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## Austan Powers

### **What we can learn from watching the libertarians-for-Obama Great Economist Hope get caught doing the White House's dirty work in trashing libertarians *against* Obama**

Matt Welch | October 8, 2010

The basic story, in case you haven't heard: On August 27, in a background briefing with reporters in which he expected to be described as a "senior administration official" and not "Austan Goolsbee," the White House's soon-to-be-appointed chair of the Council of Economic Advisers said this:

So in this country, we have partnerships, S corps, we have LLCs—we have a series of entities that do not pay corporate income tax. Some of which are really giant firms. You know, Koch Industries, I think, is one, is a multibillion dollar business, and so that creates a narrower base because we got literally something like 50 percent of the business income in the U.S. is going to businesses that don't pay any corporate income tax.

Koch Industries, as you may recall, is the family business of Charles and David Koch, the two most influential donors to libertarian institutions in American history. The Kochs helped found the Cato Institute, the Mercatus Center, and the Institute for Humane Studies, among many other organizations, and have given money to the Reason Foundation over the years (David sits on our Board of Trustees). They were also instrumental in the initial development of the Libertarian Party, for which David ran as vice president in 1980, and have been big donors to more conservative and various nonpolitical causes as well. They are not being trashed for their libertarianism per se in the campaign season of 2010, but because (in the phrasing of the headline on Jane Mayer's influential August feature in *The New Yorker*), of their "covert operations" in "waging a war against Obama."

Goolsbee's comment drew enough attention from Koch lawyers and Republican senators that the Treasury Department's inspector general is looking into whether he or any other administration official dug improperly through the tax records of a private company. If he did then Goolsbee got at least one important fact wrong, since KI does indeed pay corporate taxes, according to reporting by multiple outlets. The White House's official reaction, in part:

No senior administration officials have any access to anyone's tax returns—individual or business. The administration official was discussing the section of the [President's Economic Recovery Advisory Board]'s tax report that argued we should look at the rising importance of pass through entities that do not pay corporate income tax.

This issue was raised repeatedly by outside experts that testified before the PERAB and Koch was cited to the PERAB as an example by outside commenters to the group. We assume it came up from publicly available information such as the Forbes magazine annual report listing Koch as one of the largest private companies in the nation or the fact that a high fraction of the largest companies within Koch Industries are listed on the Koch website as LLCs, LPs or other frequent pass-through entities. If this information is incorrect, we are happy to revise statements.

An "administration official" also told *Politico*:

The officials statement was not based on any review of tax filings, and we will not use this example in the future.

Well, they won't use Koch-related organizations as an example of *corporate tax-dodging*, maybe, but you can bet your bottom dollar that the administration and its surrogates will continue slamming the Kochs for laying off American workers ("The question for the Kochs is instead of spending money on secret campaigns to fill the government with candidates that will enact their special interest agenda, why aren't they spending that money on saving those American jobs?"), maybe being part of a shadowy foreign plot ("You don't know if it's a foreign-controlled corporation.[...]We've got to make sure that we don't have a corporate takeover of our democracy."), for "bankrolling" anti-mosque demonstrations and plotting a "billionaires' coup," and on and on. There is I think zero doubt that the administration began a coordinated PR campaign against the Kochs by early August at the least, and that Goolsbee was just (consciously or unconsciously) doing his part.

But wait, didn't Planet Libertarian have higher hopes for the jauntily named economist (who you can see in a 1999 Reason piece declaiming Internet taxes)? Why yes it did. In fact, the proximity of Goolsbee to Obama was frequently cited as a key reason why some self-identified libertarians were going to vote for the Democratic nominee in 2008. Here's a trip down memory lane:

Libertarians for Obama:

Obama's chief economic adviser—a friend from the University of Chicago, where they both taught—sounds an awful lot like a libertarian (though I don't know if he accepts the label).

David Friedman:

Perhaps I am too optimistic about Obama, but I do not think he is going to turn out to be an orthodox liberal. There is a group of intellectuals connected with the University of Chicago who

have accepted a good deal of the Chicago school analysis but still want to think of themselves as leftists. They are, as I see it, trying to construct a new version of what "left" means. Examples would be Cass Sunstein and Austan [Goolsbee], both at Chicago, and Larry Lessig, who used to be there. [...]

[Goolsbee], judging by webbed pieces of his I've read, is a pro-market economist who happens to be a Democrat, rather like Alfred Kahn, who gave us airline deregulation under Carter. He is also Obama's economic advisor. [...]

Obama himself, while obviously constrained by the fact that he is trying to get nominated, has occasionally let things slip that suggest a more libertarian view than typical of liberal senators.

### Daniel Koffler:

Obama's preference for reducing healthcare costs while preserving the freedom to choose whether or not to participate in the healthcare system, as against Clinton's (and Edwards's) insistence on mandating participation, is not a one-off discrepancy without broader implications. Rather, Obama's language of personal choice and incentive is a reflection of the ideas of his lead economic advisor, Austin Goolsbee, a behavioural economist at the University of Chicago, who agrees with the liberal consensus on the need to address concerns such as income inequality, disparate educational opportunities and, of course, disparate access to healthcare, but breaks sharply from liberal orthodoxy on both the causes of these social ills and the optimal strategy for ameliorating them.

Instead of recommending traditional welfare-state liberalism as a solvent for socioeconomic inequalities and dislocations, Goolsbee promotes programmes to essentially democratise the market, protecting and where possible expanding freedom of choice, while simultaneously creating rational, self-interested incentives for individuals to participate in solving collective problems. [...]

Goolsbee and Obama's understanding of the free market as a useful means of promoting social justice, rather than an obstacle to it, contrasts most starkly with the rest of the Democratic field on issues of competition, free trade and financial liberalism. [...]

If this approach needs a name, call it left-libertarianism.

### Steve Chapman:

More important than what he advocates is what he doesn't. His chief economic adviser, Austan Goolsbee of the University of Chicago, told me that Obama thinks "we shouldn't have a blanket policy of bailing out everyone." In formulating remedies, Goolsbee says, "you have to think how not to reward bad behavior."

### Megan McArdle:

Obama's sterling choice of highest-caliber economic advisors was one of my main reason[s] for supporting him[.]

I bring up these examples not to throw stones—I, too, was impressed enough with Obama's economic advisers and campaign language that I pegged fiscal restraint and honesty as the only "glimmer of possibility" for his presidency, then watched as results turned out to be just about the opposite—but rather as a cautionary tale for all of us, from every political stripe, though perhaps independents and libertarians most of all.

When a presidential candidate (or other politician) assiduously campaigns as a post-ideological, data-driven pragmatist—as both Obama and John McCain did, though the latter more so in 2000 than in 2008—and then surrounds himself with an ideologically diverse set of advisers, basing your support for the pol on your fondness for one of the many faces in his crowd is a recipe for disappointment and even (in the case of Koffler above) delusion. Just because Paul Volcker sits on PERAB doesn't mean that the group will focus more on the necessity of fiscal pruning than on the economic magick of weatherizing homes.

A president's ideological instincts and political necessities, an administration's bureaucratic self-propagation, a Congress' economic beliefs, the political climate of the country—all of these things matter so, so much more than the academic writings of the one apparatchik you identify with most. Hell, *you* could be appointed to a senior position on the president's various economic teams tomorrow, and it just wouldn't matter. The Great Man theory rarely applies to underlings, and when it does it usually means the subordinate has executive authority over at least one key department, not to mention support from above and below.

Should we be surprised that Austan Goolsbee has joined in the White House's campaign against the Kochs? Not at all. Outraged or disappointed, if you wanna be. But save some of that disappointment, if it applies, to yourself, for ever believing that smarts, elbow-rubbing, and surface integrity were enough for a single person to avoid or even overcome the awful, awful business of both politics and governance. This is as true in 2010 as it will be in 2012 and every thereafter.

Literally from his first day in office, Obama has been rejecting the "false choice" between "whether our government is too big or too small, but whether it works." The results of such hollow post-ideological pragmatism have been as predictable as the president's political need, two years later, to identify as political enemy No. 1 the family that has donated the most money over the years to the limited-government cause. Left-libertarianism, it would appear, did not survive the collision with governing reality.

*Matt Welch is Editor in Chief of Reason magazine.*