

Anatomy of a fraudulent “grassroots” campaign: Citizens for a Sound Economy in Oregon

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The campaign by the right-wing organization Citizens for a Sound Economy (CSE) to overturn a legislatively approved tax increase in Oregon and implement more than half-a-billion in cuts to public services was presented by both CSE and its supporters as a “grassroots” political operation. This claim is worthy of serious examination.

CSE, a Washington, D.C.-based corporate front group founded by David and Charles Koch of Koch Industries, is very much a product of the conditions that afflicted American capitalism in the postwar period. Only by examining the forces that gave rise to it and looking closer—which is to say, in sharp contrast to Oregon’s media, looking *at all*—at the social layers served by CSE, can this “anti-tax” campaign be understood.

In the early 1970s, corporate America faced serious challenges. With the end of the postwar economic boom and the continuing—and increasingly unpopular—war in Vietnam, domestic unrest was on the rise. A serious mass radicalization, with definite anti-capitalist overtones, alarmed privileged elites in both government and corporate circles.

This perceived threat was analyzed at the time by Lewis F. Powell, Jr., a corporate attorney and future Supreme Court justice, in a document that has since been dubbed the “Powell Manifesto.” Written at the request of the U.S. Chamber of Commerce leadership, Powell’s memo was distributed widely to the chamber’s national membership of business executives and trade associations in August 1971.

It began with an observation on how these populist attacks on “the free enterprise system” were seen by the ruling elites:

“[W]hat now concerns us is quite new in the history of America. We are not dealing with sporadic or isolated attacks from a relatively few extremists or even from the minority socialist cadre. Rather, the assault on the enterprise system is broadly based and consistently pursued. It is gaining momentum and converts.”

Powell recommended a specific response: “[T]he time has come—indeed, it is long overdue—for the wisdom, ingenuity and resources of American business to be marshalled against those who would destroy it.”

This memo, the contents of which were later reported by investigative journalist Jack Anderson, had a tangible result. In pronouncing the very survival of the free-market system at stake and calling for a well-financed counterattack, Powell’s memo precipitated an immediate and vast influx of corporate profits into establishing right-wing “think tanks” and beefing up existing ones.

These groups included the Business Roundtable, founded in 1972 by the CEOs of Alcoa, General Electric, U.S. Steel, and other companies; the Heritage Foundation, founded in 1973 with a quarter-million-dollar gift from the ultra-conservative businessman Adolph Coors; and the Cato Institute, founded in 1977 by petroleum millionaire Charles Koch.

Koch Industries, founded in 1927 by right-wing extremist and John Birchler Fred G. Koch, represents a particularly brutish element within the globe’s corporate elite. Much more could be said about it. For the present, it is enough to observe that its ties with the family of George W. Bush and conservative causes are well documented.

Here’s a recent example: In September 2000, Koch Industries was indicted on 97 counts of environmental crimes. The company faced \$352 million in fines, if convicted. That same year, according to the magazine *Mother Jones*, David Koch and his wife Julia contributed \$487,000 to the Republican Party. In April 2001, the Bush Justice Department accepted a guilty plea in which Koch Petroleum Group agreed to pay a \$20 million fine—pocket change for the Koch family.

Koch Industries, based in Wichita, Kansas, owns holdings of oil, natural gas, ranching, securities and finance firms. It is one of the world’s wealthiest corporations. In 1984, with an ally in President Ronald Reagan, the Koch brothers

launched a political group, Citizens for a Sound Economy, which deliberately had a more activist bent than the Cato Institute.

Paul Beckner, who is the president of CSE, describes this mission on the group's web site: "We are not a 'think-tank,' content to study the issues and publish papers and reports," Beckner writes. "There are many groups doing important work in this area. CSE's mission is to turn those ideas and policies into action."

Two years later, another right-wing group, Americans for Tax Reform (ATR), was launched out of Reagan's White House, intended as an in-house operation to build support for the 1986 tax "reform" bill. ATR eventually became an independent entity and is headed by right-wing strategist Grover Norquist, a repugnant figure who has never been so precise about his own "ideas and policies" as when he told National Public Radio journalist Mara Liasson on May 25, 2001, that: "I don't want to abolish government. I simply want to reduce it to the size where I can drag it into the bathroom and drown it in the bathtub."

The extent to which CSE relies on corporate profits for its nationwide operations is illustrated in a report published in October 2000 by the non-profit consumer watchdog Public Citizen. According to this analysis, the top 10 industry sectors contributing to CSE in 1998 were oil and gas companies, telephone companies, tobacco products, electric companies, sugar manufacturers, food retailers, auto manufacturers, and the pharmaceutical, insurance and finance industries.

That year, CSE benefited from more than \$13.8 million from corporate contributors, conservative causes and a few wealthy individuals (e.g., former White House counsel C. Boyden Gray, \$242,453). Top individual corporate donors, meanwhile, included: US West Communications (\$1.2 million), Philip Morris Companies, Inc. (\$1 million), Koch Industries Inc. (\$626,500), DaimlerChrysler Corp. (\$535,000), and the General Electric Company (\$500 million).

The *Washington Post* examined CSE's stealth influence in an article published January 29, 2000. CSE, the report noted, got more than \$1 million from Philip Morris Co. at the same time that the "grassroots" group was opposing cigarette taxes. And while CSE was endorsing deregulation that would permit US West to offer long-distance telephone service, that company contributed \$1 million of its own.

CSE's internal documents, the *Post* reported, "provide a rare look at think tanks' often hidden role as a weapon in the modern corporate political arsenal. The groups provide analyses, TV advertising, polling and academic studies that add an air of authority to corporate arguments—in many cases, while maintaining the corporate donors' anonymity."

The *Post* article reporter ~~wrote~~ ^{Dan} Morgan,

to quote an observation by Gary Ruskin of the Congressional Accountability Project: "It's part of a rent-a-mouthpiece phenomenon. There are mercenary groups that function as surrogates when industry feels it's not advantageous for it to speak directly."

It is worth pausing to note that this risk was cited as one reason in Powell's memo to the U.S. Chamber of Commerce in 1971 that companies should marshal the financial resources to fund such groups, instead of engaging directly in propaganda work themselves. In Powell's words: "[T]here is [a] quite understandable reluctance on the part of any one corporation to get too far out in front and to make itself too visible a target."

CSE's campaign in Oregon, while relying on some small contributions from individuals, primed its anti-Measure 30 pump significantly with its own corporate-funded coffers in Washington, D.C. Items as small and insignificant as office supplies and even balloons for campaign rallies were paid for by the D.C. office.

CSE's contributors in Oregon were similarly weighted by large donations from local companies and trade associations, including Columbia Helicopters, Inc. (\$85,000), Adec, Inc. (\$80,100), Seneca Sawmill Co. (\$75,100), Jeld-Wen, Inc. (\$55,100), Freres Lumber Co. (\$27,550) and the Oregon Grocery Association PAC (\$7,500).

Oregon is just one front in this national assault being waged by corporate front groups like CSE and Americans for Tax Reform. Assured that Bush and the Republican-controlled Congress will advance its national agenda, these groups are now free to wage war at the local level, one state at a time.

The *Wall Street Journal*, in its February 5 editions, observed the "encouraging news" from Oregon. Following Measure 30's defeat, Norquist's ATR issued a press released that cited CSE's campaign as "the biggest victory" in the February 3 election.

"With this Congress and President Bush, tax hikes in Washington are dead before the words are even uttered," Norquist was quoted as saying. "And with massive taxpayer victories in Alabama, California and now Oregon, the national consensus against tax increases is firming up even in liberal states."



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