

In order to examine the evolution of both neoconservatism and classical liberalism and the impact that the Nixon years had upon them this essay is divided into two sections. The first section evaluates the origins of both conservative sub-families and their relationship with the *National Review* cluster that anchored the American right prior to Nixon's 1968 presidential campaign. The second section discusses their travails as part of the administration and the tensions that conservatism at large endured as a consequence of the ascent and decline of neoliberal and neoconservative influence through two specific policy proposals: the Family Assistance Plan and monetarist 'gradualism' as a tool for controlling inflation and unemployment.

## 1. CLASSICAL LIBERALISM

In strictly philosophical terms the post-war American conservative movement was constituted by two distinct ideological narratives: traditionalism and libertarianism or classical liberalism. The core of the former's social vision was the creation of a 'virtuous society', in which it is the state's responsibility to make active use of its law-making and enforcing functions to foster certain 'virtuous' patterns of social behaviour grounded on, as the leading traditionalist Russell Kirk had it, the 'divine intent' which forges 'an eternal chain of right and duty which links great and obscure, living and dead', as well as 'respect for established usage and longing for continuity'.<sup>11</sup> Needless to say, Kirk believed that 'political problems, at bottom, are religious and moral problems'.<sup>12</sup> On the other hand, the heart of the libertarian social vision was (and remains) the free interaction of individuals in the market place. From the neoliberal

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<sup>11</sup> Russell Kirk, *The Conservative Mind From Burke to Santayana* (Chicago: Henry Regnery Co., 1953), pp. 7, 200–201.

<sup>12</sup> *Ibid.*, p.7.

perspective, the main (sometimes the only) mechanism of coercion appropriate to the good society is social sanction imposed through the market process. Any expansion of state activity beyond its essential functions (defence, law and order) constitutes a violation of the fundamental social good. According to the standard description of American conservatism, put first forward by historian George H. Nash, between the mid-1950s and the late-1960s the movement was an uneasy marriage between these two ideological traditions brought together by the herculean efforts of synthesis carried out by the Buckleyites at *National Review* – most notably Frank Meyer, the first and most articulate proponent of ‘fusionism’ between classical liberalism and traditionalism – and held in place by a shared anticommunism.<sup>13</sup>

This is a useful and illuminating narrative as long as one focuses, as Nash did, on the development of the intellectual conservatism proposed by the hard core in the pages of the *Review*. Not so much, however, if one expands the object of analysis to the entire movement. In the first place, although this perspective acknowledges that classical liberalism was an older branch of the American right than the Buckleyites’, it obscures the fact that since 1945 it had been developing a rich intellectual, political and organisational life, operating around organisations such as the Intercollegiate Society of Individualists, the Foundation for Economic Education and the Mont Pelerin Society, which was fully independent and frequently at odds with that of the *Review*.<sup>14</sup> It also tends to overemphasise both the weight of classical liberalism within the philosophically hybrid nature of the modernised conservatism developed by the hard core and the novelty value of the ‘fusionist’ debate. After all, a significant wing of the Republican party variously labelled as ‘Stalwarts’, as belonging to a ‘republican virtue tradition’, or quite simply as ‘conservatives’ never had any trouble combining a deep commitment to a small federal government with minimum economic regulatory powers

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<sup>13</sup> The first to articulate this argument cogently was Nash, *Conservative Intellectual Movement*, p. xv. Nash was an ‘insider’ within the *National Review* group, and his book was very much focused on the evolution of hardcore conservatism. Nash’s view of a three-pronged (libertarians, traditionalists and anticommunists) conservative movement held together by anticommunism is consistently repeated in every book surveying the post-war conservative movement in the United States, see for instance Hodgson, *World Turned Right Side Up*, pp. 44–45, 51; Himmelstein, *To The Right*, pp. 49–60; Diamond, *Roads To Dominion*, pp. 29–35; Micklethwait and Wooldridge, *Right Nation*, p. 51; Schaller, *Right Turn*, pp. 4–6; Hardisty, *Mobilizing Resentment*, pp. 39–40; Edwards, *Conservative Revolution*, pp. 78–79.

<sup>14</sup> James Gatsby, ‘Seeds of Schism on the Right’ *The New Republic*, March 5, 1962; Interview with David Keene, August 24, 2005, Washington DC; David Friedman to Frank Meyer, December 1, 1969, f. YAF, box 66, William F. Buckley Jr. papers, Manuscripts and Archives, Yale University Library (hereafter WFB papers); Alan Crawford, *Thunder on the Right: The ‘New Right’ and the Politics of Resentment* (New York: Pantheon Books, 1980), p. 97; Diamond, *Roads to Dominion*, pp. 124–25.

with an equally deep attachment to traditional mores in the cultural sphere.<sup>15</sup> In this sense at least, the men of *National Review* simply readjusted and rationalised trends of thought and attitudes already existing within the GOP to the realities of the post-1945 United States. On the other hand, the debates that took place within *NR* about the proper equilibrium between a ‘virtuous’ society in which public authorities exercise a vigorous role, and a ‘free’ society in which the state abdicates any interference with the behaviour of the individual beyond bare minimum public order matters seemed to have had remarkably little impact upon the libertarian community.<sup>16</sup> Rather than ‘fusing’ traditionalism and classical liberalism, the Buckleyites proved to be more ‘partidario’ of traditionalism and rather adept at excommunicating the latter from *National Review* conservatism.<sup>17</sup>

At the popular level classical liberalism had its most successful champion in Ayn Rand, a Russian emigré and writer with no formal training in economics who turned blind faith in radical individualism and the unfettered market into the stuff of successful cult novels. Rand’s radical secular individualism, together with the cult-like mentality she fostered, were summarily dispatched from the pages of *National Review* by no less than

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<sup>15</sup> A. James Reichley, *Conservatives in an Age of Change: The Nixon and Ford Administration* (Washington DC: Brookings Institution, 1981), pp. 22–26; Gerson, *Neoconservative Vision*, p. 9; David W. Reinhard, *The Republican Right Since 1945* (Lexington KY: University Press of Kentucky, 1983), pp. 5–9.

<sup>16</sup> See Frank S. Meyer, ‘The Twisted Tree of Liberty’, *NR*, January 16, 1962; M. Stanton Evans, ‘Do it Yourself Conservatism’, *ibid.*, January 30, 1962; L. Brent Bozell, ‘Freedom or Virtue?’, *ibid.*, September 11, 1962. Of course, William F. Buckley’s first book was titled *God and Man at Yale*, but was as critical of Yale’s education for overemphasising Keynesianism and neglecting classical liberal economics as for its lack of Christian righteousness. Needless to say, the book was also published long before the advent of fusionism or even *National Review*, and to judge from the enthusiastic response in certain quarters, it clearly responded, if anything, to bog-standard rightwing republican views, see William F. Buckley, *Miles Gone By: A Literary Autobiography* (Washington DC: Regnery, 2004), pp. 57–94; Nash, *Conservative Intellectual Movement*, pp. 24–25, 127–28.

<sup>17</sup> Interview with William F. Buckley, July 25, 2005, New York City. (Spanish in the original: the young Buckley was cared for by a Mexican nanny and was fluent in Spanish. During the interview the author and Buckley weaved in and out of English and Spanish). For rare examples of emphasis on this aspect of *National Review*-type conservatism, see David Hoeveler Jr., *Watch on the Right: Conservative Intellectuals in the Reagan Era* (Madison WI: University of Wisconsin Press, 1991), pp. 24, 32; Hardisty, *Mobilizing Resentment*, pp. 169–70; Jerome Himmelstein has maintained the opposite hypothesis: that classical liberalism was the dominant half of ‘fusionist’ conservatism, see Himmelstein, *To The Right*, pp. 60–62. Interestingly enough, the same alliance between classical liberalism and traditionalism can be found outside the United States, in political environments where the weight of cold-warrior anticommunism was substantially weaker. For a comparative perspective see Simon Gunn, *Revolution of the Right: Europe’s New Conservatives* (London: Pluto Press, 1989), pp. 1–40, 52–53; Andrew Gamble, *The Free Economy and the Strong State: The Politics of Thatcherism* (Basingstoke: Macmillan, 1988), pp. 1–60; Roger Eatwell and Noel O’Sullivan ed., *The Nature of the Right: European and American Politics and Political Thought Since 1789* (London: Pinter, 1989), pp. 3–17, 99–123, 167–91; Ruth Levitas ed., *The Ideology of the New Right* (Cambridge: Polity Press, 1986), pp. 1–54



anticommunist hero and scourge of Alger Hiss Whittaker Chambers as early as 1957. The leading libertarian Murray Rothbard suffered a similar fate, despite attempts to reach some accommodation.<sup>18</sup> Traditionalist Russell Kirk, for instance, proscribed Rothbard as a ‘loony’ author of ‘doctrinaire benthamism’ and ‘Manchesterian outpourings’, and declared collaboration with such people ‘a foolish thing’.<sup>19</sup> A year later, William F. Buckley declared a ‘tragedy’ that the American right could be ‘frozen in in-action’ by the ‘lofty and other-worldly pronouncements of John Stuart Mill’.<sup>20</sup> Predictably enough, Rothbard and his libertarian acolytes (as well as Ayn Rand and hers) resented such ‘contemptuous’ treatment and returned the compliments in spades, denouncing *National Review*’s ‘foreign interventionism’ and ‘authoritarian tendencies’ as the results of the hard core’s status as the ‘servant of dollar imperialism’.<sup>21</sup>

As a consequence throughout the 1960s and beyond, libertarian individualism held an entirely subordinate role within the senior ranks of the Buckleyite-dominated American conservatism. Yet it continued to retain a noticeable degree of influence within the universities and the youth segment of the movement. According to *National Review* correspondence, a substantial segment of the right-wing youth thought that conservatives such as ‘Old Foggy Kirk’ were more attuned to ‘housemothers’ than to the type of student determined to ‘invest his libido where he wishes.’<sup>22</sup> The persistence of classical liberalism in the campuses and in the outer reaches of the conservative movement signalled a crucial aspect of the neoliberal credo which would have an impact during the Nixon years. As numerous campus activists found out, libertarianism went beyond a mere defence of free markets and could not be equated merely with ‘providing the rationale and policy recommendations that benefit big business’.<sup>23</sup>

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<sup>18</sup> ‘Big Sister is Watching You’, *NR*, December 28, 1957; Murray Rothbard to William F. Buckley, September 18, 1958, f. Roberts-Royo, box 7, WFB papers; Buckley to Rothbard, April 7, 1960, f. Rothbard, box 11, *ibid.* For an account of Ayn Rand’s peculiar career and difficult relation with the rest of the conservative movement, see Jennifer Burns, *Goddess of the Market: Ayn Rand and the American Right* (Oxford: Oxford University Press, 2009)

<sup>19</sup> Russell Kirk to William F. Buckley, April 8, 1961, f. Russell Kirk, box 14, WFB papers.

<sup>20</sup> William F. Buckley, ‘A New Look at a Controversial Committee’, *NR*, January 16, 1962, p. 21.

<sup>21</sup> Murray Rothbard, ‘War, Peace and the State’, *Left and Right*, April 1963, p. 2; Ronald Hamowy, ‘*National Review*: Criticism and Reply,’ *New Individualist Review*, November 1961. Hamowy’s article offers an overview of the ideological tensions between ‘libertarian-liberals’ ‘rationalists’, ‘traditionalists’, and ‘authoritarians’; see also James O’Connell, ‘The New Conservatism’, *ibid.*, spring 1962, p.17–22. It is worth noting that the *New Individualist Review* was run by libertarian students of Milton Friedman and Friedrich Hayek at the University of Chicago, and that both men proudly figured on its masthead.

<sup>22</sup> Dorothy to the Editors, ‘Memo on Letters’, May 25, 1966, f. Interoffice Memos, box 39, WFB papers.

<sup>23</sup> Hardisty, *Mobilizing Resentment*, p. 169; For similar stands associating classical liberalism and the interests of ‘big business’, see Blyth, *Great Transformations*, pp. 258–59; Kim Phillips-Fein, *Invisible*

Throughout the 1960s, classical liberalism's main significance derived from its emphasis on individual freedom, rather than from its economic policy recommendations. From the viewpoint of the internal dynamics of conservatism, neoliberals contributed to *National Review* type conservatives embracing the view of the military draft as an infringement of basic liberties and introduced considerable ambivalence, or even paralysis, towards certain aspects of the culture wars, such as when Buckley favoured the legalisation of marijuana and contraception, or when the journal had to resort to a public debate in order to make up its mind on abortion.<sup>24</sup>

In second place the libertarian sub-family also included a relatively small number of economists who opposed what they perceived as the 'overexpansion' of government and who put forth a strictly technical case against both Keynesian economics and the welfare state which would be translated into policy-making during the Nixon administration. The post-war world was dominated by Keynesian 'new economics' which favoured selective government intervention, variously labelled as 'fine-tuning' or 'stop-go', upon demand in order to prevent, or at least cushion, downturns in the business cycle. According to the neoliberal critique, instead of engaging in 'stop-go' (bad in itself as that would have been) the federal government had, since the war, engaged in a continuous 'go' aimed at creating artificial economic prosperity, and which had climaxed with the Great Society.<sup>25</sup> In international terms, Keynes himself played a major role in setting the tightly-regulated international monetary markets of the Bretton Woods system, which were devised to favour international trade generally and, more specifically, to avoid the disastrous beggar-thy-neighbour competitive devaluations that had worsened and expanded the 1929 crisis.<sup>26</sup>

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*Hands: The Businessmen's Crusade Against the New Deal* (New York: W. W. Norton, 2010), pp. 42–52; J. Craig Jenkins and Teri Shumate, 'Cowboy Capitalists and the Rise of the "New Right": An Analysis of Contributors to Conservative Policy Formation Organizations', *Social Problems* 33, no. 2 (1985), pp. 130–45; Schaller, *Right Turn*, p. 35.

<sup>24</sup> See for instance William F. Buckley to William Rusher, March 29, 1966, f. IOM, box 39, WFB papers, Nash, *Conservative Intellectual Movement*, pp. 270–71, 295–97, see also 'Cold War Revisionism: The Major Historical Task', *Left and Right*, spring 1966.

<sup>25</sup> For a similar evaluation see Smith, *Right Talk*, pp. 102–103.

<sup>26</sup> For a descriptive introduction of the interwar years crisis and post second world war policies see Rondo E. Cameron, *A Concise Economic History of the World* (Oxford: Oxford University Press, 1989), pp. 350–364, 372–80, 403–406; Shepard B. Clough, *European Economic History: The Economic Development of Western Civilization* (New York: McGraw-Hill, 1975), pp. 437–46, 459–70, 489–96; Niall Ferguson, *The Ascent of Money: A Financial History of the World* (London: Allen Lane, 2008), pp. 100–108, 157–64, 305–19.

Neoliberals refused to accept either that the inter-war years' crisis had been provoked by market malfunctions, or that extensive government action could improve economic performance or that, in the long run, Bretton Woods would ensure financial stability. As a consequence they were almost universally regarded by the economics profession as either quaint relics of the past or as simply reactionaries. Reflecting on the status of *laissez faire* economics Milton Friedman, perhaps its most prominent advocate during the 1960s and 70s, thought that their most challenging task was to realise that they 'were not alone' in a sea of Keynesians.<sup>27</sup> Curiously enough, Friedman himself was one of the classical liberal economists with less reason to complain, since he was based in the University of Chicago's department of economics, already famous for being the cradle of Monetarism. Moreover the diminutive Friedman would also combat isolation by becoming an active Republican partisan and the kind of vigorous debating opponent with whom 'everybody loved to argue provided he wasn't there.'<sup>28</sup> Besides his trenchant debating skills, Friedman also happened to be endowed with enough academic talent to receive a Nobel prize and the disseminative capacity to turn economics into the stuff of blockbuster books, a widely read regular column in *Newsweek*, and a successful TV series. By 1969 Milton Friedman had become to neoclassical liberalism what William F. Buckley was to hard core conservatism. Unlike Buckley, however, Friedman possessed the kind of skills and knowledge that were useful for policy-makers. Monetarism, the school of economics led by Friedman, had by the mid-1960s constructed a ready-made policy model designed to fix the present (and, as it turned out, the future) ills of an advanced economy.<sup>29</sup>

According to Monetarism, instead of engaging in 'fine tuning', re-distributing wealth and regulating markets, governments should concentrate on one basic function: to provide a stable, predictable supply of money. Friedman's academic work had led him to believe it had been government's failure to follow this rule that had caused the Great Depression. In Friedman's view in 1929 the Federal Reserve had slashed the flow of money excessively and for too long, hence starving the markets of liquid and

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<sup>27</sup> Interview with Milton Friedman, May 4, 2004, San Francisco.

<sup>28</sup> Ibid. Interview with John Blundell, April 1, 2004.

<sup>29</sup> Ibid.; Interview with Milton Friedman; Interview with George Shultz, May 11, 2004, Palo Alto CA. For an overview of Monetarism and Friedman's career see Bosanquet, *After the New Right*, pp. 43–61; Cockett, *Thinking the Unthinkable*, pp. 151–56; Hodgson, *World Turned Right Side Up*, pp. 197–203; Nash, *Conservative Intellectual Movement*, pp. 267–72; Blyth, *Great Transformations*, pp. 139–41.

provoking a severe deflation from which recession followed.<sup>30</sup> Friedman believed that during the 1960s the opposite was happening, and that in order to stimulate the economy, the Fed had spent years continuously increasing the quantity of money circulating in the economy faster than the amount of goods and services being exchanged had expanded. Like all classical liberals, he believed that the threat to post-war prosperity was therefore inflation.<sup>31</sup> Unfortunately for Friedman, as the moderate, fiscally-conservative Eisenhower was succeeded by John Kennedy and then Lyndon Johnson, nobody else seemed to be listening.

One of the rare exceptions to this rule were the inhabitants of *National Review*'s offices. William F. Buckley had been influenced since his youth by a number of maverick libertarians who had been friends of his father: men such as Albert Jay Nock, Frank Chodorov and the editors of the early conservative-libertarian journal *The Freeman*.<sup>32</sup> This was a more philosophically-minded tradition and quite different from Friedman's monetarism – who only became familiar with it during the 1960s - in the sense that it was relatively disengaged from both academic and policy-making economics.<sup>33</sup> Still, as Buckley led *National Review*'s readjustment of the conservative credo, this libertarian background firmly aligned the hard core with Friedman's own stand. Both men had known of each other since at least 1962 and after a long epistolary relationship got along famously.<sup>34</sup> Although, tellingly enough, Friedman never became a regular *National Review* contributor, the journal occasionally carried his articles, and in contrast with the experience of the Rothbard style anarcho-capitalists, he was eventually acknowledged as the hard core's 'economic oracle'.<sup>35</sup> In the process, by the

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<sup>30</sup> See Milton Friedman and Anna J. Schwartz, *The Great Contraction 1929–1933* (Princeton: Princeton University Press, 1965), particularly pp. 112–23.

<sup>31</sup> Milton Friedman to William F. Buckley, February 13, 1962, f. 12, box 37, Milton Friedman papers, Hoover Institution, Palo Alto CA (hereafter MF papers, HI).

<sup>32</sup> Nash, *Conservative Intellectual Movement*, pp. 21–23; for a brief but useful introduction see Smith, *Right Talk*, pp. 96–104, 114–22.

<sup>33</sup> Henry Regnery to Milton Friedman, January 19, 1966, f. 15, box 23, Henry Regnery papers, HI (hereafter HR papers); Friedman to Regnery April 14, 1966, *ibid.* The same applies to Austrian Economics, the other grand school of classical liberalism then led by Friedrich von Hayek. It should be noted that Friedman's awareness of the Austrian's work also seems to have been somewhat superficial, see Friedman to Regnery, January 11, 1967, *ibid.*; Interview with Milton Friedman.

<sup>34</sup> See Milton Friedman to William F. Buckley, February 13, 1962, f. 12, box 37, MF papers; Buckley to Friedman, February 23, 1962, *ibid.*; Interview with Milton Friedman; Interview with William F. Buckley.

<sup>35</sup> James Buckley to Milton Friedman, July 19, 1972, f. 12, box 22, MF papers.

early 1960s the Chicago professor had also become a major between the libertarian circles and the hard core conservatives.<sup>36</sup>

A further important link bringing together Friedman's neoclassical liberals and the rest of the movement was the former first serious entrée in national politics in support of Barry Goldwater's 1964 presidential race. Friedman was drafted into the Goldwater effort by William J. Baroody Sr., the head of the American Enterprise Institute (a then-small think-tank devoted to translating free-market principles into position papers and analyses useful for politicians and policy-makers).<sup>37</sup> Despite the initial refusal of the senator to meet with the Chicago economists in 1960 a full personal relationship blossomed between the two men and eventually a number of Friedman's disciples and fellow classical liberals figured prominently within Goldwater's 1964 team of advisors and provided the bulk of his economic policy prescriptions.<sup>38</sup> As a consequence, they gained political experience – something denied to the Buckleyites, who were marginalised from the practicalities of the campaign – and participated directly in what became the great rite of passage for almost all members of the conservative community bar the neoconservatives. As the political tempo towards the 1968 election quickened, Friedman was therefore not only the informal leader of a significant although subordinate conservative family made up of classical liberal economists; he was also a member in good standing of the conservative movement with relationships with its anarcho-capitalist and organisational wings, as well as with the hard core.<sup>39</sup> Moreover, through the good offices William J. Baroody Sr., doubtlessly the member of the conservative coalition best connected with Washington's political circles, Friedman and his fellow liberal economists also became acquainted with a group of Republican

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<sup>36</sup> Russell Kirk, of all people, seems to have performed a similar role, aided by the foundation of the Philadelphia Society, which gathered all the shades of thought deemed acceptable within the American conservative movement since the early 1960s. See Milton Friedman to Don Lipsett, March 13, 1961, f. 25, box 28, *ibid.*; Charles Heatherly to Friedman, March 16, 1966, *ibid.*; Friedman to Heatherly, April 14, 1966, *ibid.*; Leonard Read to Friedman, September 11, 1957, f. 2, box 32, *ibid.*; Friedman to Read, September 18, 1957, *ibid.*; Bettina Bien to Friedman, September 7, 1961, *ibid.*; Lanny Ebenstein, *Milton Friedman: A Biography* (New York: Palgrave Macmillan, 2007), p. 166; Friedman, *Two Lucky People*, pp. 335–37.

<sup>37</sup> Baroody Sr., in turn a distant acquaintance of Buckley, had also enlisted Friedman in 1956 as a member of the AEI's Academic Advisory Board. Friedman, *Two Lucky People*, p. 344.

<sup>38</sup> Milton Friedman to Barry Goldwater, December 12, 1960, f. 24, box 27, MF papers; Goldwater to Friedman, *ibid.*; Friedman to Goldwater, April 12, 1966, Milton Friedman Uncataloged papers, HI (hereafter MF papers [uncatalogued]). Friedman, *Two Lucky People*, pp. 367–73;

<sup>39</sup> Seemingly, not even the irascible Erik Voegelin or Russell Kirk could resist the personal charm and professional standing of Friedman, see Milton Friedman to Erik Voegelin, July 23, 1983, f. Milton Friedman, box 13, Eric Voegelin papers, HI (hereafter EV papers).

officeholders such as Melvin Laird, Gerald Ford and Donald Rumsfeld, all of whom would later serve in one capacity or another, under Richard Nixon.<sup>40</sup>

By the mid 1960s, classical liberals still regarded themselves as something of a maverick minority within both the American conservative movement and the economics profession. Yet, as happened within conservatism, their status within the latter had distinctly improved from the low point of the interwar and immediate post-war years to a level of acceptance reflected by Friedman's selection to preside over the American Economic Association in 1966 and his becoming a Nobel laureate in economics in 1976. In the meantime classical liberals had also developed a constituency within the youth wing of the conservative movement and a set of ready-made, relatively simple policy-prescriptions which had become accepted by conservatives of almost all stripes. Monetarist prescriptions had therefore been added to traditional conservative economic preferences for balanced budgets and low taxation. As Richard Nixon prepared to enter the White House, classical liberals stood ready to implement them.

## 2. NEOCONSERVATISM

If classical liberalism had always been part and parcel of the American right-wing tradition, neoconservatism constituted the latest addition to the conservative ideological milieu. Both neoconservatives themselves and the growing literature analysing their evolution have tended to focus on how the rapid cultural changes unleashed during the 1960s, and the concomitant internal struggles within the Democratic party formed the environment within which neoconservatism emerged.<sup>41</sup> According to the standard account, neoconservatives were a group of predominately Jewish literary intellectuals such as Irving Kristol and Norman Podhoretz; social scientists such as Nathan Glazer and James Q. Wilson; and political operators who had belonged to the liberal *intelligentsia* associated with the Democratic Party's progressive wing such as Daniel Patrick Moynihan and Senator Henry 'Scoop' Jackson. The 'neo' in 'neoconservative' refers therefore to individuals who ended up as new recruits to the conservative cause

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<sup>40</sup> Friedman, *Two Lucky People*, pp. 344–45; Melvin Laird to Milton Friedman, March 13, 1962, f. 31, box 29, MF papers; Friedman to Laird, March 28, 1962, *ibid.* Interview with Milton Friedman; Interview with Melvin Laird, May 16, 2006, telephone.

<sup>41</sup> John Ehrman, *The Rise of Neoconservatism* (New Haven: Yale University Press, 1995), pp. 24–40; Steinfels, *Neoconservatives*, p. 3; Heilbrunn, *They Knew They Were Right*, p. 67.

during the late 1960s and 1970s. According to the neoconservative self-image, this fracture within liberalism and the neoconservatives' own collective road to Damascus was not triggered by their shift to the right, but by the drift of their fellow liberal intellectuals toward the counterculture and the New Left.<sup>42</sup> Norman Podhoretz, Irving Kristol's fellow-traveller-to-the-right and long-time editor of the prestigious Jewish cultural journal *Commentary*, labelled himself a 'centrist', and explained in his memoirs how American progressivism had sustained itself as a force 'against radicalism' up until the 1960s, when it was 'captured' by 'radicals'.<sup>43</sup> Be that as it may, the sharp turn to the right of Podhoretz's positioning in the political spectrum was indeed representative of the whole group. Within the five years between 1967 to 1972, he moved from believing that 'as long as we still have men like' George McGovern 'in the Senate, we may yet salvage something out of the [national] mess', to brutally eviscerating the senator when he became the Democratic presidential candidate.<sup>44</sup> It would be a mistake to believe that all who were associated with neoconservatism necessarily agreed on most issues.<sup>45</sup> On the contrary, they engaged in remarkably lively political and public policy debates, and their individual views have varied over time. Kristol for instance, liked to say that he had been 'moving consistently to the right', and admitted to considerable inconsistencies in his views over the long-term.<sup>46</sup> Nevertheless, it is undeniable that a relatively cohesive group of thinkers and academics coalesced between 1965 and 1968

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<sup>42</sup> *Ibid.*, p. 67; Erman, *Rise of Neoconservatism*, pp. 36–40; Steinfels, *Neoconservatives*, pp. 3, 55–57.

<sup>43</sup> Norman Podhoretz, *Breaking Ranks. A Political Memoir* (New York: Harper & Row, 1979), p. 16; Interview with Norman Podhoretz, June 28, 2004, telephone; Interview with William Rusher, March 21, 2006, telephone; Interview with William F. Buckley; For a (rather unfriendly, but generally accurate) biographical sketch of Podhoretz and Kristol, see Blumenthal, *Rise of the Counter-Establishment*; Together with *Breaking Ranks*, the best published account of the neoconservative self-perception Irving Kristol, *Neoconservatism: The Autobiography of an Idea* (New York: The Free Press, 1995); For an updated restatement of Podhoretz's views see Norman Podhoretz, *My Love Affair with America: The Cautionary Tale of a Cheerful Conservative* (New York: Free Press, 2000); see also Ehrman, *Rise of Neoconservatism*, pp. 57–59; Heilbrunn, *They Knew They Were Right*, p. 68.

<sup>44</sup> Norman Podhoretz to George McGovern, April 26, 1967, f. General Correspondence 1967–1968, box 1, Norman Podhoretz papers, Manuscript Division, Library of Congress (hereafter NP papers); McGovern to Podhoretz, April 20, 1967, *ibid.*; McGovern to Podhoretz, April 27, 1967, *ibid.* For a further example see the famous article sociologist Nathan Glazer, 'The Limits of Social Policy', *Commentary*, September 1971

<sup>45</sup> Heilbrunn, *They Knew They Were Right*, p. 10; Stefan A. Halper and Jonathan Clarke, *America Alone: The Neo-Conservatives and the Global Order* (Cambridge: Cambridge University Press, 2004) p. 10.

<sup>46</sup> Kristol, *Neoconservatism*, p. ix. The general thrust of Kristol's assertion was also noted in Interview with David Keene, August 24, 2005, Washington DC; Interview with Jeffrey Bell, August 29, 2005, Washington DC; Interview with Morton Blackwell, August 29, 2005, Washington DC; Interview with William Rusher. For further examples see Joseph Baroody memorandum to Charles Colson, October 20, 1970, f. Campus Unrest, box 44, Charles W. Colson materials, Richard Nixon Presidential Materials, National Archives, College Park MD (hereafter CC papers); Jeanne Kirkpatrick, 'Neoconservatism as a Response to the Counterculture', in *The Neocon Reader*, ed. Irwin Selzer (New York: Grove Press, 2004), p. 235. Interview with Norman Podhoretz

around *The Public Interest*, edited by Kristol, and *Commentary* edited by Podhoretz. These men (and a few women) found themselves increasingly on the conservative side of political debate, often after a personal catharsis which was, as in Kirkpatrick's case, long and sometimes, as in Sydney Hook's and Nathan Glazer's cases, life-long.<sup>47</sup>

Yet, despite the importance of the New Left for the emergence of neoconservatism as a cohesive political and intellectual group, the story of neoconservatism – as well as its parallels and links with that of the hard core's – went back to the 1940s and 1950s, when the agonies of anticommunism, the Hiss case and the antics of Joe McCarthy convulsed the nation long before Vietnam, Civil Rights and the sexual revolution. Neoconservatism's origins were located within the New York intellectual milieu that formed in the campuses of New York's City College and Columbia University in the midst of the sectarian struggles between assortments of Fabian, Stalinist, Trotskyite and freelance anti-Stalinist socialist groupings.<sup>48</sup> A first, and frequently obviated, point of connexion between neoconservatives and a substantial number of *National Review* right-wingers was the shared intellectual starting point in the far reaches of the political left, and the equally common *volte-face* to a vigorous anti-communism. Thus, *National Review* was first a twinkle in Willi Schlamm's eye, a German journalist who left the Communist party after some veteran cadres offered him the offices of a prostitute and who could be found speaking at the first public meeting of the Congress for Cultural Freedom – the anticommunist organisation run by the same then-social democrats who would later become known as neoconservatives.<sup>49</sup> Other *National Review* editors and collaborators such as Will Herberg, journalists Eugene Lyons, Max Eastman, Ralph de Toledano and, above all, James Burnham, were also linked with both *National Review* and the left-of-centre New York intellectual circles inhabited by the men later to be known as neoconservatives.<sup>50</sup> Unsurprisingly, as the Hiss Case and McCarthyism unfolded, both the emerging hard core conservatives and the would-be neoconservative

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<sup>47</sup> Podhoretz, *Breaking Ranks*, pp. 3–17, 286–87; Interview with David Keene; Interview with Jeffrey Bell; Interview with Morton Blackwell, August 29, 2005, Washington DC; Interview with William Rusher.

<sup>48</sup> A crucial character of this period was the peculiar left-wing impresario Max Shachtman, see Heilbrunn, *They Knew They Were Right*, pp. 35–39.

<sup>49</sup> Sidney Hook, *Out of Step: An Unquiet Life in the 20<sup>th</sup> Century* (New York: Harper & Row, 1987), p. 263.

<sup>50</sup> *Ibid.*, pp. 254–56; Gary Dorrien, *The Neoconservative Mind: Politics, Culture, and the War of Ideology* (Philadelphia: Temple University Press, 1993), pp. 19–67; Heilbrunn, *They Knew They Were Right*, p. 49; Nash, *Conservative Intellectual Movement*, pp. 105–106.



community suffered rather traumatic splits and divisions that would resurface years later when the Vietnam war became the ulcer in the nation's political and cultural landscape.<sup>51</sup> Podhoretz, for instance, echoed hard core viewpoints when he emphasised how looking into New Left ranks 'one kept coming upon scions of what could be called the First Families of American Stalinism'.<sup>52</sup> A further element of ideological communion was contributed by Chicago philosopher Leo Strauss, who is rightly considered as both one of the leading influences in the creation of neoconservatism, and was a prime member of the conservative intellectual community of the 1950s and 60s. Not accidentally, Strauss happened to be a subscriber to only one journal: *National Review*.<sup>53</sup>

Throughout the entire post-war period, both the hard core and the New York intellectuals also displayed a commonly-held vein of cultural elitism, accompanied by an equally vigorous disdain for those members of the intellectual elites placed beyond their own circles – even if during the 1950s and early 1960s this included one another.<sup>54</sup> An identical manifestation of such elitism was a vigorous cosmopolitan, internationalist vein and strong anglophile tendencies, which had been buttressed by stints in British educational and cultural institutions, and which were coloured by varying degrees of longing for a highly idealised British past and a proportional distaste for the Fabians.<sup>55</sup> Sharing similar outlooks, the hard core and the neoconservatives also displayed near-analogous patterns of behaviour and strategies for gaining influence through journals which aspired to the highbrow. Hence, by the late 1960s to the hard core's *National Review*, neoconservatives opposed Kristol's policy-oriented *Public Interest* and Podhoretz's literary and politically-minded *Commentary*.<sup>56</sup> Since both groups during the late 1960s and early 1970s were essentially made up of journalists, writers and academic-minded policy-makers, their activities in partisan politics – with a few

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<sup>51</sup> Gerson, *Neoconservative Vision*, pp. 53, 64–65; Nash, *Conservative Intellectual Movement*, pp. 100–106.

<sup>52</sup> Podhoretz, *Breaking Ranks*, p. 253.

<sup>53</sup> Heilbrunn, *They Knew They Were Right*, p. 26.

<sup>54</sup> Nash, *Conservative Intellectual Movement*, pp.125–27; Interview with Norman Podhoretz; Kristol, *Neoconservatism*, pp. 373–80.

<sup>55</sup> All senior *National Review* editors had studied in British institutions, as also had Podhoretz. Kristol helped to run the Congress of Cultural Freedom from London, where he became fast friends with journalist Peregrine Worsthorne, also a good friend of Buckley, see William F. Buckley to Peregrine Worsthorne, October 17, 1961, f. Peregrine Worsthorne, box17, WFB papers; Worsthorne to Buckley, November 8, 1961, *ibid*.

<sup>56</sup> Gerson, *Neoconservative Vision*, pp. 5–6.

exceptions such as William Rusher and Barry Goldwater for the hard core as well as Senator Henry ‘Scoop’ Jackson and Daniel Patrick Moynihan for the neoconservatives – tended towards the dilettante and were marked by a rather sorry record of failure. The 1964 disaster of Barry Goldwater mirrored how the intra-Democrat struggles from 1968 to 1972 seemed to result in the complete collapse of neoconservative influence within that party, and even Richard Nixon’s defeat of Ronald Reagan in the 1968 Republican primaries was a testament to the limits of the hard core’s (admittedly growing) strength.<sup>57</sup> Thus, even if in retrospect and with the benefit of hindsight, it is not surprising that William Buckley thought quite on the mark Milton Friedman’s dictum that both neoconservatives and hard core conservatives belonged to the same ‘New York type’ of right-wing American.<sup>58</sup> Yet, Friedman missed the most important difference between the hard core and the neoconservatives, for the latter possessed experience in both evaluating and implementing specific policy proposals. Whereas the hard core was temperamentally reluctant to actually take part in any form of government action and rarely engaged in proper policy analysis, the neoconservatives – even if adopting a highly critical posture – specialised precisely in devising and analysing policy programmes.

The important elements of neoconservatism can be divided in two categories, the first being a series of ethical and moral arguments aimed at preserving a range of traditional values which were virtually undistinguishable from the traditionalist maxims of *National Review*.<sup>59</sup> From the foregoing analysis stemmed the second aspect – a set of technocratic recipes aimed at correcting the perceived mistakes of the Great Society in areas ranging from Civil Rights to welfare assistance and education. The former placed neoconservatives on the same wavelength as their traditionalist-minded and right-wing Catholic hard core counterparts such as ‘old foggy’ Russell Kirk and Will Herberg. Needless to say, it also put them at loggerheads with both *National Review* libertarian-leaning elements and the Rothbard types. Neoconservatives also shared with the Buckleyites a strong vein of anticommunism, in itself a continuation of the Democratic

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<sup>57</sup> Ehrman, *Rise of Neoconservatism*, p. 34; James Mann, *The Rise of the Vulcans: The History of Bush’s War Cabinet* (New York: Penguin, 2004), pp. 103–105.

<sup>58</sup> Interview with William F. Buckley; Interview with Milton Friedman.

<sup>59</sup> See for instance John P. Sisk, ‘Sex and Armageddon’, *Commentary*, December 1970, pp. 83–90; Morris Dickstein, ‘Allen Ginsberg and the Intellectuals’, *Commentary*, vol. 49, no. 1, pp. 64–70; Nathan Glazer, ‘“Student Power” in Berkeley’, *PI*, fall 1968, pp. 3–22.

Cold War stance which neoconservatives maintained during the early 1970's.<sup>60</sup> The similarities here intensified with the Vietnam-induced New Left critique of American society. After the Tet offensive of 1968, individuals like Podhoretz and Kristol freely admitted as, at least privately, did men such as James Burnham and William Rusher, that the war in South East Asia 'didn't work', had been a terrible mistake, and was quite possibly irremediably lost. Yet they flatly refused to admit that, as the counterculture claimed, the horrors of Vietnam were a symptom of the nation's moral bankruptcy.<sup>61</sup> Much as anticommunism was the hard core's proxy for attacking liberalism, the matter agitating neoconservative intellectuals was actually 'not the Soviet Union' or any other foreign adversary, but 'the United States' itself, or rather the forces of the left operating within the nation.<sup>62</sup> That is, echoing the views of Whittaker Chambers, Buckley, and Willmoore Kendall, neoconservatives also saw a 'jagged fissure' opening between the liberal establishment and the rest of the nation.<sup>63</sup> According to both Buckleyites and neoconservatives, liberal toleration of dissent led towards increasing acceptance of left-wing arguments, whether of a Soviet or Stokeley Carmichael variety, and a consequent deterioration of the nation's moral fibre. By the late 1960s, Norman Podhoretz was reproducing almost verbatim the same views that Willmoore Kendall, James Burnham and the other *National Review* editors had been hammering out for some 30 years when he declared that 'even if we were safe from Soviet military domination, we would be extremely vulnerable to the pull of their political culture'<sup>64</sup> In 1967 Irving Kristol was clear to point out who, exactly, was to blame for such a state of affairs. Much like William Buckley had denounced 'criminal delinquency of the intellectuals,' Kristol noted that it was 'among the intellectuals' that 'extremist dissatisfaction is rife.'<sup>65</sup> As 1968 approached, neoconservative restlessness increasingly lent ideological weight to the most powerful right-wing populist arguments since McCarthy. It is not strange that Richard Nixon's sensitive political antennae would pick up on the growing electoral

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<sup>60</sup> Interview with Howard Phillips; Seltzer, *Neocon Reader*, pp. 22–23; Daniel Patrick Moynihan, *Pandaemonium: Ethnicity in International Politics* (Oxford: Oxford University Press, 1993), pp. 38–39.

<sup>61</sup> See for instance, Nathan Glazer, 'Vietnam, the Case for Immediate Withdrawal', *Commentary*, May 1971; Podhoretz, *Breaking Ranks*, pp. 186–87, 190; Podhoretz Interview.

<sup>62</sup> Podhoretz, *Breaking Ranks*, p. 190.

<sup>63</sup> Whittaker Chambers, *Witness*, (Washington DC: Regnery, 2001), p. 793; Kristol, *Neoconservatism*, pp. 106–108; Podhoretz, *My Love Affair*, pp. 118–24; William F. Buckley, 'A New Look at a Controversial Committee', *NR*, January 16, 1962, p. 21.

<sup>64</sup> Podhoretz, *Breaking Ranks*, p. 348.

<sup>65</sup> Kristol, *Neoconservatism*, p. 86; William F. Buckley, 'A New Look at a Controversial Committee', *NR*, January 16, 1962, p. 21; Interview with William F. Buckley.

pull of juxtaposing what one could call the ‘silent majority’ against the intellectuals, journalists and academics blasted by the right.

However, for all the similarities between neoconservatism and the stance of the *National Review* conservatives, there remained a number of distinctive characteristics that set the former apart from the hard core. First, as happened with all right-wing subfamilies, neoconservatism and Buckleyite conservatism were as much a matter of personal affection and social networks as they were of ideology. It is not surprising, then, that the main crisis between neoconservatives and their *National Review* counterparts was triggered by the race between incumbent New York senator James Buckley (brother of William F. Buckley) and neoconservative champion Daniel Patrick Moynihan – a scenario almost impossible to imagine between say Goldwater and Reagan, or Scoop Jackson and Moynihan. Similarly Frank Meyer once famously stormed out of Philadelphia Society paper being delivered by Kristol while shouting ‘you are nothing but a Tory socialist’, again a scenario difficult to imagine, at least in public, between Meyer and his less libertarian-minded *National Review* editors.<sup>66</sup> In second place, the most important difference was the neocons’ remarkable ability to produce specific policy ideas: the first publication clearly identifiable as neoconservative, Kristol’s *The Public Interest*, was exclusively devoted to the analysis and proposal of domestic policy initiatives. Its pages gathered the work of men such as politician Daniel Patrick Moynihan, sociologist Nathan Glazer and public-policy-wonk-cum-scholar James Q. Wilson. The personal trajectories of Moynihan and Wilson are both good examples of technocratic neoconservatism. Both men had left academic life to work within Johnson’s Great Society, Wilson in crime prevention and Moynihan in race-related issues and the fight against poverty; both suffered a similar disenchantment with the apparent lack of improvements and the violent fashion in which the poor, and particularly blacks, seemed to be venting their frustration; and both wound up working for Richard Nixon, espousing proposals highly critical of liberal ‘softness’ towards delinquency and favouring a greater emphasis on ‘individual responsibility’ and ‘self-reliance’.<sup>67</sup> The path followed by these two men also reflects quite nicely

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<sup>66</sup> Interview with Norman Podhoretz; Interview with William F. Buckley.

<sup>67</sup> Godfrey Hodgson, *The Gentleman from New York: Daniel Patrick Moynihan, A Biography* (Boston: Houghton Mifflin, 2000), pp. 123–26, 150–51; James Q. Wilson, ‘Crime and the Liberal Audience’, *Commentary*, January 1970, pp. 71–78.

neoconservatives' taste for proximity to power, and the crucial part played by the decade between 1963 and 1973.

Their experiences as managers of the Great Society also drove these men toward the basic conclusions that would distinguish neoconservatives from liberal-progressives, classical liberals and the Buckleyites. At first, by the late 1960's neoconservatives, like the hard core, had adopted certain theses developed by neoclassical liberals such as Milton Friedman, Friedrich von Hayek and Henry Hazlitt. Thus, they accepted that state action could not solve *all* problems, and that in *some* cases public policy actually worsened the situation, but unlike the neoliberals, neoconservatives always remained stubborn supporters of the New Deal (which they opposed to the excesses of the Great Society), and they continued to grant a relatively large role to the state in assisting the needy.<sup>68</sup> Race relations was a case in point during the late 1960's. During his years within the Johnson administration, Moynihan had used Labor Department statistics to demonstrate that one of the main obstacles to the emergence of a black middle-class was, of all things, government assistance to mono-parental families. According to what became known as the 'Moynihan Report', financial subsidies to single mothers had the 'unintended effect' of stimulating the break up of the family unit, because they favoured the 'expulsion of the man'.<sup>69</sup> Hence a measure designed to provide short-term support for the poor actually contributed to the creation of long-term damage by trapping poor blacks in a cycle of broken families. A second 'unexpected effect' was the emergence of a 'new class' made up of the bureaucrats necessary to design and manage government policy. According to the neoconservative critique, indistinguishable from the views expressed by Friedman in his *Capitalism and Freedom*, this new bureaucracy, however well-meaning, would soon become more concerned with protecting its own interests than those of its protégées. It was no accident, neoconservatives claimed, that the main bastions of social democracy were also the places that produced the personnel that manned the large bureaucracies that the welfare state produced and needed.<sup>70</sup>

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<sup>68</sup> Interview with Norman Podhoretz; Stelzer, *Neocoon Reader*, p. 19. One of the most recent examples has been the confrontation between the neoconservative-leaning 'compassionate conservatism' adopted by the Bush Jr. administration and neoliberalism, illustrated in the political memoir of George W. Bush staffer Michael Gerson, *Heroic Conservatism: Why Republicans Need to Embrace America's Ideals (And Why They Deserve to Fail If They Don't)* (New York: HarperCollins, 2007).

<sup>69</sup> Daniel Patrick Moynihan, *The Negro Family: The Case For National Action* (Washington DC: Office of Policy Planning and Research, United States Department of Labor, 1965).

<sup>70</sup> Kristol, *Neoconservatism*, pp. 45–48; see also Nathan Glazer, 'The Limits of Social Policy', *Commentary*, September 1971; Kristol, *Neoconservatism*, p. 173; Seymour Martin Lipsett and Everett

Coinciding with neoliberals, neoconservatives have ever since insisted on the need to channel public funds through ‘private, group, voluntary and non state’ organisations, which they believe are closer to the actual beneficiary and therefore more efficient and less prone to generate negative unintended effects.<sup>71</sup>

It is however important to emphasise that neoconservative hostility towards the negative aspects of the Great Society never quite provoked a conversion to either hard core conservatism or the classical liberal canon. *National Review* conservatives such as writers Russell Kirk and James Burnham abhorred ‘modernity’ to the point of denouncing the emergence of sociology (Kirk also thought the radio and the electric bulb suspect contraptions), and instead hankered after an idealised image of a rural, pre-modern past. Neoconservatives however, far from attacking the social sciences or technological advances *per se*, were professionally engaged in ‘public service’ sciences and had a more guarded take on scientific progress.<sup>72</sup> Furthermore, neoconservatives always, and with some grounds, blamed the relatively narrow appeal of Buckleyite conservatism on its ‘aristocratic’ and ‘foreign’ to the American tradition tendencies. They therefore self-consciously aimed at generating arguments more closely attuned to the American public: instead of looking back to an idealised Middle Age, neoconservatives defended a revival of the considerably more familiar 1950’s, a decade described in *Commentary* as ‘an oasis of stability and rationality in Western affairs’.<sup>73</sup> In more pragmatic terms, neoconservatives also recognised very early on, and were willing to state publicly, that any proposal to dismantle the welfare state was tantamount to political suicide. And politicians, they knew, were vital to the exercise of power and influence.<sup>74</sup> Thus, the neoconservatives’ response to the collapse of Lyndon Johnson’s welfare innovations was to seek the reconstruction of a leaner, smaller, more efficient

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Carl Ladd Jr., ‘College Generations from the 1930s to the 1960s’, *Public Interest*, fall 1972, pp. 99–114, here pp. 112, 109, (hereafter *PI*).

<sup>71</sup> An early example of the neoconservative stand on domestic policy matters may be found in Nathan Glazer, ‘Paradoxes of American Poverty’, *ibid.*, fall 1965, pp. 71–82, here p. 82; see also Irving Kristol, *Two Cheers for Capitalism* (New York: Basic Books, 1978), p. 30.

<sup>72</sup> Leon R. Kass, ‘Making Babies – The New Technology and the “Old” Morality’, *PI*, winter 1972, pp. 18–27; for a biographical sketch of Russell Kirk, see Garry Wills, *Confessions of a Conservative* (New Garden City NY: Doubleday, 1979), pp 46–48; Nash, *Conservative Intellectual Movement*, pp. 176–83.

<sup>73</sup> John Mander, ‘In Defence of the 50s’, *Commentary*, September 1969, pp. 63–68, here p. 64; Interview with Norman Podhoretz.

<sup>74</sup> Kristol, *Neoconservatism*, pp. 212, 282; Interview with Norman Podhoretz.

liberal welfare state. As Kristol expressed it in one of his famous dictums, neoconservatives were only willing to proclaim ‘two cheers’ for capitalism.<sup>75</sup>

### 3. NIXON’S MEN

Despite their differing evolution, neoconservatives and neoliberals gravitated towards the Nixon presidential bandwagon at around the same time, and in a somewhat similar fashion: relatively late in the campaign and in a technocratic capacity. Unlike Southern Republican conservatives and those Buckleyites who had been with Nixon since 1966, the neoconservative alignment with the candidate began considerably later, and was altogether divorced from direct political campaigning. Nevertheless, neoconservatives and neoliberals turned out to be the two driving forces behind the crucial domestic policy initiatives taken by the Nixon White House. The following pages are focused on two of them; the Family Assistance Plan and the pack of measures that surrounded the breaking of the gold window.

The earliest contact between neoconservatives and the Nixon campaign took place in September 1967, when a speech by Daniel Patrick Moynihan to the Americans for Democratic Action captured the attention of Leonard Garment, a liberal-leaning Nixon campaign staffer and workmate in the Wall Street law firm that had been the candidate’s lair since 1963. Garment in turn passed the speech on to Richard Whalen (a *National Review*-type conservative), and both took it to it to Nixon himself.<sup>76</sup> At around the same time, two other Nixon aides – Raymond Price and Martin Anderson – were also recommending Moynihan.<sup>77</sup> Nixon on his part, plausibly claimed that he had by then read ‘several’ of Moynihan’s articles, and that he thought his thinking ‘refreshing and stimulating’.<sup>78</sup>

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<sup>75</sup> Kristol, *Two Cheers*, pp. ix–x. Interview with Jude Wanniski August 14-15, 2005, email; Herbert Stein, *Presidential Economics: The Making of Economic Policy from Roosevelt to Clinton* (Washington DC: American Enterprise Institute, 1994), pp. 237–49.

<sup>76</sup> Hodgson, *Gentleman from New York*, pp. 141–42; Leonard Garment, *Crazy Rhythm: My Journey from Brooklyn, Jazz and Wall Street to Nixon’s White House, Watergate and Beyond...* (New York: Times Books, 1997), pp. 123–24; Richard Whalen, *Catch the Falling Flag. A Republican’s Challenge to His Party* (Boston: Houghton Mifflin, 1972), pp. 38–39.

<sup>77</sup> Stephen E. Ambrose, *Nixon: The Triumph of A Politician, 1962–1972* (New York: Simon & Schuster, 1990), p. 124.

<sup>78</sup> Richard Nixon, *RN: The Memoirs of Richard Nixon* (New York: Grosset & Dunlap, 1978), p. 342.

Although Moynihan still remained an advocate of the Great Society, civil rights activists and most of his fellow liberals interpreted the report as ‘blaming the victim’ while, to Moynihan’s own astonishment, *National Review* was about the only opinion journal openly supporting his conclusions.<sup>79</sup> The ADA speech that caught the attention of the Nixon men was another manifestation of Moynihan’s slow evolution towards the right, and was welcomed by William F. Buckley as a ‘Magna Carta for liberals’.<sup>80</sup> Like virtually all neoconservatives at the time, Moynihan still broadly supported public assistance for the needy, but he also fully concurred with certain *National Review* mores. The nation was, according to Moynihan, exhibiting ‘the qualities of an individual going through a nervous breakdown’, and he proceeded to explain such a deplorable fact by developing on conservative themes such as bureaucratic inefficiency, disaffected educated classes and rising expectations that men such as Buckley or Friedman had been repeating for a generation.<sup>81</sup> Most importantly, Moynihan concluded that liberalism’s main interest lay in ‘the stability of the social order’, and he therefore advocated ‘a much more effective alliance with political conservatives’.<sup>82</sup> Never one to miss an opportunity to hurt his Democratic adversaries, Nixon’s reaction to the speech was not dissimilar from that of his right-wing Buckleyite supporters: he happily obliged. Throughout the rest of the campaign Moynihan maintained a regular stream of written advice to the candidate.

Less flamboyant neoconservative and classical liberal characters also found their way into the Nixon camp through the campaign’s efforts to enlist academic and intellectual support headed by Alan Greenspan. Greenspan was the campaign’s domestic policy coordinator charged with organising around a dozen task forces meant ‘to focus sharply on legislative and executive actions of 1969’, and deal with a range of issues that went from the ‘budget’ to ‘education’ through ‘international economic policy’ and ‘manpower policy.’ Two patterns that later continued emerged from the reports produced by these committees.<sup>83</sup> Firstly, the campaign held a sincere but limited commitment to pluralism: hence ‘support of the Republican Party or of Mr. Nixon’ was

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<sup>79</sup> Hodgson, *Gentleman from New York*, pp. 89–94, 113–20; Gerson, *Neoconservative Vision*, p. 101

<sup>80</sup> Ehrman, *Rise of Neoconservatism*, p. 71; Steinfels, *Neoconservatives*, pp. 129–32.

<sup>81</sup> As quoted in Mason, *Quest for a New Majority*, p. 22. Garry Wills was quick to spot the link, see Wills, *Nixon Agonistes*, pp. xx.

<sup>82</sup> Ehrman, *Rise of Neoconservatism*, p. 37.

<sup>83</sup> Memorandum Alan Greenspan to Paul [McCracken (?)], August 23, 1968, and attachment ‘Task Forces’, MF papers (uncatalogued).



‘not to be a requirement’ for members of the task forces.<sup>84</sup> In practice, the effort translated into a roster which included virtually all the sub-families of the conservative community. After Nixon’s victory in the Republican National Convention, a number of men who Raymond Price still called ‘new liberals’ and would later be re-labelled ‘neoconservatives’ such as Irving Kristol and James Q. Wilson found their way into the various task forces and advisory committees organised by Nixon’s men, and others such as Seymour Martin Lipset and Ben Wattenberg joined up, even if informally, later on.<sup>85</sup> The task forces also included a fair share of classical liberal economists such as Greenspan himself – a close friend and disciple of no less than Ayn Rand – as well as Fritz Matchlup, George Stigler and Karl Brandt, all of them founding members of the Mont Pelerin Society, the famous neoliberal international organisation.<sup>86</sup> This set of Nixon’s advisers must be divided in two distinct generations: the youngest was made up of firebrands such as Martin Anderson and Warrant Nutter (Friedman’s first PhD student in Chicago), while the older included former Eisenhower staffers such as Paul McCracken and Arthur Burns (Friedman’s mentor and intellectual father figure). The distinction matters because the latter displayed the considerably more technocratic and moderate attitude commonly associated with the general’s administration. Yet, unlike in 1964, this time around they would not be mere occasional advisors to the presidential candidate as they had been to Goldwater. This time around they first staffed Richard Nixon’s economic team during the election, and subsequently moved into the White House, the Department of the Treasury and the Federal Reserve.

Be as it may, given the genuine variety of opinion, squabbles inevitably broke out. At this early stage the most telling difference was not however between men belonging to different philosophical families but within the neoliberals, who engaged in a two-front debate that turned out to have determinant effects upon the future of the administration. First, the report of the Commission for Economic Policy revealed a rift between the majority opinion defended by those economists, led by Milton Friedman, who advocated the United States’ unilateral withdrawal from the Bretton Woods international monetary system – specifically, a suspension of the commitment to sell gold at the price of \$35 an ounce while removing ‘all restrictions on the use of dollars to

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<sup>84</sup> *Ibid.*

<sup>85</sup> *Ibid.*; Steinfels, *Neoconservatives*, pp. 87–90.

<sup>86</sup> *Ibid.*; Herbert Stein to Richard Nixon, November 18, 1968, and attachment ‘Management of the Budget’, MF papers (uncatalogued).

buy foreign goods or currencies' – and a minority led by Nixon's old friend and Friedman mentor Arthur Burns, who advocated working within the existing system.<sup>87</sup> Nixon at this early stage remained non-committal, but leaned towards a progressive liberalisation of capital flows that went right against the spirit and practice of Bretton Woods. Most importantly, the economic language employed by the candidate took on a distinctly Friedmanesque rhetorical style, with frequent reference to the need for 're-establishing the integrity of our fiscal *and monetary* policies', and a promises to end 'self defeating controls' on economic and monetary activities.<sup>88</sup> The second matter of early disputation among classical liberals was Friedman's vigorous advocacy of an overhaul of Great Society welfare programmes, and their substitution by a negative income tax which, in short, would replace most welfare provisions with direct cash transfers to the poor.<sup>89</sup> Friedman's negative income tax was first discussed when Friedman who, together with other six economists led by Arthur Burns had accepted membership of Nixon's advisory group, delivered a paper with his proposal. Unlike the task forces, the advisory group enjoyed more direct access to the candidate and was meant to provide advice 'primarily based on political considerations'.<sup>90</sup> On May 19 1968, the group met in the New York Metropolitan Club and Friedman developed upon his welfare plans.<sup>91</sup> Martin Anderson, a fellow classical liberal economist thought the idea, in a foretaste of things to come, tantamount to 'giving money gratis from someone else who has earned it to a person who hasn't been doing a damned thing'. Arthur Burns was more specifically horrified by the prospect of 'hippies' who 'get their support from their middle class-families' being instead 'supported by Uncle Sam'.<sup>92</sup> Peter Flanigan, who was present at the meeting in his capacity as Nixon's deputy campaign manager,

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<sup>87</sup> Milton Friedman to Bryce Harlow, December 5, 1968, MF papers (uncatalogued); Milton Friedman, 'A Proposal for Resolving the US Balance of Payments Problem', October 15, 1968, *ibid.*; 'Report of the Task Force on International Economic Policy' [Undated], *ibid.*; 'Dissenting Statement of the Task Force on International Policy', April 11, 1968, *ibid.*; Gottfried Haberler, [Undated] 'Comments on the 'Dissenting Statement'', *ibid.*; Henry Wallich and William Fellner to Paul McCracken, November 19, 1968, *ibid.*

<sup>88</sup> Richard Nixon to Milton Friedman, October 3, 1968, and attached statement by Richard M. Nixon 'The Case for Removal of Foreign Investment Restrictions', *ibid.*; see also 'Economics: Nixon-Humphrey Debate', *Business Week*, September 28, 1968.

<sup>89</sup> Milton Friedman, 'New Approaches to Welfare', and comments [undated], MF papers (uncatalogued).

<sup>90</sup> Peter Flanigan to Milton Friedman, May 9, 1968, MF papers (uncatalogued); Nixon for President Committee Press Release, May 23, 1968, *ibid.*; Flanigan to Friedman, July 31, 1968, *ibid.* The other members of the group were Pierre Rinfret, Alan Greenspan, Maurice Stans, Don Paarlberg and Paul McCracken. Although not listed as a member of the group, Martin Anderson was also present.

<sup>91</sup> Milton Friedman, 'New Approaches on Welfare', (Undated. c. May 19, 1968), *ibid.*

<sup>92</sup> 'Comments' to Milton Friedman, 'New Approaches to Welfare', and Comments (undated c. May 19 1968), *ibid.*

and hence as ‘political’ representative, saw things differently: he was ‘fascinated’ by the proposal.<sup>93</sup>

As Nixon took office he became quite fascinated himself, although this time the idea was not proposed by Friedman, who remained outside the administration, but by Moynihan. As the campaign went on, Moynihan’s ADA speech had continued to propel its author towards Republican circles. Like Friedman, Moynihan became an informal Nixon advisor and was recruited by Representative Melvin Laird – Nixon’s future secretary of defence – to contribute a chapter to an edited book exploring the GOP’s main philosophical tenets, which also included a chapter by Friedman on the Negative Income Tax as an alternative to the constellation of Great Society programmes.<sup>94</sup> Moynihan took the proposals to his neoconservative friends around the *Public Interest*, who in turn reacted with enthusiasm. Friedman’s realistic expectations about the plan’s potential effects did not extend to a Johnson-like eradication of poverty, but a reduction in hardship to a level ‘at which it can best be taken care of by private charitable agreements’, while the curtailing of inefficient bureaucracies was bound to appeal to likes of Irving Krisol.<sup>95</sup> Unlike Friedman, Moynihan eventually became a fully-fledged and rather prominent member of the administration. In January 1969 Nixon appointed him head of the newly-created Urban Affairs Council from which, the president led him to believe, he would be in a position to reshape the collapsing Great Society welfare system. What Nixon neglected to mention was the creation of another new position, that of counsellor to the president, to which he appointed Arthur Burns with the specific aim of balancing Moynihan’s ‘liberalism’ with a ‘conservative economist’’s input.<sup>96</sup>

As happened in the task forces during the campaign, Nixon seems to have genuinely desired the exposition of contending ideas – hence the Burns-Moynihan balance. Unfortunately for the president, the actual result proved to be no-end of squabbles between two men coming, according to an insider, ‘from irreconcilably opposed positions’.<sup>97</sup> The story of the Burns-Moynihan policy warfare is amply

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<sup>93</sup> Peter Flanigan to Milton Friedman, May 20, 1968, *ibid.*

<sup>94</sup> Hodgson, *Gentleman from New York*, p. 161.

<sup>95</sup> Milton Friedman to Arthur Seldon, January 7, f. American Correspondence, box 330, Institute of Economic Affairs papers, HI (hereafter IEA papers).

<sup>96</sup> Ambrose, *Triumph of a Politician*, pp. 236–37.

<sup>97</sup> Whalen, *Catch The Falling Flag*, pp. 234–35.

documented and well-known.<sup>98</sup> Moynihan appears to have taken up Friedman's original Negative Income Tax plan in collaboration with Robert Finch – a liberal-leaning California Republican and old Nixon associate then about to start a thoroughly miserable stint as secretary of housing, education and welfare. Burns, for his part, was meant to occupy his special counsellor position only as a temporary placement until his appointment as chairman of the Federal Reserve. Given the determination of William McChesney Martin, the sitting chairman, to see through his term, that opening kept being delayed. Moynihan continued to press upon the president a plan that Burns had already been dead-set against back during the campaign, with a resultant turf-war between these two experienced Washington operatives soon unfolding. To the increased irritation of White House Chief-of-Staff Bob Haldeman, Nixon's informal domestic policy supremo John Ehrlichman and eventually the president himself, between Nixon's swearing in in January 1969 and Easter of that same year, both Moynihan and Burns developed parallel staffs and devoted their time largely to blocking one another's moves and competing for presidential attention.<sup>99</sup> The situation degenerated to a degree that, when black radicals threatened to burn Moynihan's house down after yet another incendiary leak – this time recommending a period of 'benign neglect' on civil rights matters – his wife believed the leak to have originated with Burns's staff.<sup>100</sup>

Yet arson aside, by mid-1969 Moynihan seemed to have carried the day over Burns when, at a meeting in San Clemente, the president decided to override most of the latter's objections and adopt Moynihan's proposal – originally known as the Family Security System, by then as the Family Assistance Plan (FAP) – with the addendum that it include a substantial work requirement from the recipients.<sup>101</sup> At a very basic level, Moynihan's success can and should be explained as a consequence of the actors' characters and personalities. The president proved to be bored and occasionally irritated by Burns' professorial, near-condescending style.<sup>102</sup> Moynihan, *au contraire*, enjoyed one of those honeymoons that Nixon periodically engaged in with certain members of his staff – the most prominent example being the one with future Secretary of the

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<sup>98</sup> See Hoff, *Nixon Reconsidered*, pp. 119–36; Hodgson, *Gentleman from New York*, pp. 164–73.

<sup>99</sup> William Safire, *Before the Fall: An Inside View of the Pre-Watergate White House* ((Garden City NY: Doubleday, 1975), pp. 491–92; John Ehrlichman, *Witness to Power: The Nixon Years* (New York: Simon & Schuster, 1982), pp. 245–47; H. R. Haldeman, *The Haldeman Diaries: Inside the Nixon White House*, (New York: G. P. Putnam, 1994), p. 53; Matusow, *Nixon's Economy*, pp. 19–20.

<sup>100</sup> Hodgson, *Gentleman from New York*, p. 159.

<sup>101</sup> Ehrlichman, *Witness to Power*, pp. 246–47.

<sup>102</sup> Safire, *Before the Fall*, pp. 491–92.

Treasury John Connally – buttressed, this time, by the charms of flamboyance, competence and, not least, willingness to administer flattery where necessary.<sup>103</sup>

At deeper level, however, Moynihan satisfied a number of the president's political and ideological, which were in turn also reflected in the grand pack of welfare financing reforms dubbed 'new federalism' by speechwriter William Safire.<sup>104</sup> According to Moynihan's neoconservative viewpoint, the FAP would reduce the number of civil servants administering welfare provisions and, perhaps more importantly, their capacity to interfere with the lives of the poor. Hence it would also diminish the damage to recipients' self-esteem and the possibility of unintended negative effects. The FAP was therefore squarely based on the type of classical liberal assumptions deeply ingrained in the president's own beliefs. Since the plan aimed at replacing welfare services provided by the federal government and the states with direct cash transfers, it was therefore designed to remove or at least to bypass red-tape, while eliminating what was deemed by Nixon's men to be the ballooning and inefficient welfare bureaucracy.<sup>105</sup> Of course, these were also the reasons that Milton Friedman had proposed it in the first place and, ironically enough, why other neoliberals such as Martin Anderson and Burns opposed it. For as the former explicitly acknowledged, a FAP-type project was bound to be more efficient than the existing array of measures, but then again, the Great Society's cumbersome inefficiency was, according to Anderson, the most powerful obstacle in the way of further welfare expansion.<sup>106</sup> In other words, given its comparative simplicity, the cost of FAP would be more difficult to keep under control in the face of the predictable pressures for expansion likely to arise in the future. Friedman had already acknowledged that this was a problem with his idea. Later on, Moynihan would too.<sup>107</sup> Derived from and complementarily to the preceding, from a political viewpoint FAP allowed the president to present himself as a bold reformer, yet one anchored to firmly conservative principles. This was perhaps the aspect of the program where Moynihan's and his neoconservative circle's minds were closer to Nixon's heart. Once the programme incorporated a work requirement from the recipients, Nixon could go to the

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<sup>103</sup> Tom Wicker, *One of Us: Richard Nixon and the American Dream* (New York: Random House, 1991), p. 535; Hoff, *Nixon Reconsidered*, p. 117.

<sup>104</sup> And towards which conservatives were less than enthusiastic, see Safire, *Before the Fall*, pp. 223–29.

<sup>105</sup> Wicker, *One of Us*, p. 535; Hoff, *Nixon Reconsidered*, p. 117; Wills, *Nixon Agonistes*, pp. 487–89.

<sup>106</sup> 'Comments' to Milton Friedman, 'New Approaches to Welfare', and Comments (undated c. May 19, 1968), MF papers (uncatalogued).

<sup>107</sup> Daniel Patrick Moynihan, *The Politics of a Guaranteed Income: The Nixon Administration and the Family Assistance Plan* (New York: Vintage Books, 1973), pp. 144, 146, 550–51.

electorate – and, he hoped, the history books – and claim to have provided voters with enhanced public services that still respected what Garry Wills perceptively described as the president’s ‘Horatio Alger ethics’.<sup>108</sup> Moynihan seems to have sensed and exploited Nixon’s yearnings, and to have introduced the idea of Nixon as a new and all-American Disraeli, capable of re-adjusting right-wing mores to a modern world.<sup>109</sup>

Unfortunately for Moynihan, the impulses of Richard Nixon’s heart rarely interfered with the dictates of his political brain. Nixon chose to override the concerns of his classical liberal advisors regarding the cost of FAP; but as soon as the plan sank amidst sectarian politicking in Congress, the president lost both interest and the will to invest political capital in a costly battle that, by any measure, had descended into a rather farcical and politically unproductive spectacle as soon as it had arrived to Capitol Hill. Legislative liberals thought the FAP insufficiently generous and the work requirements too draconian; conservatives reproduced Burn’s and Anderson’s objections. All saw the programme as an excellent venue for pork-barrelling.<sup>110</sup> Nixon eventually realised that his Disraelian daydreams would not come to fruition in the face of *both* liberal and conservative opposition. He thus chose to let the plan die a quiet death in the Senate, and Moynihan resigned in consternation.<sup>111</sup> Interestingly enough, however, in his own account of the FAP drama, the latter exonerated Nixon’s wavering behaviour from much of the responsibility for the plan’s ultimate failure, and went beyond blaming congressional sectarianism, torpor or lack of foresight. He blamed, quite specifically, *liberalism* itself.<sup>112</sup>

With the FAP Arthur Burns and the administration’s classical liberals lost an internal battle which they won, by accident, on the Hill. As 1971 approached, they became entangled in yet another struggle, and one with certainly more lasting consequences, among themselves. After January 1969, the economic performance of the nation had led towards progressive increases in both inflation and unemployment, which threatened to destroy the president’s electoral chances in 1972 much like, according to Nixon, the economy had defeated him in his 1960 presidential race. The

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<sup>108</sup> Wills, *Nixon Agonistes*, pp. 487–89; Hoff, *Nixon Reconsidered*, pp. 116–17.

<sup>109</sup> Ehrman, *Rise of Neoconservatism*, p. 55.

<sup>110</sup> Hoff, *Nixon Reconsidered*, pp. 129–32.

<sup>111</sup> Wicker, *One of Us*, pp. 537–38.

<sup>112</sup> Hodgson, *Gentleman from New York*, pp. 180–81; Moynihan, *Politics of a Guaranteed Income*, pp. 365–66, 553–55.

administration's way of confronting economic troubles was identical to its strategy towards welfare provision on two accounts. Firstly, it was dominated by a sense of 'lack of knowledge', as had been the case with Moynihan and the neoconservatives, who by the second half of the 1960s were ready to admit that they knew 'almost nothing' about the effects of government action. Economists, or certainly the type of right-of-centre economist working for Richard Nixon, were about to confront the uncomfortable fact that the economics of the 1970s were, as Nixon's CEA chairman Paul McCracken put it, enveloped in 'a good deal of mystery'.<sup>113</sup> Arthur Burns, Nixon's chairman of the Fed was a bit more straightforward when, as the president moved to destroy the international monetary system in 1971, he openly admitted that 'the rules of economics are not working the way they used to'.<sup>114</sup>

Secondly, the FAP had been Nixon's attempt to maximise satisfaction across the ideological spectrum through a right-of-centre inspired welfare reform. The strategy had actually worked out smoothly and successfully in the case of the draft, which Nixon effectively ended, at Friedman's and Martin Anderson's urgings in 1973 with the support of the anti-war left and the anti-statist right.<sup>115</sup> Unlike the draft, however, the FAP ultimately failed when the president realised that the proposal was actually achieving the opposite effect of triggering maximum *dissatisfaction* from both liberals and conservatives. Nixon's most important economic policy decision – the combined suspension of gold convertibility and imposition of wage and price controls in the summer of 1971 – was yet another attempt at a similar strategy. Like FAP and Nixon's school desegregation policy, his economics were not so much a succession of ideological zigs to the left and zags to the right, but the implementation of *both* at the same time and in the same place.<sup>116</sup> Added to cold political calculus, Moynihan's Disraeli flattery was also successful because, as Garry Wills correctly realised, it truly responded to Nixon's genuine desire to re-structure liberal policies according to conservative mores and principles. With the FAP and the end of the draft, Nixon tried to improve welfare provisions and free young men from serving in foreign wars – both liberal notions – while strengthening the fighting capacity of the armed forces, reducing

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<sup>113</sup> Paul W. McCracken, 'Reflections of an Economic Policy Maker: A Review Article', *Journal of Economic Literature* 18, no. 2 (1980), p. 581.

<sup>114</sup> Safire, *Before the Fall*, p. 491.

<sup>115</sup> Milton Friedman and Rose Friedman, *Two Lucky People: Memoirs* (Chicago: University of Chicago Press, 1998), pp. 377–81; Jonathan Aitken, *Nixon: A Life* (Washington DC: Regnery, 1996) pp. 396–397.

<sup>116</sup> The 'zigs and zags' analysis was developed in Matusow, *Nixon's Economy*, p. 4.

inefficiency and bureaucratic clout and through increasing the autonomy of welfare recipients – a most conservative set of objectives. In economics too, Nixon combined a drastic liberal-progressive solution bound to horrify conservatives – wage and price controls – with a neoliberal-leaning decision – breaking the gold window – so radical that it was firmly opposed by even some members of his own right-of-centre economic team. To compound it, after the 1972 election Nixon also took pains to put the same neoliberal economists – such as Milton Friedman’s friend George Shultz and Shultz’s protégée William Simon – who happened to be dead-set against government intervention in the economic arena, in charge of both planning the workings of the controls and heading the bureaucracy meant to implement them.<sup>117</sup>

A further element crucial to the first steps towards breaking the gold window was again, uncertainty. During the 1968 election, Nixon had surrounded himself with a relatively small coterie of rather typical Republican economists that had gained executive experience during the Eisenhower administration and who, bar a few exceptions such as the youngsters Alan Greenspan and Martin Anderson, tended to continue to display the same broadly cautious conservatism that had dominated the General’s policies.<sup>118</sup> Being professional economists, these men – unlike the general public – were aware of the financial stresses generated by the combination of a large military presence overseas combined with expansive domestic policies.<sup>119</sup> In 1968 federal profligacy had translated into inflation indexes in the region of five per cent – the highest since the Korean War, but far from critical and certainly nothing that would lead one to imagine the then-unthinkable double digits of the 1970s. Most importantly, relatively high inflation was matched, as conventional wisdom dictated it should be, with record low-levels of unemployment running at just over three per cent of the workforce.<sup>120</sup>

The main problem faced by Nixon as he took over the economic reins had been to fine tune the economy, Keynesian style, in order to push inflation down by perhaps a percentile and a half, while preventing unemployment from rising by more than a

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<sup>117</sup> William E. Simon, *A Time for Reflection: An Autobiography* (Washington DC: Regnery Publishing Inc., 2004), pp. 67, 100; Stein, *Presidential Economics*, pp. 139, 206.

<sup>118</sup> *Ibid.*, pp. 139–40.

<sup>119</sup> Blyth, *Great Transformations*, pp. 129–32; Stein, *Presidential Economics*, p. 134; Ambrose, *Triumph of a Politician*, p. 225.

<sup>120</sup> Stein, *Presidential Economics*, pp. 150–51; Matusow, *Nixon’s Economy*, p. 56.



percentile. Moreover, coinciding with Moynihan and the neoconservatives, Nixon's economists believed the president could actually finish off the expensive quagmire in South East Asia. The resulting 'peace dividend' could therefore be used to finance neoconservative welfare experiments such as the FAP or for relieving, as neoliberals argued, a main source of pressure on both the price index and the federal budget – other considerations such as what to do with soldiers joining the ranks of job-seekers were then put aside.<sup>121</sup> The debate within the White House during the first half of 1969 was whether the expected mild recession necessary to cool-off the economy would last long enough to hurt Republican politicians in the 1970 mid-terms. However, unfortunately for Nixon and his advisors, the known tools for economic management and forecasting had by then become outmoded. The financial savings of the slow disengagement from Vietnam presided over by Nixon and Kissinger were swallowed – became 'evanescent' according to a horrified Moynihan – by larger increases in welfare entitlements than had been calculated.<sup>122</sup> Inflation on its part kept creeping up *at a pace with unemployment* and economic stagnation. Since inflation and stagnation were supposed to cancel each other out, they were not meant to occur at the same time.<sup>123</sup> Hence McCracken's 'mysteries'.

Yet, in early 1969 the broadly optimistic White House consensus leaned towards believing that inflation could be tamed without triggering the feared hike in unemployment levels, and the predictable collapse of political support for the president.<sup>124</sup> Optimism was led by no less than Milton Friedman, and supported by a recently resuscitated brand of economic analysis: Monetarism. According to Milton Friedman, fiscal prudence was certainly highly advisable, but it was neither the root cause of inflation, nor the key to staving off rising prices. In one of his famous sentences, he maintained that 'inflation was always and everywhere a monetary phenomenon' or, in other words, a problem caused by increases in the supply of money substantially above the actual increase of goods and services being produced and exchanged. According to this view, deficit spending was a deplorable habit that helped the federal government to print and put into circulation more money than it should, but

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<sup>121</sup> Safire, *Before the Fall*, p.116; Moynihan, *Politics of a Guaranteed Income*, pp. 79–80.

<sup>122</sup> 'A Whig in the White House: Daniel Patrick Moynihan', *Time*, March 16, 1970; Moynihan, *Politics of a Guaranteed Income*, p. 75; Ambrose, *Triumph of a Politician*, p. 327.

<sup>123</sup> Gamble, *Free Economy and the Strong State*, pp. 2–3, 47.

<sup>124</sup> Safire, *Before the Fall*, p. 215; Stein, *Presidential Economics*, pp. 142–43; Bosanquet, *After the New Right*, p. 58.

the ultimate lever for controlling inflation (and deflation) was neither the White House nor Congress but, as he took care to inform Nixon, the agency which governed the influx of money into the banking system: the Federal Reserve.<sup>125</sup>

Once that assumption was accepted, the monetarist remedy seemed reasonably simple enough: keep the Fed increasing the money supply by the correct fixed amount and all should be well. Since that rate was inferior to those of the Johnson-Kennedy years, the first effect of a mild withdrawal of available liquid would inevitably be an equally mild recession, followed by a stabilisation of inflation rates, followed by economic recovery. Unemployment ought also to follow a similar pattern. During the first phase it should have increased above desirable rates, followed by a drop and then stabilisation around what Friedman called its ‘natural rate’, or in other words, the rate of unemployment triggered by normal market malfunctions, such as lack of information on the part of job seekers, or simple plain facts of life such as the unwillingness or inability of some people to get a job – which White House economists mistakenly put as only slightly above the abnormally low unemployment rate of 1968.<sup>126</sup> Given the growing prestige of Friedman’s scholarly work, it was perhaps not surprisingly that Nixon’s men, who also happened to be Friedman’s mentors, sympathisers or protégées, were willing to go along with Monetarism. Since Nixon’s instincts were naturally receptive to Friedman’s classical liberal views and Nixon’s personal interests were about as far removed from economics as they possibly could be, the president went along with his advisors’ counsel.<sup>127</sup> Of course, this is not to say that the administration implemented a revolution in financial policy-making. Not quite. As McCracken famously put it, the administration had not become ‘Friedmanite’, it was instead ‘Friedmanesque’. In other words, Monetarism did not replace the accepted rules of combating inflation through fiscal constraint and public spending reductions: it was added to that conventional wisdom.<sup>128</sup>

In practical terms from early 1969 to 1971 the Nixon White House tried to implement a policy variously known as ‘gradualism’ or ‘steady as you go’, which consisted of both continuous monetary constraint and a balanced federal budget, with

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<sup>125</sup> Hoover, *Conservative Capitalism*, pp. 24–26; Ehrlichman, *Witness to Power*, p. 248.

<sup>126</sup> Stein, *Presidential Economics*, pp. 142–43, 149–54; Matusow, *Nixon’s Economy*, pp. 57–78.

<sup>127</sup> Ambrose, *Triumph of a Politician*, p. 431.

<sup>128</sup> Wicker, *One of Us*, pp. 548–49; Matusow, *Nixon’s Economy*, p. 12.

the hope that the remedy would take effect with minimum damage to the political fortunes of the president.<sup>129</sup> The main supporters of this approach within the White House were George Shultz, then secretary of labor, and Friedman himself, who regularly visited and wrote to the president.<sup>130</sup> Other members of Nixon's economic staff such as McCracken, Burns and even Herbert Stein (yet another Mont Pelerin attendee-cum-CEA member) also went along with the plan, but with thinly-disguised trepidation.<sup>131</sup> The first problem for advocates of the 'Friedmanesque' approach was their complete lack of control over the precise lever they needed to implement 'steady as you go', for the Fed was chaired by William McChesney Martin, a Truman appointee whom Nixon blamed for, perhaps deliberately, causing the 1960 recession that the president believed had caused his razor-thin defeat at the hands of Kennedy. By no means a 'reckless' Keynesian, the trouble with Martin was the opposite of what could be expected from the caricature tax-and-spend Democrat of the conservatives' imagination. To Friedman and Nixon's despair, the Fed reacted – or more accurately overreacted – to inflation by reducing the outflow of money to zero. To make matters worse, Martin refused to resign his chairmanship until the end of his tenure and the markets refused to believe that, as long as he remained chairman, the Fed would actually follow through with the policy of monetary tightness. Expecting an ease, market actors continued to maintain the rate of borrowing, spending and price increases, leading Friedman to fear a sudden shock and a more severe recession than was necessary once the full effects of liquid starvation were actually felt in the marketplace.<sup>132</sup>

In February 1970, Martin finally relinquished his post, but a new problem subsequently emerged. Nixon's new chairman Arthur Burns, never too convinced of the effectiveness of Monetarism, turned out to be only slightly more amenable to White House pressure and, worse still, shifted in the opposite direction McChesney Martin had gone and began to lean progressively towards alternative forms of action. During the following year and half the chairman of the Fed lobbied, with increasing vigour, for the

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<sup>129</sup> George Shultz Address to the Economic Club of Chicago, 'Prescription for Economic Policy: Steady As You Go', April 22, 1971, f. 15, box 33, MF papers; Safire, *Before the Fall*, p. 512.

<sup>130</sup> Mason, *Quest for a New Majority*, p. 122.

<sup>131</sup> Stein, *Presidential Economics*, pp. 133–35, 139–40; List of Invitees for the incoming gathering of the Mont Pelerin Society, f. 7, box 86, MF papers.

<sup>132</sup> Milton Friedman to Richard Nixon, March 13, 1970, MF papers (uncatalogued); Matusow, *Nixon's Economy*, pp. 24–27.

one policy which was anathema to both classical liberalism and Richard Nixon: the imposition of controls over prices and wages as a means of curtailing inflation.<sup>133</sup> To his credit, the president became ‘very distressed’ (enough to discredit himself by ordering the leaking of false, embarrassing stories about Burns) and stubbornly resisted a policy that he genuinely did not believe in.<sup>134</sup> To complicate Nixon’s life even more, as the effects of inflation began to be felt and the public joined the Fed in demanding executive action congressional Democrats, in the full knowledge of Nixon’s economic instincts and not expecting a policy reversal, increased the pressure on the White House by granting special powers to the president to impose wage and price controls. Nixon rightly saw the move that as ‘a ploy’ designed to ‘put the ball politically in my court’.<sup>135</sup> By early 1971, Nixon faced in the economic realm a problem similar to that which he had confronted regarding the Family Assistance Plan. A comparatively bold and innovative policy with strong conservative undertones was under attack from both the liberal left (in the form of congressional Democrats) and the conservative right personified by no less than his own classical-liberal chairman of the Federal Reserve – with the Council of Economic Advisors wavering, if at least discreetly, in the same direction.<sup>136</sup> As with the FAP, the ubiquitous Friedman and his acolytes seemed to be about the only knowledgeable economic voices defending the White House during the early months of 1971.

While Richard Nixon agonised over the twin troubles of inflation and rising unemployment, the American economy suffered another sourced of distress from overseas. According to the Bretton Woods system, the US dollar, and the willingness of the US government to exchange dollars for gold on demand and at fixed price, was the anchor for all other major international currencies. The arrangement had worked for 30 years of steady, sometimes spectacular growth, to the extent that European governments had happily accumulated large dollar reserves instead of gold. By 1971 however, international bankers could see the problems of the US economy about as clearly as the president himself. Furthermore, they could also see that that a devaluation of the dollar was both a relatively easy way of stimulating the export-oriented sectors of the

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<sup>133</sup> Ehrlichman, *Witness to Power*, pp. 250–53, 256; Safire, *Before the Fall*, p. 490.

<sup>134</sup> Jonathan Aitken, *Charles W. Colson: A Life Redeemed* (New York: Waterbook Press, 2005), pp. 222–23.

<sup>135</sup> Nixon, *RN*, pp. 516–17.

<sup>136</sup> Wicker, *One of Us*, p. 552; Safire, *Before the Fall*, p. 512.

American economy, and of reducing the kinds of imports that threatened less competitive American companies such as those textiles manufacturers situated in Strom Thurmond's – a prominent rightwing supporter of the president – South Carolina.<sup>137</sup> Of course, a significant devaluation also implied a downwards adjustment of the dollar gold value, and hence a potentially drastic reduction of the value of the national reserves of those countries that had accumulated dollars in place of gold. Theoretically speaking the solution for national bankers was easy enough: force the Fed to honour its Bretton Woods commitments and exchange all those greenbacks for metal before devaluation. Except that the memories of the 1930s still endured. As a British scholar presciently put it, the entire Bretton Woods system was supposed to be designed precisely to withstand crises like the one developing in early 1971. Faith in the dollar and international coordination between bankers was intended to prevent a descent into the chaotic competitive devaluations that had worsened and extended the 1929 crash.<sup>138</sup>

However, as the summer of 1971 approached Richard Nixon came to see things differently. Milton Friedman, again, offered the president a way out of the conundrums of international finance. In pure libertarian fashion the Chicago economist advised a unilateral suspension of the dollar's convertibility into gold, an elimination of the myriad of controls over international monetary exchanges that maintained its exchange rate, and a policy of permitting the greenback's value to be established by market mechanisms. As with the FAP and inflation, the reception of Friedman's advice within the White House was mixed. Nixon's other economists, mirroring the views of most bankers and financiers elsewhere, objected in principle to government controls and restrictions over monetary exchanges. Those with living memories of the Great Depression such as Arthur Burns had, however, even stronger objections to the vacuum that ending the Bretton Woods system would leave international finance in. Yet, as the British government began to press for a 'guarantee' of American gold for British-held dollars, Paul Volker, the-then youthful treasury under-secretary who most strongly advised closing the gold window, modified his previously cautious views. 'All my life I

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<sup>137</sup> Maurice H. Stans, *One of The President's Men: Twenty Years with Eisenhower and Nixon* (Washington DC: Brassey's, 1995), pp. 152–54, 162–63.

<sup>138</sup> Blyth, *Great Transformations*, pp. 127–29.

have defended [fixed] exchange rates' he stated, but a jump into the unknown was what was 'needed'.<sup>139</sup>

And thus did Richard Nixon kill the entire international – global, to use current language – monetary system. After an agonising, secret, week-long meeting of senior economic staff, the President announced to the nation a 'New Economic Policy' (NEP), which consisted of the suspension of gold convertibility, and the imposition of price and wage controls to stave off inflation. As with the Family Assistance Plan and school desegregation, Nixon opted for a simultaneous move to the right *and* the left cloaked in conservative, populist rhetoric, and accompanied with a pyrotechnical bang of presidential boldness. In his 'The Challenge of Peace' address, the president first established the economic priorities of the Administration, linking together two unrelated issues: unemployment/inflation and the dollar exchange rate.<sup>140</sup> Nixon called congressional Democrats' bluff and emphasised how breaking the gold window and imposing controls were the actions of a president who was 'going to take action – not timidly, not half-heartedly, not in piecemeal fashion.' Subsequently, in true Nixonian style, he located an enemy posed against 'American workers.' This time around the 'pinks' of yesteryear became 'international money speculators' and 'international money traders.' Nixon's message was doubtless aimed towards the blue-collar and suburban middle class voter he had identified as his constituent between 1968 and 1970, yet it should also be noted that, since the bogeyman was both unnamed and 'international', the American variety of worker employed by Wall Street financial firms presumably belonged to the same category as, say, the average New York hard-hat. Moreover, once the point was made, the president did not get carried away and also took pains to exonerate the, also unnamed, 'responsible members of the international banking community.'<sup>141</sup>

If rhetoric was finely tuned to not offend any member of the Nixonian new majority, policy was both aimed in the same direction and a masterful combination of apparently Keynesian policy with classical liberal language and means of implementation. On the

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<sup>139</sup> Joseph B. Treaster, *Paul Volker: The Making of a Financial Legend* (Hoboken NJ: Wiley, 2004), pp. 43–44; Stein, *Presidential Economics*, pp. 165–65; Safire, *Before the Fall*, p. 514, 518; Nixon, *RN*, pp. 518–19.

<sup>140</sup> Richard Nixon, 'The Challenge of Peace', August 15, 1971, *The American Presidency Project*, <http://www.presidency.ucsb.edu/ws/?pid=3115>, viewed July 31, 2010.

<sup>141</sup> *Ibid.*

Keynesian front the administration created a brand new Cost of Living Council to monitor a 90-day freeze on prices and wages, to which Nixon's men added a 10 % across the board surtax on imports. Both were aimed, according to the president, to 'improve our balance of payments' and 'increase jobs for Americans.' Neoliberal Nixon on his part, was also careful to create a toothless council which was meant to rely on 'voluntary cooperation' on the part of both workers and employers – it should be noticed that the main rationale for breaking the gold window was Paul Volker's scepticism about the chances of international central bankers voluntarily cooperating; thus Nixon seemed to think George Meany more likely to self-sacrifice on behalf of American business profits than the international government economists on behalf of each other.<sup>142</sup> The surtax, Nixon emphasised too, was 'temporary' because 'to put the strong, vigorous American economy into a permanent straitjacket' would 'stifle the expansion of our free enterprise.' The very breaking of the gold window had long been, of course, a Friedman goal.<sup>143</sup> Nixon's Keynesianism not only remained sceptical and un-committed, it was accompanied by further tax cuts as well as a 4.7 billion cut in federal spending which included a 5% cutback in government personnel and the official postponement of the Nixonian welfare reforms, including the FAP. Nixon may have declared himself a Keynesian and may have been forced to adopt the ultimate Keynesian tool for economic management, but he still remained determined, like all classical liberals, to 'welcome competition,' to 'nurture and stimulate competitive spirit' in economic affairs and to slash welfare spending.<sup>144</sup>

In policy-making terms, Nixon's strategy was, as he well knew, bound to fail over the mid term – although nobody could predict the hyperinflation of the early 1970s. But then again, as ever, Nixon's objective was neither located in the realm of policy-making nor it extended much beyond election night, November 1972. And as far as electoral politicking went, this time the combination of conservative-leaning, tepid Keynesianism with a vigorous neoliberal and populist rhetoric worked wonders. At first, even controls seemed to function and the White House engaged in an unpublicised expansion of

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<sup>142</sup> Treaster, *Volker*, p. 44.

<sup>143</sup> Milton Friedman to Bryce Harlow, December 5, 1968, MF papers (uncatalogued); Friedman to Maurice Stans, March 3, 1969, f. 29, box 33, MF papers; Stans to Friedman, March 7, 1969, *ibid*.

<sup>144</sup> Nixon, 'The Challenge of Peace'.

public spending that helped to keep unemployment from skyrocketing.<sup>145</sup> The neoliberals led by Friedman had always maintained that moderation in price increases was the predictable result of the previous monetarist policies, and vigorously deplored the existence of controls they saw as either useless or counterproductive, but they were forced to celebrate the end of the Bretton Woods, hence blunting criticism to a point where Friedman was even willing to defend Nixon's good financial intentions to his influential overseas friends.<sup>146</sup> The Buckleyites on their part were at first equally stunned. Predictably enough the controls included in NEP (correctly dubbed by *National Review* as Nixon's 'New Electoral Policy') eventually triggered as much irritation as the FAP and Détente, but in the end, as the president knew, they came around against Nixon's Democratic rival.<sup>147</sup> The New Economic Policy marked therefore the high point of the kind of political funambulism around which Richard Nixon had based his entire first term in office and his entire political career. Between August 1971 and the November presidential election the economy gave the president a respite and, even if it could never be used as an electoral badge of honour, the administration's economic team did at least succeed in neutralising the issue. For the following months Nixon's economists designed three subsequent 'phases' which failed to facilitate a painless disengagement from price and wage controls, but succeeded in consolidating support for the president of the sort of unionised working voter then gravitating away from the Democratic party.

In the last instance Richard Nixon's White House had become the bully-pulpit from which a new generation of policy-makers and right-wing technocrats first tried to change (if not reverse) the course of domestic and international economic management in issues ranging from welfare provision to fiscal and monetary measures. As conservatives of all stripes well knew, Richard Nixon was neither a brave politician nor their ideological champion. Circumstances, however, together with Nixon's undeniably classical liberal-leaning instincts and anti-bureaucratic phobias provided neoconservatives and neoliberals with their first opportunity to actually engage in substantial reform. Of course, monetarism was abandoned, as was the Family

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<sup>145</sup> Matusow, *Nixon's Economy*, pp. 184–86, 198.

<sup>146</sup> Milton Friedman to Alan Greenspan, October 2 1972, MF papers (uncatalogued); Friedman to Greenspan, October 12, 1972, *ibid.*; Friedman to Sam Brittan, October 8, 1971, f. 33, box 21, MF papers; Friedman to George Shultz, September 25, 1971, *ibid.*

<sup>147</sup> Mergel, *Conservative Intellectuals and Richard Nixon*, pp. 95–101.



Assistance Plan. But then again, as Paul McCracken and Arthur Burns openly admitted, and even the ever-confident Friedman had to acknowledge, the troubles of Richard Nixon were ‘beyond’ the economics profession’s ‘present capacity.’<sup>148</sup> The failure of Nixon’s monetarist economics was therefore as much due to the economists’ lack of knowledge – as happened with Moynihan’s FAP – as to Nixon’s lack of ideological backbone. Even when Nixon actually listened to Friedman’s advice between 1969 and 1971 monetarists themselves could not agree on which definition of ‘money’ should be employed to measure the rate of supply.<sup>149</sup> Similarly, after announcing the suspension of gold convertibility, Nixon’s economists could not tell the president what to do subsequently, or whether the suspension should be temporary or permanent – provoking a nervous Friedman to warn Secretary Connally against being ‘misled by the pressures of foreign bankers’ apparently bent on ‘desperately keeping’ their ‘undue influence over our policy.’<sup>150</sup> Moreover, failure is not necessarily a bad thing for the committed ideologue. As Ralph Harris, a close British friend of Friedman, ‘rationalised’ when Ted Heath replicated Richard Nixon’s economic turnaround, ‘our economic policy is so much on the wrong lines that only a major crisis brings any prospect’ of change. The events of 1971 were very much the ignition of such crisis in the United States.<sup>151</sup> For after the fall of Richard Nixon, the blame for the economic troubles of his administration was not laid on monetarism but on the failed experience with price and wage controls – and hence, Friedman’s continuing advisory role with President Ford.<sup>152</sup> During the presidency of Richard Nixon, the age of Keynesian ‘new economics’ was indeed drawing to a close, and with its end came the dawn of a new, neoliberal-leaning consensus in policy-making.

### **A few conclusions: life after Nixon.**

With regards to the inner workings of the conservative movement neoconservatives and neoliberals emerged from the Nixon years both fortified and better equipped to operate independently from the Buckleyites. Although a number of neoconservatives (including future New York democratic senator Daniel Patrick Moynihan) still tried to operate

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<sup>148</sup> Milton Friedman to Richard Nixon, December 21, 1971, MF papers (uncatalogued).

<sup>149</sup> Matusow, *Nixon’s Economy*, pp. 99–101.

<sup>150</sup> Milton Friedman to John Connally, September 30, 1971, f. 15, box 33, MF papers.

<sup>151</sup> Ralph Harris to Milton Friedman, January 31, 1974, f. 2, box 87, MF papers.

<sup>152</sup> Milton Friedman to Alan Greenspan, September 7, 1974, MF papers (uncatalogued); Gerald Ford to Friedman, October 23, 1976, f. 3, box 27, MF papers; Ford to Friedman, October 14, 1976, *ibid*.

within the post-McGovern Democratic party and rallied around senator Henry ‘Scoop’ Jackson and the Coalition for a Democratic Majority, the failure of the CDM propelled most of them into the arms of the GOP and the conservative movement.<sup>153</sup> In organisational terms both neoconservatives and neoliberals found refuge throughout the 1970s and early 1980s, in a very great measure thanks to their government service, in the American Enterprise institute, a small think tank in 1968 that became the Republican’s ‘government in exile’ and the main locus of rightwing policy-making thought, thanks to the combination of the Nixon White House determined support with the fact that, as economic difficulties seriously hurt the interests of the business community, neoliberal and neoconservative thought as well as the organisations they occupied gained greater credence (and henceforth funding) from a previously sceptical audience.<sup>154</sup> It was in the AEI that both neoliberals and neoconservatives gained a platform that was entirely independent from and more powerful than the *National Review*. They were after 1973 part and parcel of the new, expanded conservative movement ready to leave behind the past dominance of the Buckleyites – who responded by forming their very own think-tank, the Heritage Foundation – and to move on towards an assault on the political soul of the nation. In this sense, the cleavage that could be appreciated between an older generation of conservatives – such as Burns and McCracken – and their more youthful protégées – say Martin Anderson, Paul Volker or William Simon – would widen up, with a younger generation emboldened and radicalised by their experience of power losing the timidity of their elders.

Predictably enough neoconservatives and neoliberals continued to influence and battle one other in a fashion not dissimilar to that displayed in the Nixon White House. In economic terms, for instance, AEI was the base from which neoconservatives managed to generate an alternative form of economic management which, although partially inspired in classical liberal thought, was frontally opposed by virtually all classical liberal economists. The neocons adopted the formula defended by Nixon’s appointee and Shultz protégée, Arthur Laffer, and popularised (thanks to an AEI year-long

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<sup>153</sup> Halper, *America Alone*, p. 55; Ehrman, *Rise of Neoconservatism*, pp. 57–59; Heilbrunn, *They Knew They Were Right*, pp. 114–43.

<sup>154</sup> See Phillips-Fein, *Invisible Hands*, pp. 150–56, 163–64.

scholarship) by Jude Wannisky: supply side economics.<sup>155</sup> Free from the constraint of actual professional economics, Kristol and his fellow neoconservatives managed to produce an economic formula that allowed politicians to defend a freer, more market oriented economy without the politically inconvenient downsides – deflation and unemployment – inherent to monetarism and fiscal prudence.<sup>156</sup> Friedman always remained ‘skeptical’ of supply side ‘calculations’, and most his fellow classical liberals opposed supply side economics with about as much vigour as Arthur Burns and Martin Anderson had opposed the FAP.<sup>157</sup> Their struggle continued as supply-side economics became the heart of *Reaganomics*. If neoconservatives managed to produce a brand new form of politically palatable free-market economics, they also became more closely attuned to the incoming culture wars than both the Buckleyites and classical liberals were. Free from the libertarian influences still present within the *National Review* camp the neoconservatives moved to the right in the cultural and sexual matters dear to the then rising religious right earlier and less equivocally than the Buckleyites.<sup>158</sup>

On more general grounds, however, the most radical departure from the *status quo ante Nixon*, the breaking of the gold window was, peculiarly enough, not either seen nor used by conservatives as shining example of a strategy to liberalise the economy but rather as a panicky response to external pressures which was more influenced by Nixon’s short term political interests than by his ideological convictions or even his classical liberal advisors attachment to the free flow of money. This reaction is partially due to the post-Watergate context, when conservatives busily tried to put as much distance as possible between themselves and the disgraced president. Arthur Shenfield, a British acquaintance of Friedman, put it in particularly clear terms: ‘How do you explain the character of our defenders against the disrupters of the left’, he pondered, ‘first McCarthy and now the scoundrels of Watergate?’. Along with most conservatives, Shenfield could not help wondering ‘why are our good men confined to the world of

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<sup>155</sup> Interview with Jude Wanniski.

<sup>156</sup> Kristol, *Neoconservatism*, pp. 102–103; Interview with Norman Podhoretz; Interview with Jude Wanniski.

<sup>157</sup> Interview with Milton Friedman; Milton Friedman to George Shultz, February 12, 1971, f. 15, box 33, MF papers.

<sup>158</sup> See for instance John Thompson, ‘Pornography and Propaganda’, *Commentary*, August 1969, pp. 54–58; Midge Decter, ‘The Liberated Woman’, *Commentary*, October 1970, pp. 33–45, here pp. 44–58; Doubtlessly, the better known article on these matters by a neoconservative is Irving Kristol’s ‘Pornography, Obscenity and the Case for Censorship,’ in Stelzer, *Neocon Reader*, pp. 167–180;

ideas and out of the world of action?’<sup>159</sup> Right-wingers should be excused for despairing of Richard Nixon’s leadership, and of the shame his administration brought upon the conservative community – shame that drove Daniel Patrick Moynihan to sorrowfully admit that neoconservatives had been ‘willing to be used’ by Nixon in exchange for access to executive power.<sup>160</sup>

Yet even if at the time it was difficult to discern, the actions of the Nixon administration were decisive in the slide to the right in policy-making that culminated in Reaganomics a decade later and were motivated by more than mere electoral convenience. As campaign memoranda show, Nixon’s men began to plan a shift toward significantly more conservative forms of government action than had been the norm during the post-1932 era. And they did so *before* knowing the full extent and depth of the crisis they faced. The disappearance of the ‘peace dividend’, the persistence of inflation and the sharp increase of unemployment were, quite simply, entirely unanticipated in 1968 and 1969. A few classical liberals, like Friedman and Hayek, as well as Buckleyites Henry Hazlitt and Roger Freeman, had been fretting about inflation and government inefficiency for the entire post-war period. As the Goldwater campaign had painfully showed them, these men were both perceived as rightwing Cassandras and rejected for their pains. In 1968, thanks to Richard Nixon, these views had the opportunity to re-enter the political and policy-making battlefield. After 1973, regardless of Watergate, every serious political actor had to take conservative policy making in the economic field as plausible and respectable options. Richard Nixon’s role in that transformation was not merely reactive. For a start, the entire Bretton Woods system was designed, precisely, to deal with the kind of situation that moved Nixon to destroy it. Moreover, a close look at the relationship between the White House and the Federal Reserve during the months leading to August 1971 and with Nixon’s own classical liberals advisors during the FAP struggle, clearly show a president as committed to a policy course as can reasonably be expected from most politicians worried about re-election and, amazingly enough, certainly more so than certain *bona fides* classical liberals. But then again, neither neoconservatives nor neoliberals actually tried to overturn the existing consensus. Instead, most members of both conservative subfamilies attempted to implement incremental reforms to bring the existing policy-making framework closer to

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<sup>159</sup> Arthur Shenfield to Milton Friedman, August 8, 1973, f. 12, box 86, *ibid*.

<sup>160</sup> Hodgson, *Gentleman from New York*, p. 186.

their ideal views. From this point of view, a further shared aspect of the neoconservative and neoliberal experience while working for Richard Nixon that permeated public policy ever since was their fatalism in the face of the unknown. From 1969 onwards the administration faced a number of radically new developments, against which both neoconservatives and (most) neoliberals consciously adopted a modest, even fatalistically pessimistic attitude towards their own – or anybody else’s – knowledge of the workings of socio-economic processes, and therefore towards the capacity of government in general to achieve effective social change. Compared with the boundlessly optimistic outlook exuded by the Kennedy and Johnson administrations, only that change was tantamount to 180 degree *volte face*. These president’s men knew and deliberately emphasised that difference. Nixon’s habit of clothing conservative actions in a liberal language and *vice-versa* reinforced that strategy. In a way, the American right got the president it deserved – insecure, timid and inconsistent. Yet, it was also the president who, regardless of whether he ‘was a crook’ or not, first modified the political framework in such a way that could easily accommodate the initiatives of, say, Ronald Reagan.