

CONVERSATIONS

WITH BILL KRISTOL

Conversations with Bill Kristol

Guest: Christopher DeMuth, Hudson Institute

Taped March 19, 2014

Table of Contents

I: Becoming Conservative 00:15 – 09:22

II: Edward C. Banfield 09:12 – 31:27

III: The Nixon White House 31:27 – 42:02

IV: James Q. Wilson 42:02 – 1:02:20

V: Big Government Today 1:02:20 – 1:11:16

VI: Hayekian Conservatism 1:11:16 – 1:34:54

I: Becoming Conservative (00:00 – 09:23)

KRISTOL: Hi, I'm Bill Kristol. Welcome to CONVERSATIONS. Our guest today is Chris DeMuth, who I'm very happy to welcome here and look forward to learning from Chris about American politics, American conservatism, American political thought, and everything else, as well.

DEMUTH: Okay.

KRISTOL: So, you – you – you went to Harvard, went to Chicago Law School, became, had a seated position in the Reagan administration, head of the most prestigious think tank in Washington, the American Enterprise Institute. You've written very interestingly on many, many topics. How did you get into this racket?

DEMUTH: I got into politics in the 1960s when I was a student at Harvard. I was not highly political or formed. I was a good liberal in the sense that young men and women are good liberals. I wanted – I thought that liberalism was the natural position of an intelligent, well-meaning person. I saw problems in the world. It seemed to me that government ought to be out solving those problems. And we were in the midst of a genuine political revolution in policies respecting black Americans, the Civil Rights Revolution.

I had – I grew up in comfortable circumstances but would – my father always made a point of taking me around the rural South and showing me the segregated life of the South. He was a jazz aficionado and we would go listen to jazz on the south side. So I was very committed to the cause of civil rights. By accident, I went to work in a political campaign one summer. A neighbor of ours, Charles Percy, was running for the Senate. He won the race; this was in 1966.

KRISTOL: A liberal Republican, right?

DEMUTH: Liberal Republican. And it in those days, the Republican Party and the Democratic Party both had liberal and conservative wings. I fell in in the course of the campaign with some people back at Harvard in the Ripon Society, which was known as a liberal Republican brainy people at Ivy League universities and so forth, looked down upon by many people in the party itself. And we thought of ourselves as liberals. Nelson Rockefeller and Pete McCloskey, people like that were our heroes.

In retrospect – and I should say many leaders of the conservative movement came out of that milieu, of Peter Wallison at the American Enterprise Institute, George Gilder, many others. What we were was pro-civil rights libertarians. We were for the negative income tax; we wanted to abolish the draft; we wanted a professional military. We were great admirers of Milton Friedman. But the organizing issue, the most salient issue of the day was civil rights for black Americans, and that was a central concern of ours. Barry Goldwater had voted against the Civil Rights Act and that had divided the party, and that's – that's how we saw ourselves.

KRISTOL: And one forgets how much being a liberal Republican then was disagreeing with Goldwater on – as much as anything else.

DEMUTH: That really, that was the defining issue. The second was a stumbling into a friendship with a professor at Harvard named Edward C. Banfield. I first encountered Banfield in the form of a pamphlet published by the American Enterprise Institute, which one of my professors had assigned, I think as an example. They were trying to bow toward diversity of intellectual opinion. And he had written a piece on foreign aid. It challenged every doctrine, every precept, every pro-foreign aid argument, root and branch. And I remember being astounded by this publication. I knew it had to be wrong and –

KRISTOL: So you were an undergraduate –

DEMUTH: This was, was actually my freshman year, it was the introduction to government course. But it was argued with such lucidity and it acknowledged the arguments – it, it made the proponents' arguments better than the proponents did. And then it would come around and criticize them, both for the notion that American aid could actually help development in poor countries where cultural obstacles to the formation of voluntary associations and businesses would stand in the way of any of the theories of economic development coming out of Yale and Harvard or the dollars coming out of the American taxpayers' payments. And it was a very powerful work and I found it extremely disturbing.

I took a course of his in urban policy problems which was about race, poverty, crime. The problems of the cities were the big problems in addition to civil rights in those days. And I found in Banfield a man who was on one issue after another offering arguments that I'd never heard before, challenging liberal orthodoxies, but doing so from a position of profoundly informed scholarship and assigning us works of sociology to understand the particular problems of lower-class consciousness.

There was a great book called *Elmtown's Youth* [by Yale sociologist August De Belmont Hollingshead]. And this was not about blacks, this was about whites because one of his great arguments was what we perceive as racial problems of the inner cities are much more cultural and class arguments – a heretical idea at the time which has since become conventional wisdom.

And we would – we would study books that brought us face-to-face with the life of people living in very poor circumstances in American cities. And this was a serious man, he was not indifferent to the plight of the poor. In fact, he seemed more alert to the plight of the poor and attentive to what might be done to help them than the liberals were.

KRISTOL: But deeply skeptical of the Great Society?

DEMUTH: Of the Great Society programs. In fact, he argued a style of argument that became conventional over the next 10 or 15 years that the government efforts that were intended to alleviate, improve the lives of the poor were making things worse, urban renewal was demolishing, certainly, a very poor and underdeveloped, but nevertheless communities – but nevertheless communities that people knew their friends and they knew the shopkeepers and they were being replaced by towering public housing projects.

It was the course changed my views eventually. At first, I simply wanted to argue with him and I eventually found myself in his office and somewhat amazed that a big professor, one of the senior people in the government department, would spend time with a mere undergraduate. I read the entire reading

list for the course and begged him to give me more things to read. So he would give me books to read and he charted my intellectual course, which eventually moved in a conservative direction, but it was many years and a lot of study and actual confrontation with the realities of government, in, during two stints when I was working in government. But I would say that the Ripon Society and Banfield were the beginnings of my being jarred out of my conventional young man's liberalism.

II: Edward C. Banfield (09:12 – 31:27)

KRISTOL: So, let's stick with Banfield for a minute because I know you stayed close to him for the rest of his life and were a great friend of his and influenced by him. So, did you write your senior thesis with Banfield at Harvard or?

DEMUTH: I did.

KRISTOL: Was it on some topic in urban policy?

DEMUTH: As I'd said, I had worked on this campaign in '66, and I'd been very interested in race relations and civil rights. And I had done some work with some people who were challenging the Richard J. Daley machine that were aligned with our campaign, and I got to know some of the black leaders on the south and west sides of Chicago. Banfield's friend and Harvard colleague, Jim Wilson, had written one of his early books titled *Negro Politics* on that subject and focusing on the displacement of old-time machine patronage politics by the rise of racial politics in the cities.

And he was in turn updating a study that had been done back in the 20s. So I thought, well, I will update Wilson's book, which is now several years old, so I compared the careers of two black anti-Daley machine candidates; one successful, one unsuccessful, who were trying to – who were using explicit racial appeals to try to separate black voters from their highly materialistic attachment to the Daley machine, just doing whatever the local patronage worker wanted them to do when they went to the polls. One of them worked, one of them didn't work. And I tried to assess the difference and Banfield stuck with me all the way – all the way to the end of that thesis.

KRISTOL: That must have been exciting and interesting. The idea of having Ed Banfield, you know, read my senior thesis when you're 21 years old and – Was he a kind judge or – ?

DEMUTH: No. He was – the man had a reputation as being extremely gruff and unapproachable. He was, he did have a gruff exterior, but he was simply very, very blunt. And he had decided – he was a former journalist. He worked in the New Deal for Rexford Tugwell. He had learned a lot about the shortcomings of government planning and the inability to get people to cooperate. He defined the social problem, the political problem: how do we get people to cooperate? And the New Deal programs and trying to get displaced farmers into new communal collectively-based agriculture programs had been failures.

So he had his disillusionment that had inspired his career. And he took his work very seriously. What was unusual about him is that he took your work as seriously, even a young undergraduate, and he was a model of a serious scholar. And he regarded his obligation to tell you the truth about the weaknesses of your arguments, of your logic, of your language. And he enjoyed being a contrarian. He loved argument. But he was also, he introduced me, he introduced me to your father, Irving Kristol, he introduced me to Pat Moynihan, Milton Friedman, Jim Wilson, all sorts of other people.

He was an extremely sociable, good-natured person. But the depth of his learning was astounding. And so I think working together, we eventually got a respectable document. If I can tell you one little story that came out of this about – it was about 19 – it was in about 2006, I found myself sitting with Senator Barack Obama for several hours on an airplane together and he didn't have any staff, so it was just the two of us talking. And I told him about my days on the south side of Chicago, I had done a little community organizing, and I'd been very interested in the theories of Saul Alinsky to use anti-government

rhetoric to rouse ordinary folks who didn't care about politics from their torpor get them out to, to take their civic responsibilities more seriously, that sort of thing.

And I told him about my thesis and he wanted to know what – how this person had done, who actually succeeded. And I said it's very interesting. He had several great terms as alderman but as he became famous around Chicago as somebody who had taken on and beaten the Daley machine, he became lionized by the affluent liberals on the north side and he started spending all of his time outside of the community and with this larger left-wing political groups of people who were much more affluent, and his big issue became the Vietnam War and he lost touch with the ordinary day-to-day black folks who had put him in power, and it was the end of his career. And Senator Obama, it had been kind of an animated conversation, and at that point, there was just this passive stone-faced and he changed the subject.

KRISTOL: Yeah, that's a good story. So for young people or anyone else who wants to, who isn't familiar with Banfield's work and he certainly isn't, it isn't as well-known as it should be and he isn't as well-known as he deserves to be. Do you have a particular place you'd recommend that they begin – essays, books? I mean he wrote on a wide variety of topics ranging from the moral basis of a backward society – that was one of his first books, I think about Italy, to, of course, *The Unheavenly City*, which the book that sounds like it came out of the course you took on urban problems –

DEMUTH: It depends on whether a person is more practically or philosophically oriented. If you're practically oriented, start with his essays collected in an AEI volume titled *Here the People Rule*, and it's about what happened to the Founders' Constitution and what happened to the idea that we should have principles-based political parties as opposed to the locality-based parties, it deals with many contemporary policy issues. Or his great work, *The Unheavenly City*. Those are both wonderful books and a good introduction.

If you're philosophically oriented and you've read Tocqueville, you should read *The Moral Basis of a Backward Society*, because he begins by – he contrasts the American ethos of volunteerism and participation with the ethos that he discovered living for a year in a poor, a village in Southern Italy, where through careful observation and all sorts of techniques, he defined the ethos of Southern, of the Southern Italy poor, the poor of Southern Italy, is what he called “amoral familism.”

By that, they meant – he meant that people understood behaving generously and giving to others within the family unit. But people absolutely had no conception that outside of the family unit, humans could cooperate and create a positive-sum game and create an association or a church or a corporation. It was nature-red-in-tooth-and-claw outside the family, so we take care of our own. That is a society that is not going to develop, no matter how much foreign aid or how many well-intended programs come down from on high.

And it contrasts so strikingly with what another observer, Tocqueville, found when he visited America. And it makes a wonderful pairing. And this work has lived, it is central to the work of Robert Putnam, many important political thinkers today. It has, it continues to be cited and people continue to do research and argumentation based on it. And it's a lovely, very sparsely written, fascinating, fascinating book.

KRISTOL Banfield had so much influence on my father. I remember him recommending *The Unheavenly City* to me when I was 18 or 19 years old, like that as just, maybe the one book to read if you were going to just try to get a sense of current public policy debates, especially urban policy, domestic policy. And Jim Wilson – we'll discuss in a few minutes, but who was a student and a colleague and such a close co-author with Banfield in many ways. But Banfield himself is – why do you think – am I right that he's more unjustly neglected than even the unjustly, other unjustly neglected figures?

DEMUTH: Yes. I think that that's so, and I think his importance to this circle of thinkers was that he was the first person to develop a strong skepticism about the ability of elites armed with social science and the latest econometric techniques and the latest theories of economic development or a how-to-solve-this-or-that economic problem or the problems of the poor. He was – he was extremely skeptical to, hostile to their work.

And if you look at the work of Irving Kristol or Jim Wilson and others, Pat Moynihan, one of his most important papers written in the month after Bobby Kennedy was killed, in despair was titled “The Professors and the Poor.” And it’s Banfield. These men all, they had disagreements with each other, and, of course, Jim Wilson spent a good part of his career trying to discipline social science and actually extract from it something useful to be applied in practical affairs. But I think all of them began with this, with the notion that our ambitions going back into the 50s and 60s and before that to the progressive era, that we could rationalize politics, that we could rationalize government and get human beings to be happier, more cooperative, more productive because of these discoveries that had been made by these people of complete goodwill and disinterestedness who were in control of the power of the state. I think that originated with Ed.

It didn’t originate with him but he stated it in a very powerful way and elaborated it in one situation after another, and you can see, I can see Irving Kristol making some similar points back in the 1940s. But it was done in a systematic way by Ed, and I think it was very influential, not just with Jim Wilson, his student, but with Pat Moynihan with whom he disagreed on many particulars.

KRISTOL: And I think also in an empirically grounded way, that is were plenty of people – plenty of people, there were some people who had a very sophisticated and theoretical in a way critiques of rationalism. Michael Oakeshott’s great essay in the 50s. Leo Strauss and students of Strauss elaborated on this. But what struck me – but maybe I’m wrong about that – is that Banfield came, seemed to come to it. I’m not sure exactly how he really came to it. I don’t know his intellectual autobiography well enough, the biography well enough. But came to it from observing phenomena in the real world, not from sort of thinking deeply. I mean he thought deeply as well, but it was less theoretical and more grounds-up.

DEMUTH: He began as a journalist, and he went to work for the New Deal to help resolve the farm crisis, and I think that it was a journey of discovery that he made with Rexford Tugwell, who was a famous New Deal figure, but who came – disillusioned isn’t quite the word, came to be educated and came to realize that a lot of their ambitions were unjustified and actually, in retrospect, silly to harmful.

KRISTOL: It also strikes me that Banfield, I mean, he was skeptical as this was happening in the early and mid-60s, whereas a lot of the other neoconservatives – and this is partly a generational thing, just an age thing, I guess, but you know, we’re hopeful and somewhat optimistic and then got disillusioned in ’67 or ’69 or ’72 or whatever, as the results started to stream in.

Banfield, in a way, was, but he was never really onboard the Johnson Great Society agenda or hopes. And in that respect, he was very early, I mean he was almost a half-generation ahead of all the others, it seems to me.

DEMUTH: Yes. In the late 1960s, I believe it was, he wrote an essay in the *Public Interest* titled “Welfare: A Problem without Solutions.” And if you read that essay –

KRISTOL: It’s a fantastic title.

DEMUTH: It is. Well, it is just, it’s just a slap in the face. I mean everybody that was reading the *Public Interest* was trying to figure out what are the solutions, and he was saying there are no solutions or if you came up with solutions, anything that you describe as a solution will either be simply describing the absence of the problem.

He used to say most government policy solutions coming from academics are in the nature of the solution to the problem of alcoholism is greater temperance in the consumption of alcohol or they require more knowledge than we have, they require knowledge of things that we simply do not have. And, or, they involve problems that are simply beyond the reach of, however, well-informed the government may be. But whether you – whether – very few people were willing to follow him all the way, but his bluntness and his, the alacrity with which he chased down any hope that one might have to come up with a solution

and squashed it. I think was arresting to others, gave other people courage and it also forced other people to up their game.

If you read that essay on welfare, it basically it tells the story of everything that has happened subsequently and all of the work that Pat Moynihan and Charles Murray and others have done to try to use reformed welfare programs to substantially improve the conditions of the poor.

KRISTOL: I think the courage is an important point, too. I mean it was bracing. I remember reading this as a young man, and then when I got to know him a little bit, too. He wasn't interested in government jobs or even in respectability or being part of commissions, and he was willing to follow his arguments to its logical conclusion and not sort of pull his punches and say, "Well, but you know, we haven't investigated everything yet and maybe some things will work better and maybe if we're more modest in the way we do things, we can get some positive results. Although not as great results as other people think."

That was not his style, which I think is why it's wonderful for people to read him because there is – it just forces you to really think through your arguments in a way that others who might be more politic. And maybe they have good reasons for being in politics; sometimes, don't.

DEMUTH: And although he sought, it's not just that he didn't seek fame and fortune – he sought to avoid fame and fortune. But *The Unheavenly City*, when it came out in 1969, was a bestseller. I mean, it was a – it was, there were several serious policy books that became bestsellers in the 70s and 80s, Bloom's book and Charles Murray's *Losing Ground* and so forth. But the first of them was Banfield's *The Unheavenly City*. I think it was number one or two on *The New York Times*' bestseller list; it was wildly controversial. He was getting invitations to speak which he mainly turned down.

KRISTOL Yeah, it was sort of, I mean ahead of time also, that phenomenon which became famous in the 80s really and into the 90s, of sort of conservative books that tapped into a market that no one knew existed. But Banfield was way ahead, yeah, way before Murray, Bloom. That was mostly a phenomenon, one thinks of it of the 80s.

DEMUTH: He was attacked savagely often in what we would now call mainstream media but he actually received an enormous amount of correspondence. In those day, just letters on paper of people saying this book has explained, has eliminated my confusions, it has explained to me what otherwise, what had previously seemed confusing and inexplicable about the world and political argument today. So it connected with lots of people.

KRISTOL: And final question about Ed Banfield. So you then went to – despite having studied with Ed Banfield, you went to work in Washington in the Nixon White House, I believe, and then ended up with a senior position in the Reagan administration in the Office of Management and Budget. And anything you – and then you were, of course, here in Washington subsequently as very much involved in all the policy debates. Anything you learned that has made you less convinced that Banfield was right or more convinced or – ?

DEMUTH: No, no, although my career has been devoted to coming up with ideas for policy reform that he would of thought had very little chance of improving things and quite a lot of risk of making things worse.

On the other hand, his attentiveness to issues of culture and practical politics, I think has shaped my own work, my own work very greatly. And Ed was, he was not opposed to people going out there and fighting the good fight. Come to think of it, I got my job with Nixon through Banfield. He introduced me to a man named James Farmer, who was head of the Congress of Racial Equality and one of the four important national African American leaders, along with King and Whitney Young and Roy Wilkins in the 1960's. He was running for Congress in Bedford-Stuyvesant, and he lost.

KRISTOL: As a Republican?

DEMUTH: He was, he had, we had four-party politics in New York in those days. He had the liberal line and the Republican line, and the conservative party was not a factor. The Democrats, we thought, were going to nominate a hack-crook, but this person was so swept away in the primaries by a woman, a famous woman, who's not known anymore, named Shirley Chisholm, and she was – she was much more. . . .

Jim was of the old integrationist persuasion, he had a white wife, and he had a white campaign manager. I fixed that pretty quickly. And Shirley Chisholm was much more part of the real black community, very attuned to the new ideas of black power. And they beat us terribly, and I didn't have a job, I didn't have any job prospects, but –

KRISTOL: Was this 1970?

DEMUTH: No, this is 1968. And but I had some friends that had been working on the Nixon campaign and they asked me to come down and work as a volunteer on the transition, and I did. And I introduced the president-elect to Pat Moynihan. He had read that piece, "The Professors and the Poor" in *Commentary* magazine, and it resonated with him, and he said, "I need some Democrats at the, at the White House, some serious Democrats." And I knew Pat a little bit, I introduced them. And a month later, I was short of the unemployment rolls, a month later, I had an office in the West Wing.

KRISTOL: America is a great country.

III: The Nixon White House (31:27 – 42:02)

DEMUTH: Well, it was, I tell young people that a great thing about going into politics when you're young is that unlike the professions or business or the academy, all of which have hierarchies that stand in your way and you have to climb very slowly, the great thing about politics is the hierarchy gets blown away every four, six, eight years. And people are looking around for young people.

You've seen this, I know when you first came to work in Washington. And that happened and I just happened to – I just happened to be there and got thrown into a position vastly beyond my qualifications or abilities.

KRISTOL: I remember coming to Washington myself a few years later and you were very well – I was always, I was told, "Go see Chris DeMuth, he's several years ahead of you, and he'll be a fantastic guide and role model," which you were, incidentally.

DEMUTH: Banfield was intellectually tough. He did not sneer at the man of affairs.

KRISTOL: And I just can't let this go by without asking you about Nixon's since he came up and I've always been sort of – I met him a few times later. I met him, I guess, once or twice when I worked that one summer in the Nixon White House, but that was purely a photo-op. But after you had left office, I remember being invited to a couple dinners and he would have young people around and sort of show his wisdom about the world, which was impressive.

But you've dealt with him in a much more serious way. What's your actual judgment of him? I'm curious. I mean, he's become such a caricature in a way.

DEMUTH: Yes, well, he was – I don't know if I want to use the word tragic, but he was a tragic character in the sense that he had very, very strong positive traits, wonderful traits, admirable. He was a man of admirable character in many respects, and of deep flaws. And many of the flaws were just aspects of his strengths. He was a great – anybody that gets to the White House is a great politician. But he was, he had a capaciousness of interests. He had – I was summoned into the Oval Office in late 1969. I had been working on welfare reform and model cities and things.

KRISTOL: Were you working for Moynihan? I can't remember.

DEMUTH: Was working for Pat Moynihan, the Urban Affairs Council. And we'd had a big battle over welfare reform and that had been resolved. And the president called me in – I'm 22 – and he said, "I want to get ready. I need some help. I need to get ready for my State of the Union address next January," which will be the first of the 1970s. "I believe that the two great issues of the 1970s will be environmentalism and women's rights." I did not know what he was talking, I did know what either thing. I didn't know what he was talking about.

But he was seeing, he saw the 1970s before it happened, that the old issues, that the old issues of economic performance and GDP growth and labor versus business. And then the new issues of poverty that and race that had consumed the 1960s, they were about to just be displaced by a completely different form of politics.

And so that was very astute but I, I also appreciated what he did. He said, "I want to come up with a strong environmental program and I want you to go out and find out everything that the government is doing. You're going to be head of a task force, and everybody's going to know you're working for, me and we want people from all the different agencies and BO – the Budget Bureau, which now be called the OMB, and I want you to – I think we have these air- and water- pollution programs, I think they're a joke, I don't think they do anything. Find out what's right and wrong with them and what we should do instead.

"Now, Senator Muskie is going to have a bill next year and if he has his way, he will close down all of American industry. I will not do that but I want to have something that is strong. And the way were going to do this is nobody on the Commerce Department – from the Commerce Department will be part of your group because if they are, Secretary [Maurice] Stans of Commerce is going to have all the business people in here and they're going to make it impossible for us to have a strong environmental program. So you leave them off. And the day before we send the message up to the Hill and the legislation, I will tell Secretary Stans myself, and I will protect you."

KRISTOL: And you're 20 years old, 22, 23 years old?

DEMUTH: Yeah. And it all, it all –

KRISTOL: Did it happen? Or less like that?

DEMUTH: It happened exactly like that. And looking back from where we are speaking in 2014, when environmental quality is very high, if I had walked outside that afternoon, the skies would've been yellow-brown in Washington in the middle of the summer and we had no industry, it was all automobiles. But the levels – the Cuyahoga River actually did catch fire and the environmental problems were serious and he wanted – he wanted to do something about them.

He was very distrustful of the bureaucracy and one of the reasons that he and Moynihan hit it off is that that Moynihan had become very skeptical of the professoriate, of the agencies, of the politicization of bureaucracy and how it can undermine worthy programs. They really saw that; they saw that very clearly.

But there was an incident at the very beginning of the administration that when I look back on it, it was the beginning of Watergate. In the first few days, Moynihan convinced the president that he should do something right away to clean up 14th Street. During the riots following the murder of Martin Luther King in April the previous year, blocks and blocks of 14th Street had burned for five or six days, and there were just hawks standing there block after block after block, not many, less than a mile from the White House.

Nobody had done anything about it. It had been tangled up in the politics of community action in the war on poverty and neighborhood groups and business interests trying to get hold of the land, and nothing had happened.

KRISTOL: The federal government was responsible for Washington then.

DEMUTH: Yes. No, this was – well, there was a government, but it was a ward of the federal. Yes.

We wanted to do something to show, you know, Republicans can get things done and we are going to do something to improve the lives of ordinary folks in Washington, and it's going to be one of the first things that we do. And I was instructed along with one other person who is now a U.S. Senator, Richard Blumenthal, to come up with a plan where we can do something immediately.

And our basic idea was to just – just knock down some of these burned out old wrecks and put down asphalt and make basketball courts. You know, just do something immediate that people can enjoy, you can do it really, really fast; and then we'll argue about the reconstruction and that'll take a year but we're going to try to make that happen, too.

So we found a found a pocket of – and the other thing was do not let Secretary [George W.] Romney or anybody at the Department of Housing and Urban Development find out because they – I mean –

KRISTOL: It's good that you spent a lot of your time in the White House preventing Cabinet officers from finding out what was –

DEMUTH: Yes, no, it was always, we were scheming against the bureaucracy and the president's own appointees that were the head of these big organizations because now that they were in charge of them, they couldn't be trusted.

We found a – we found – we found money at HUD, we found an organization, part of the District of Columbia that could accept the money, we found how they could make contractual commitments and hire people, you know with the right trucks and land that we could at least move in on and make a basketball court. You could do all this within a week of arriving in the White House, we just did all this.

And Secretary Romney was told a few hours before there was going to be this event up on 14th Street with the president. We were not staff, we were line is what I came to realize and the president, President Nixon, he just distrusted the bureaucracy, including his own appointees, so deeply that he converted the staff and grew the staff and treated them as the government. And we were operating as line officers of government without any of the checks and balances and institutional flywheels that work on that. And on this humble little case, we didn't get into any trouble.

But as the years went on, I saw that we were running everything, including if we could run HUD, we could run the FBI, we could run the IRS, we could run the CIA. And it was that mindset of this government with all of this power and presidential prestige, but without any breaks, operating quietly in the background, was an important component of what eventually metastasized into Watergate.

KRISTOL: That's very interesting.

IV: James Q. Wilson (42:02 – 1:02:20)

KRISTOL: So you had the great privilege of having Edward Banfield direct your senior thesis at Harvard, but as I recall, I think you've written Banfield wasn't your first choice, actually. Is that right?

DEMUTH: My first choice was James Q Wilson who worked down the hall from Banfield. He'd been Banfield's student at Chicago, and the two of them had come to Harvard as a pair and they were, they had at the time, just published another book that I would recommend to anybody that wants to get into this literature, *City Politics*, which was, which was and is, a great work and presents an understanding of the political foundations of local government in large metropolitan areas, unlike anything that has been done since.

But Jim Wilson had written a book on *Negro Politics*, as the term was then used. And that was going to be the subject of my dissertation, and I was going to extend and maybe modify somewhat the teachings of his book. So I went in to see him and he was a very busy man. He had lots and lots of different things going on. He had big administrative responsibilities at Harvard and was supervising many important people that were getting their Ph.D.s. And he declined; however, he did say that he would be one of the graders, if he wasn't an advisor, that he'd be one of the graders. I knew he was a hard grader, so that was a little bit frightening.

And I became over the years, just as interested in Wilson's work as in Banfield's. The two shared many talents, predispositions. But Jim was much more interested in doing actual empirical research. He had much more – he had greater confidence in the ability to sort out the wheat from the chaff in studies of government policy and he saw himself not simply as an educator – I think Ed was always the educator first and foremost – but also somebody who would help practicing politicians, people that worked in agencies to not just make sense of the world they were in but to adopt better policies or to avoid mischievous policies.

And the scope of his work is immense. It covers crime, drugs, government regulation of the economy, tax policy, welfare policy. There is not a major area of a policy that he has not written on with tremendous perspicacity. And anybody that wanted to get into, learn, begin a study of any of those issues, you could not do better than starting with Wilson. But he was also a student of American politics and wrote some of the most important essays on American politics that still stand out. If you read his – an essay on a political guide to Reagan country, written just after Ronald Reagan had been elected governor of California and essentially to explain to his liberal East Coast friends that what was happening in California was completely different than what they thought was happening.

It provides a window a little bit like some of the other essays that I have mentioned such as Banfield's on welfare policy, it provides a window into the political developments of American politics that were just then underway. And it's uncanny that somebody could have seen so much. The level of the combination of individualism with social conservatism, which really that came, it was the combination of those two that actually created the new Republican Party. But they were extremely inchoate in those times. The introduction, for the first time, into our politics of questions of, as we sometimes say, of values, of human behavior, much of it beyond any practical ability of government to influence, although it's – it, it may stand in the way of government accomplishing even modest things. When families break down, when people are not raised in two-parent families, what can the schools do?

Jim saw all of that coming, and it was quite – it's quite astounding to go back to that. And I would – I would look at that essay. And later in life, he became centrally concerned with questions of culture and behavior, often beyond questions of politics or policy, but clearly were having an immense effect on both politics and policy even if they were amenable to any kind of systematic reform.

So the scope of his work is just immense. And I haven't even mentioned *Bureaucracy*. One of his two great books, to understand the incentives that are behind the activities of big bureaucracies from the Social Security Administration to the Food and Drug Administration to the United States Navy. And it is still the work in the field and people that work in the bureaucracies, if they are actually serious about their work, they all read that book, they all read, read that book.

KRISTOL: Now, I'll intrude on your time and say that when I came to Washington in 1985, I had been an assistant professor, I was mostly in political philosophy, I came to work for Bill Bennett at the Education Department and so I read up on education policy, I tried to refresh my understanding of American politics in some broad sense. I didn't really think much about, "I'm going to work for Bill at the Education Department and how does one run such a department and how does it relate to other departments, how does one think about changing incentives or behavior within that department or etc?"

And I'd taken Wilson's bureaucracy course – I can't remember my first or second year at Harvard before the book. So this was the course that became the book. And actually since he couldn't assign his own,

he hadn't written that much, at that point, on bureaucracy, the readings were pretty boring, a lot of them. They weren't that great because there was not much good stuff on bureaucracy until he wrote it.

The lectures were very good and it was a straightforward course. I remember enjoying it pretty much but it didn't really, it didn't shape me much at the time. But I realized at some point after being in Washington six, nine months that to the degree I was able to think about what I was doing and have any intelligent thoughts about, gee, maybe this is not the right way to do something, a very high percentage of my intelligent thoughts I thought were coming from Jim Wilson's course and then the book which I have read later.

And which it somehow sunk in, even though I hadn't really realized it was sinking in. I've always thought the bureaucracy book is incredibly insightful and that anyone going to work any government, really, and probably the private sector with a few modifications, could learn a huge amount from that. And I don't know that anyone has really moved beyond it, either, in my sense, because it stands there unmatched in the field. Maybe I'm –

DEMUTH: There have been – it has been applied to the understanding of particular bureaucracies but the idea that these agencies are headed by individuals who will be there for a couple of months whose careers are not going to be made within this agency and whose incentives are only loosely related to the successful performance of what the agency does, that beneath the political officials, their people whose whole careers are in these jobs, but are often assigned jobs that are impossible to do.

So they will be blamed by the politicians when they fail. Or they are given assignments that are antithetical to what other people in the agency have been assigned to do so that there are these intense conflicts. And there is nothing resembling the market mechanism that applies to even very large bureaucracies in the private sector to force pitiless information on how the agency is actually doing to the attention of people at the top or in the middle.

These circumstances are important, and, but it also can lead you to imagine things that can be done to reform the bureaucracy, and Wilson gives us several examples of successful bureaucracies. The Social Security Administration, before it had to make determinations about disability, was a very well run, high-morale, high-prestige bureaucracy because it had a fairly simple, a straightforward, uncontroversial mission.

To be able to say that doesn't mean that we can come up with a scheme for making the Food and Drug Administration an agency that actually promotes the public health instead of repressing the public health. But it gives you an understanding of why things are going the way they are in Washington.

KRISTOL: Yeah, I think that book remains incredibly relevant. At AEI, I think, Jim was the head of your Council of Academic Advisors for the entire time, I think?

DEMUTH: Yes. Jim even more than Ed did a lot of serious advising. And I don't mean he was on some advisory council. He would be called in, he when – Pat Moynihan had him go in and see President Nixon several times to talk to him about crime and educate him about crime and what the federal government might or might not be able to, to, do to, to improve matters. In his later work on intelligence, he was a member of the President's foreign intelligence advisory board, and had a very distinguished career there.

When I was running the American Enterprise Institute, he was my chairman of the – of our chairman of our Council of Academic Advisors that reviewed research plans, evaluation of scholars, advising me on all, on all matters. And we would talk, we would talk every week. And so he was somebody who lived in the study and for the classroom primarily, but was always closely involved in practical affairs. And I happen to know that at many turning points in national policy, foreign affairs as well as domestic affairs, he would never have said it and it probably will never be in any record, but he was there when big decisions were being made.

KRISTOL: And my impression – I didn't know nearly as well as Jim – is that he was a very pleasant and gentlemanly man, I would say. But there was a real toughness there that wasn't visible always on the surface, my sense is. And he would stand by his friends and –

DEMUTH: He was sociable, amiable, he loved the Red Sox. He kept up on the NCAA brackets. He knew all about all of those things. He was interested in music and cooking and food, he was very companionable. But like Banfield, he was intellectually tough as nails and he would be very agreeable in explaining to you that your intuitions about something actually weren't correct. And he had, he believed that people's intuitions often were correct.

He had a great – a great confidence in what we call the common sense of the matter. But he also knew that we could learn that the common sense wasn't correct, and there were other things going on. And he could be – there were times, not at AEI but involved in some grant-giving foundations that I was involved in with him, where there were some disagreements that called for a little bit of anger. And it was instantly forthcoming. So it's kind of hard to talk about those things at a general level.

KRISTOL: He was chairman of the Council of Academic Advisors when Charles Murray's famous book, the book, *The Bell Curve*, which was coauthored with Richard Herrnstein, came out, and you guys were in the middle of a lot of controversy.

DEMUTH: We were. Charles was looking for an intellectual home when he was writing the book, and other think tanks, academic establishments knew that he was writing a book about IQ and that it was going to address the question of IQ and race and nobody wanted to be affiliated with him.

Jim knew Charles, but he also knew Dick Herrnstein. He had written a book, *Crime and Human Nature*, which was one of Jim's best crime books. And he was very interested in the new research on IQ, the importance of general intelligence, not simply in being able to take the SAT test or do a puzzle, but in all aspects of life. And the effects of a sort of mating when you have meritocracy and people start marrying the spouse that they met at the Yale Law School rather than the spouse just happened to live next door, things start to change. And he thought, Jim thought it was very, very important.

I had known Charles. I had gotten to know him when he was writing *Losing Ground*, which I thought was a wonderful work. And I was an admirer of his next book, *In Pursuit of Happiness and Good Government*. And I really admired his taking this on. I knew Herrnstein's work. So I was happy to have him come here.

The controversy over the book was extraordinarily ugly, and I also have to say dishonest. There were – there was a lot of original thinking in the book. The idea that black and white Americans as a whole have significantly different IQs on average is something that's been known for a long period of time. And it does not answer questions of genetic versus environmental causes, it does not answer the debates, which are very lively today about how rapidly IQs can change over time.

But it had this observation in it and it also believed, which is, I think, also now conventional, that IQ is predominantly inherited. That seemed to be incendiary. In fact, if you looked at what was happening, I mean, we held, I held seminars on aspects of this book, and there were people of all races, genders, persuasions, and we could argue about these things. These were important questions.

The attacks on the book were inspired in part because Dick Herrnstein had died before it was published, and it would have been harder to attack a Harvard professor than a think tank person, even though Charles did have a pretty big reputation and he done some clearly important work before *The Bell Curve*.

But the big thing was *The Bell Curve* – this is what is truly revolutionary about *The Bell Curve* – *The Bell Curve* is a refutation of the central tenet of modern progressivism that we can, that there are no constraints on our ability to improve the world, that the world is plastic and if we have sufficient good intentions and energy and enough power to actually get things done, we can improve the world. *The Bell Curve* says that in one area after another – in education, in employment, in many of the attributes of

success in modern life, the government's ability to improve things is – they're not saying it's zero but they're saying there is a constraint in human nature that cannot be budged, certainly not in the short-run.

And it was this fundamental attack on progressivism that made it clear to many people on the left that Murray had to be destroyed and to make that argument against it, you know it's a little too abstract and so forth, so they glommed onto the race issue and made it appear as if this was a secret racist tract, which it didn't, which it wasn't at all.

So it was a very ugly time and AEI, its donors, everybody around here was extremely supportive of Charles, and it is something that we're all proud of, especially because it's a great book. And it is a book that people are going to be reading a century from now. And on the controversial, the topics that were so controversial, one after another has been vindicated so powerfully by subsequent research.

It did cause one piece of controversy. *The New York Times Magazine* ran an article about Charles, which was, as we say in the trade, a hit job, as it turned out. They were very nice to him and they just turned on him. And they had a picture on the front of Charles and it was taken out-of-doors, and I think the photographer probably took 200 pictures and they took one somewhat – you know he's kind of squinting in the sun, he looks somewhat demented – of course, they went with that one. I saw the other pictures. He's a very handsome man. The title was "America's Most Dangerous Conservative." And that was too much for Robert Bork, Kirkpatrick, a lot of people – I said, "I thought I was America's most dangerous conservative."

KRISTOL: You reassured them?

DEMUTH: I said, "In my view, you're at least as dangerous."

KRISTOL: That's just *The New York Times*.

V: Big Government Today (1:02:20 – 1:11:16)

KRISTOL: I want to ask one general question that's been so central to all these public policy debates for decades. I mean, on the one hand, looking back, one thinks Ed Banfield was kind of alone in skepticism about big government, social planning. It's become pretty commonplace now, and an awful lot of what Banfield, Wilson, Murray, my father, and many, many other people who wrote has been vindicated more or less. And then on the one hand –

DEMUTH: It's been assimilated in the culture. Certainly among intellectuals, if you went to Harvard today, you would find people – people understand these arguments. These men created the arguments.

KRISTOL: And I think some politicians even will sort of, in their own way, can put forth a version of these arguments as to why they don't trust the government to do A, B, or C, or why we shouldn't have some huge program, or you hear about unintended consequences. I think that was a pretty unusual phrase. I'm not sure where it came from, actually when in the early years in the *Public Interest* if it has some particular in someone's work or just was floating around. But –

DEMUTH: You can find it in a famous sociological essay going back to the 30s, so it has some antecedents. And it has an antecedent in Adam Smith. The invisible hand is where all – it's the offers, we're all pursuing our selfish interests and we're creating a general public interest, no part of our intention. So, Mandeville, you can find some of the same things.

But it was the *Public Interest* crowd, the neoconservatives, not just the people we've spoken of but also Nathan Glazer and others who just looked at one after another social program and then later regulatory program and found that they were making the very problem they were addressed to worse. Not just ineffective, they were perverse. And that really got the attention of the well-meaning, earnest reformers of the time.

KRISTOL: On the other hand, government is bigger than ever, reformers are more earnest than ever. We have Obamacare and Dodd-Frank and all that. Are you, should one be optimistic about the last 40 years or 50 years, in that respect, or pessimistic, or do good ideas not have consequences?

DEMUTH: Yeah. I don't – I'm not interested in whether my ideas are optimistic or pessimistic. I think that people are more wary about government and we're in a period of liberal triumph, progressive triumphalism. But we shouldn't forget that half – that public opinion is very deeply divided on these matters and skepticism about government is very, very high.

The Obamacare implementation of the past seven or eight months is a sort of civics education course to the entire public about unintended consequences and how government says it's doing this but it's actually doing the opposite. Many things that were supposed to be getting better are getting worse.

So we can see – we can see all of these things. Having said that, the government has gotten larger and there have been new problems. I would say the – if we wanted to look for a source of these problems, it's not that people have insufficiently read and appreciated the works of Kristol and Banfield and Wilson, as that the political developments that these people identified the breakdown of all sense of constraint.

I said a moment ago the real sin of *The Bell Curve* was to say that there is this constraint in human nature. But progressivism can be thought of as trying to overcome all constraints. And technology, affluence, education has made this an almost popular creed; what life is about is being self-actualization, the elimination of barriers to my happiness.

And this idea has pervaded our politics and the committee structure of Congress, which used to stand in the way of many ill-considered initiatives, has been completely deconstructed. The political parties, the old civic elites, editorial page writers that people actually took seriously, those things do not exist anymore. Anybody can go in business as a policy entrepreneur; you don't have to wait your turn if you go to Congress. You can start working on behalf of one or another national group. Forget the hometown folks in your district. So our politics has become atomized and the public – the public weal, government has become this free good that anybody can tap into.

And it's not as if people are making arguments that agricultural supports or food stamps or other programs are actually really, really good and they have out-argued the conservatives on the merits – that is not what is happening. These programs are not succeeding on the merits, they're succeeding on power. And we've made a new discovery which is actually post- the work of these people that we've been discussing and that is that we can borrow money, not for emergencies or investment, which is what we used to do, but we can borrow money to finance transfer programs. In other words, current consumption. And once that gets going and the public gets used to the fact that the government is providing more benefits today than taxes to pay for those benefits, you've built a new engine.

So I think that not that we solved all of the old problems, but there are some new problems that have come along that have yet to be assimilated, and there are problems without solutions. I do think that – I do think that some of these – I do think that the concentration of power has become an important issue, and that that was not a central concern of theirs. You and I live in Washington, and we know the kinds of corruptions that just come to be taken for granted in the exercise of power, putatively, for some noble public cause, but, in fact, for a very selfish and antisocial cause. These people saw that. They could see it in the war on poverty, and I saw it in the environmental movement. But it is a big, it is a big problem today.

So I do not think that these people failed. I think that Jim Wilson in particular made many contributions to crime policy that we've seen, where we've seen positive results. I think that he made important contributions to the abortion debates. Many contributions to the organization of intelligence, of foreign intelligence, that have had important practical effects. And so I can – you can trace successes, we can trace failures to these people, as well, but they did not lead wasted lives. And I have been, I've been teaching courses on the works of these people including also your father, Irving Kristol, Pat Moynihan, Friedrich Hayek. And the 60s and 70s were a tremendously fertile time, and they produced many, many

great works of scholarship that we still don't, I think, sufficiently appreciate how great they are. And you can understand so much of our current dilemmas of government today by going to these authors.

KRISTOL: Couldn't agree more.

VII: Hayekian Conservatism (1:11:16 – 1:34:54)

KRISTOL: Let me ask you about another thinker who you knew somewhat and who I know you've taught and who influenced you, Friedrich Hayek. Not a neoconservative, not an American originally, not quite like Ed Banfield or Jim Wilson or others, but I think someone whose influence has grown over the years as more and more – I say this personally, I feel this personally, that someone I once thought well, interesting but not really central to our problems, now any young man if he asked me or a woman, you know, what five or six people should I read to start with to think about contemporary politics, I think I would include Hayek.

DEMUTH: I agree with that. And we would think of Hayek coming from an earlier tradition that we would now call libertarian. He was not actually a libertarian. He was a classical 19th-century liberal.

And there were disagreements between Hayek and the neoconservatives. Your father, Irving Kristol, was a great admirer of his, but also criticized many aspects of his work, in particular, a passage where Hayek says that we should not expect the economic order to be a just order, the distribution of rewards will not be just. And I think that was a mistake, and I wish that we could have gotten the two of them, I think that Hayek actually would have moved.

He was a very courtly gentleman, and he loved argument and he was not – and his, his views evolved on many things, and I think he probably would have understood and acceded to your father's point. We tend to think of the neoconservatives as being – of coming out of believing in government but being disillusioned by the bad results and the libertarians being more of a creed, proceeding from an axiom through deductive reasoning, maximizing freedom.

So there are some tensions there. But Hayek's work intersects with the neoconservatives in important respects. His earliest that there – I'll mention two things, two of his works that are great and relatively accessible among his enormous corpus.

The first was his article, "The Uses of Knowledge in Society," which this one article ended all intellectual pretensions of socialism both at a general philosophic level and as economists had worked out the mechanisms of control. With the argument, I will state it too briefly but that's all we can do here, you can read the article. That there was no way to centralize in a single agency or person the information necessary to make the sorts of decisions that socialist planners were supposed to make. If we're in charge of making all the shoes for the United States of America, how are we going to possibly find out what is the changing distribution of shoe sizes or changes in the nature of "we need shoes for the rain or for mud or for climbing or for street use?" There is an infinity of information that goes into the question of what kind of shoes to make and where to deliver them that simply cannot be put on one desk; there's no, it cannot be concentrated, in its nature, it has to be highly decentralized.

That was a tremendously important work and while it did not arise from the observation of the shoe-planning minister in the UK or the Soviet Union, but it was a purely abstract argument, it was, was very similar to the core neoconservative skepticism about the ability of even very smart and very well-meaning people to cope with infinitely more complicated questions than delivering shoes, which is delivering productive family lives and getting people trained for jobs that they can't find, that sort of thing. So there's that – so there's that.

But there's another that's more important. Most people know *The Road to Serfdom*, but it – America was never going to become – it was written against socialism. He had demolished socialism at an intellectual level previously in the 1940s with the article I mentioned. And now in approximately 1950, he writes this popular tract about how we are going to lose our freedom.

KRISTOL: No, I think it's earlier than *Road to Serfdom*, I think it's end of World War II, actually. *The Road to Serfdom*.

DEMUTH: It's the late 40s.

KRISTOL: I'd thought it was a reaction to the Beveridge Report or something in '44. But whatever. We can, this can be discovered. People can discover.

DEMUTH: I'm about to take it a decade earlier, so I think of 1950 and 1960. But it was written in the mid to late, maybe, at the mid-1940s. But we did not go down that road, and socialism was fairly quickly discredited. He was worried. He looks around during the war and he sees America becoming allied with Russia, he sees everybody's understanding that the New Deal did not stop the Depression, but all of the government controls of the war era brought it back, brought the economy back. And people are saying the bad times will return at the end of the war; let's leave all of the production controls and price controls in place.

So that's what – but it didn't happen, maybe because people read the book. Excuse me. But in any event, he wrote a book that is more pertinent to the times and has more profound intersections with the work coming just slightly later of the neoconservatives in his book *The Constitution of Liberty* published in 1960 and written during the late 1950s when he was in America at the University of Chicago.

The Road to Serfdom was dedicated to – this book is dedicated to socialists of all parties. He was trying in his earnest appealing way, he thought we could solve problems through argument, and he was just a model intellectual for that reason. *The Constitution of Liberty* should – was not, but it should have been inscribed to liberals of all parties because he is trying – his worry now is not with socialism, it is with the welfare state, it is with the state that is taking over responsibility for people's welfare in ways that do not involve total control of the economy.

And he comes up with a set of arguments that are quite profound, that I'm not going to say that Banfield or Kristol would subscribe to them but that intersect with conservative policy reform proposals today to an astounding degree. And it is not libertarian. He never wanted to be called a conservative, but he also did not want to be called a libertarian. He begins by saying in the olden days before we had big nation-states and big cities, in a village, people always took care of the elderly, and they took care of the sick and they took care of people that were handicapped or infirm, for one reason or another. And he doesn't try to pause to make some theoretical argument for it. He said this is human nature, we take care of the unfortunate and that we now live in big cities and large nation-states doesn't mean that we're not going to – that we're not going to be doing these things.

And it is important to – he didn't use the word "safety net." He's writing back in the 1950s. But he is not, it's not a grudging acknowledgment, he's just taking it as his opening position that we're going to take care of people who are retired and are in difficulty, we're going to take care of the sick and all this. How do we do this without introducing in a soft form the very problems that a total socialist state provides?

And he takes one issue after the other. And in every one, he makes – it's clear that his concern is not the size of government or going beyond the limits of governments. His concern is with monopoly and the concentration of power and especially that people that want to solve some problem want to solve it totally and immediately; and the way you do that is give me power, and I will solve this problem.

And he presents what we would call voucher programs for health. He would be happy to have a health insurance mandate, not as we have in Obamacare to force you to buy insurance you don't like so that they can get a subsidy to subsidize my insurance and then do the same trick from me to you, but to make sure that everybody takes responsibility for their own health and doesn't try to free-ride off of the infrastructure. He's for that but he does not want the government to be the provider of insurance.

He wants to provide resources, we would call it a voucher, voucherizing Medicare, for example. And so we would ensure that everybody had access but had an ample amount of choice but the government is not saying, "My way or the highway, there's only one kind of insurance and I'm going to define it and you're going to like it." And it's not going to concentrate power in a few people over something so important to the lives especially in a modern society as our health.

So he was just concerned with the concentration of power, monopoly provision, and about the instinct of the reformer to begin with an idea about how to improve the world and to move very quickly into a hard insistence on assembling enough power in myself to do it, to do it immediately. It is a very profound work and to read in conjunction with the work of people like Kristol and Banfield and Wilson is extraordinarily illuminating because they're coming from a different tradition and coming to about – and coming to a similar position where I have to say Hayek's essential concerns are probably closer to the concerns that we have right in 2014 because every day we're hearing people from the government say there's this new problem of it's the student debt problem or it is an infinity of problems.

There's nothing that is too small or quotidian for the government to be concerned about. People have to buy birth control pills without even paying a little bit of coinsurance, it's got to be free. I didn't know that that was a national problem. But there are, there's this endless array. And obesity is a problem. And I'm not trying to trivialize any of these things; I'm trying to call attention to the political fact that what we see is government officials saying there's this big problem in America and the solution is – they don't put it in these words but it's what they're saying, "You listen – give me the power and we will solve it, the government will solve this problem; it needs more resources, it needs more regulatory powers, it needs more leverage over this mass of humanity out there so that we can provide a solution."

And Hayek saw very clearly that for the major elements of the welfare state, providing a decent floor under people's ability to have healthcare and income, social insurance against the vicissitudes of life, recessions, and so forth, these are not difficult problems to solve. We are a very rich society. It is not a matter of will, it's not a matter of anybody obstructing the ability to solve. Everybody wants to. But we are in the grips of a popular understanding that the way to solve them is to have the government – government be responsible for the exclusive provision so that it's the enemy of the diversity, variety, dynamism, innovation that we all take for granted when it comes to our mobile devices or food preferences or almost anything else in our lives.

But when the government intrudes, it's uniform, and it's, and it's prescribed. It ought to be possible to get around this but it seems to be deeply embedded in popular opinion. I don't want to sound pessimistic because I think there are a lot of people that understand this. And I would have everybody read Book Three of *The Constitution of Liberty* because it's a great early adumbration of the problems that we see today. Interestingly, although Hayek did a lot of his technical, economic work on the question of deficits and debt and capital, he does not foresee in *The Constitution of Liberty* what I regard – and it didn't exist then, in fact, because as he's writing it in 1960, the consensus, which was a Keynesian consensus, which is we can run deficits in bad times but we're going to pay them back in good times, of course.

I mean, Keynes was a budget – everybody was a budget-balancer, over the intermediate term and understanding that there were going to be emergencies and where we're going to have to borrow money. It got, it really got going about 10 years later. Hayek did not foresee it and it's an important new element in the concentration of power, that we have this new dynamic that the government has figured out a way, at least for the time being – it will not last – but for the time being to provide greater benefits than taxes to pay for the benefits. So he did not foresee that, but I will leave it there.

The idea that power corrupts and absolute and highly concentrated power corrupts to a high degree, it should be something that should be part of the intellectual architecture of all contemporary people. But it seems to have been ignored, glossed over. Maybe is it the media, I mean, I don't know how we came to this but the lessons, the lessons of the durability of that rule keep coming back. And Hayek saw it very clearly.

KRISTOL: I'll have to go back and read part three of *Constitution of Liberty*. What struck me the most reading Hayek, I guess, two different things, which one was, I do think he picked, I don't remember how explicitly he picks up on Tocqueville's understanding of soft despotism, but that really is something he saw very early, that it was not so much, I mean, there was the Orwellian problem of the boot in the face and Stalin and God knows and all the horrible things in the 20th century.

But the other problem is this kind of enervating effect of big government on the citizenry. So, Hayek sometimes, I do think he's a more subtle thinker than some libertarians – do you want freedom or the state, and you know his concern is with the character of the citizenry. And there are forms of social insurance that are fine and don't enervate much of anything, they just provide a safety net, presumably. But there I think, I do think his work on knowledge. And *The Fatal Conceit* – was that an essay, I can't remember now?

DEMUTH: That was a later –

KRISTOL: A later essay derivative from –

DEMUTH: A short book, a derivative of the early piece that I mentioned.

KRISTOL: Yeah. That I remember reading and really being struck by. And that I think we've made very little progress on. People have a great belief in social engineering, social control, they pretend to be more modest. So now today we understand that we can't just make people do things, we can nudge them to do things.

But that seems like a very deeply embedded part of the modern liberal soul somehow, and businessmen, all kinds of times, you would think they might, they do it in their own business, they try to plan. Of course, everyone tries to plan. And then they just go into government, and they think, "Okay, now, in government, we should try to plan," and they don't understand anything about the differences between planning and a circumstance where if you lose money, you change your plan and government where you plan and just keep on going and so forth.

That part, I think, of Hayek really is incredibly, speaks very much to Obamacare, Dodd-Frank, all these massive schemes. And it's both the concentration of power and the failure of knowledge, I guess, is one way to say it.

DEMUTH: A very bad combination.

KRISTOL: A very bad, but a common combination. And I do think in some ways, the more standard libertarian fears about this, they're sort of overstated often, not always, but, you know, we're not going to be dragged off in shackles most of us and put in jail, and, you know, so there's a way which if that becomes the prediction that in five years from now, liberty will be gone, people will look five years later and say, "Well, we still kind of do what we want most of the time." But they do miss – this is where Hayek was so good, I think – the indirect and corrupting effects of this kind of system.

DEMUTH: That the capacity, that the capacity for choice and judgment would atrophy when people come to assume that the government will make these choices for them. And this era in believing that people with power can solve social problems and provide something like justice. These people that are providing it, they seem not to be the human beings that make up the society that they're controlling because we have all the – we the people have these shortcomings that the people in government have to make up for. But we can only be governed by people like ourselves so there's a circularity.

KRISTOL: And I guess Hayek would also remind us, wouldn't he, that – I don't know quite if he puts it quite this way – but we don't quite see the opportunity costs of some of these things.

So the Food and Drug Administration, which you mentioned earlier. I'm no, no expert on it, I'm sure. But so they stop some bad drugs from coming to market; they, whatever they're super cautious, I guess, in

that respect. But you don't know what would've happened if we didn't have the Food and Drug Administration as a very, I guess, large wet blanket over pharmaceutical developments in America, you don't know what advances have been stopped.

I was so, so struck. I read an article a few weeks ago about AIDS. I don't know why I stumbled across this. So as I was saying, the AIDS epidemic again, and it was horrible and people were dying, and it was a very powerful – And my impression is we've made incredible progress against AIDS, much more than anyone expected. And I remember being there in the time and thinking this is going to be a 20-, 30-, 40-year fight. And it really was basically won you know pretty fast.

And my impression is it was won because the patients' groups were so powerful that they forced the government to take off all the normal FDA limitations on experiments. Double-blind protocols, if people thought it would help them, they could take it. And sure enough, that form of Hayekian experimentation, if you want to call it that, worked an awful lot better than central planners saying, "Well, I don't think that drug is going to work, and this one, we'll have to take five years to study. I don't know."

DEMUTH: And just to show you there's hope in the popular culture, the movie that got a bunch of Academy Awards this year, *Dallas Buyers Club*, is a libertarian anti-FDA story of how a fellow who had contracted AIDS evades the FDA restrictions on bringing drugs that are available elsewhere into the United States by establishing a buyer's club. We're all members of a club, so I'm not actually selling it to you. And he doesn't know anything but he starts to pick up practical knowledge about how some of these, some of them don't work at all but some of them work a little bit. But it was that kind of pressure in the 1980s that led the FDA to change its ways and permitted a lot more progress.

You'll sometimes see this happen if you have a well-organized patient group, a highly sympathetic case. I actually think they've been pretty poor on breast cancer, but that tends to get in the newspapers. But there are lots and lots of diseases that don't get into the newspapers and their power, their power goes unchallenged.

KRISTOL: And more broadly, I think the businessman who in their own business in Silicon Valley, let's say, where they would know instinctively that, of course, you couldn't predict what development was going to come two years from now and flexibility and experimentation and failure have to be part of the process, they somehow when the Silicon Valley businessmen come to Washington and lobby for different government programs, it all mostly goes out of the window actually. And they want federal health care or they want a fantastically complicated structure to run immigration or whatever.

DEMUTH: Some do, some do. There's a lot of variety.

KRISTOL: Chris, thanks for joining us.

DEMUTH: It was a pleasure to be here. Thank you, Bill.

KRISTOL: I really enjoyed it, and join us next time for CONVERSATIONS.

[END]