

REVIEW

The Wars of the Texas Succession

By Paul Krugman

*American Dynasty:**Aristocracy, Fortune, and the Politics of Deceit in the House of Bush*

by Kevin Phillips

Viking, 397 pp., \$25.95

*The Price of Loyalty:**George W. Bush, the White House, and the Education of Paul O'Neill*

by Ron Suskind

Simon and Schuster, 348 pp., \$26.00

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Here's a true story that came too late to make it into Kevin Phillips's *American Dynasty: Aristocracy, Fortune, and the Politics of Deceit in the House of Bush*, but it fits perfectly with its thesis. As all the world knows, Halliburton, the company that made Dick Cheney rich, has been given multibillion-dollar contracts, without competitive bidding, in occupied Iraq. Suspicions of profiteering are widespread; critics think they have found a smoking gun in the case of gasoline imports. For Halliburton has been charging the US authorities in Iraq remarkably high prices for fuel—far above local spot prices.

The company denies wrongdoing, saying that its prices in Baghdad reflect the prices it has to pay its Kuwaiti supplier. That's not quite true; Halliburton's reported expenses for transporting gasoline are, for some reason, much higher than anyone else's. But the real question is why Halliburton chose that particular supplier—a company with little experience in the oil business, mysteriously selected as the sole source of gasoline after what appears to have been a highly improper bidding procedure. Why did it get the job? We don't know. But it's interesting to note that the company appears to be closely connected with the al-Sabahs, Kuwait's royal family. And the al-Sabahs, in turn, have in the past had close business ties with the Bush family, in particular the President's brother Marvin.

In any previous administration—at least any administration of the past seventy years—this sort of incestuous relationship among foreign governments, private businesses, and the personal fortunes of people in or close to the US government would have been considered unusual and prima facie scandalous. What we learn from Kevin Phillips's new book, however, is that this kind of intertwining of public policy and personal self-interest has been standard operating procedure not just for George W. Bush, but for his entire family.

American Dynasty and Ron Suskind's new book, *The Price of Loyalty*, can be seen as a second wave of Bush critiques. The first wave, exemplified by Molly Ivins's *Bushwhacked*, Joe Conason's *Big Lies*, and David Corn's *The Lies of George W. Bush*, described what Bush has been doing these past three years. But they offered only scant explanations of how and why the Bush administration does what it does. (I made a brief stab at an explanation in the introduction to my own *The Great Unraveling*, but it was no more than a sketch.)

The new books go deeper into the agonizing question of what is happening to our country. Ron Suskind—an investigative reporter with a knack for getting insiders to tell what they know—offers a detailed, deeply disturbing look at how the Bush administration makes policy. Kevin Phillips—a former Republican strategist who feels

that his party has betrayed the principles he supported—investigates the history of the Bush clan, and argues that this family history provides the key to understanding George W.'s motives and even his technique of governing.

Phillips is well aware that some will dismiss his work as “conspiracy theory.” But as he says, such taunts shouldn’t prevent us from looking at the family history of the people who now rule us:

Worries about conspiracy thinking should not inhibit inquiries in a way that blocks sober examination, which often more properly identifies some kind of elite behavior familiar to sociologists and political scientists alike.

To that end, Phillips offers

an unusual and unflattering portrait of a great family (great in power, not morality) that has built a base over the course of the twentieth century in the back corridors of the new military-industrial complex and in close association with the growing intelligence and national security establishments.

And George W. Bush, as the scion of this dynasty, is the first president to, in effect, inherit the office. For four generations the Bush family has thrived by exploiting its political connections, especially in the secret world of intelligence, to get ahead in business, as well as exploiting its business connections, especially in finance and oil, to get ahead in politics. And whatever the public and the pundits may have thought about the 2000 election, for the Bushes it was a royal restoration.

The family history of the Bushes helps us to understand one of the great tragedies of American political history. After the disputed election of 2000, the nation badly needed a president who would seek reconciliation. Instead it got a deeply divisive leader, who made a mockery of his campaign promise to be a “uniter, not a divider.” It’s all in the family, Phillips tells us:

When Bush took office in 2001, a parallel to Stuart and Bourbon arrogance quickly emerged in the new regime’s insistence on ideological conservatism despite the lack of any such national mandate. Restoration drinks from its own special psychological well.

So what kind of family has, in its own eyes, regained its rightful inheritance? It’s a family that has become accustomed to privilege:

By the mid-twentieth century, connections and crony capitalism had become the family economic staple, with emphasis on the rewards of finance, and instinctive policymaking fealty to the investment business. The Bushes have produced no college presidents or stonemasons, no scientists or plumbing contractors—generally speaking, their progeny have become almost exclusively financial entrepreneurs.

As this quote suggests, the Bush dynasty differs from other American families that have mixed wealth with political prominence. While the Kennedys and the Rockefellers may have a sense of entitlement, they also display a sense of noblesse oblige—what one might call an urge to repay, with charitable contributions and public service, their good fortune. The Bushes don’t have that problem; there are no philanthropists or reformers in the clan. They seek public office but, if anything, they seem to feel that the public is there to serve them.

Let’s put W. to one side for a moment, and look at how his brothers used their political connections to enrich themselves. Here are a few highlights:

- Before he was elected governor of Florida, Jeb Bush, in partnership with a Cuban refugee whom Phillips suggests had CIA connections, bought an office building with \$4.6 million borrowed from a savings and loan. When the S&L went bankrupt, the loan was taken over by the federal Resolution Trust Corporation, which for some reason allowed the partners to settle their debt for only \$500,000. In another deal, Jeb was paid handsomely by a company selling pumps to Nigeria that somehow received large-scale financing from the US Export-Import Bank.
- Neil Bush sat on the board of another S&L, Silverado, which made \$200 million in loans—subsequently defaulted—to an oil company that in turn gave Neil large loans with no obligation to repay. In recent divorce proceedings it has emerged that a firm backed by Chinese businessmen, including the son of former Chinese president Jiang Zemin, paid Neil large sums in return for vaguely defined services.
- After the first Gulf War Marvin Bush, who went to Kuwait seeking business in 1993, served on the boards of several companies controlled by the Kuwait-American Company. A member of Kuwait's royal family is one of Kuwait-American's major shareholders, and it seems reasonable to say that in effect Marvin works for the al-Sabahs.

And then there's the story of how George W. himself became rich. Many people now know the tale—the failed companies that somehow got bought out at premium prices, the insider stock sale that somehow was never properly investigated, the government generosity that made the Texas Rangers such a good deal for the businessmen who picked W. to be their public face. Several of these deals, like those of brother Marvin, had Middle East connections. Bush's first venture, Arbusto, may have involved bin Laden family money. The story of George W.'s stake in Harken Energy—which he sold two months before it announced large losses—involved a puzzling surprise deal with the government of Bahrain.

Here's how Phillips summarizes the picture:

All in all, if presidential family connections were theme parks, Bush World would be a sight to behold. Mideast banks tied to the CIA would crowd alongside Florida S&Ls that once laundered money for the Nicaraguan contras. Dozens of oil wells would run eternally without finding oil, thanks to periodic cash deposits by old men wearing Reagan-Bush buttons and smoking twenty-dollar cigars. Visitors to "Prescott Bush's Tokyo" could try to make an investment deal without falling into the clutches of the *yakuza* . . .

But aside from casting some light on the President's character, why does this shady family history matter? Phillips makes a convincing case that Bush family crony capitalism is closely intertwined with Bush administration policy.

In part, it's a matter of values, W.'s "instinctive policy fealty" to the activities that made his family rich. Although he ran in 2000 as a moderate, his policies, from the tax cuts to the scrapping of the Kyoto Protocol, have been relentlessly in favor of both the rich and the energy industry. And according to Suskind's *The Price of Loyalty*, W. appears to have a visceral dislike for corporate reform.

More ominous, perhaps, is Phillips's contention that family history has shaped Bush foreign policy. It's a great irony that George W. Bush, beloved by red-blooded, red-state Americans for his down-home manner, comes from a family with deep political and business connections to the Middle East. As someone once pointed out, it's a lot easier to document links between the bin Laden family and the Bushes than it is to document links between the bin Ladens and Saddam Hussein.

I've already mentioned some of the business links. There are others, like George H.W. Bush's post-presidential employment by the Carlyle Group, the private global investment firm whose Saudi investors included members of the bin Laden family.

But perhaps more important is the policy connection. One way to look at the younger Bush's confrontational policies in Iraq is that they are a rejection of a traditional US strategy of making alliances of convenience with some of the area's regimes. And who was responsible for that earlier strategy? Few were more involved than George H.W. Bush, as CIA director, vice-president, and finally—until Saddam overstepped the line—as president. Phillips puckishly describes the two Gulf Wars as “the wars of the Texas succession.”

Along the way, Phillips reminds us of a series of actual or potential scandals surrounding US Middle Eastern policy, all of which involved the Bush family in some way. Phillips suggests that there may be some substance to old rumors that Republican operatives with CIA connections negotiated with Iran's mullahs to delay the release of the hostages in 1980—dooming Jimmy Carter's reelection chances. He also places the elder George Bush squarely at the center of the Iran-contra affair, citing the 1992 indictment of then Defense Secretary Casper Weinberger, which claimed that Bush participated in the arms-for-hostages swap.

For me, however, the most striking story was his recounting of “Iraqgate.” In this largely buried scandal, officials of the Reagan administration and the first Bush administration not only supplied Saddam Hussein with arms and turned a blind eye to his use of chemical weapons, but later signaled fairly clearly that it would be okay with them if he occupied part of Kuwait—a signal that Saddam apparently misunderstood as a license to swallow the whole thing. This history sheds an ironic light on the efforts of some of those same officials, notably Donald Rumsfeld, to retroactively justify last year's invasion of Iraq by a concern for human rights and democracy.

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Still, the fundamental question isn't what motivates the Bush family and its retainers. It's how such a self-interested clan, with little by way of a redeeming record of public service, could have come to such a position of power. And here Phillips offers only a partial explanation, though it's a good start.

There are three strands to Phillips's thesis. First is the effect of surging economic inequality, which has led to a broad-based “dynastization of America.” To put the matter simply, the economic elite has become far more elite than it was a generation ago. Since the late 1970s, the top 1 percent of the population has more than doubled its share of national income, and the top 0.01 percent has increased its share by a factor of six. Today there is, to an extent not seen since the 1920s, a substantial class of people wealthy enough to form their own dynasties. And in a variety of ways, from political contributions to more subtle shaping of culture, for example by promoting aristocratic values, this class has created an environment favorable for dynastic ambitions.

Second is the, um, unholy alliance between the dynastic class and the religious right. I found Phillips's explanation of how Bush uses religiously charged language to signal his alliance with fundamentalists revelatory:

Bush's day-to-day language was a veritable biblical message center. Besides the ever-present references to “evil” and “evil ones,” chief White House speechwriter Michael Gerson, a onetime college theology major, filled George W. Bush's delivery system with phrases that, while inoffensive to secular voters, directed more specific religious messages to the faithful. . . .

Biblical scholar Bruce Lincoln's line-by-line analysis of Bush's October 7,

2001, address to the nation announcing the US attack on Afghanistan identified a half dozen veiled borrowings from the Book of Revelation, Isaiah, Job, Matthew, and Jeremiah. He concluded that for those with ears to hear a biblical subtext, “by the [speech’s] end America’s adversaries have been redefined as enemies of God and current events have been constituted as confirmation of scripture.”

What Phillips doesn’t explain, or at least not to my satisfaction, is why crony capitalists have been able to make an effective alliance with the religious right, while other groups—say, Democrats tied to the labor movement—have not. After all, fundamentalists in America are, on average, relatively poor, and tend to be hurt by right-wing economic policies. It’s true that, as Phillips points out, modern fundamentalist doctrine encourages a belief in self-reliance, with a corresponding benign attitude toward wealth and hostility to policies that redistribute income. But the Bush family does not, to say the least, consist of self-made men, and its policies actually do involve redistribution—from the have-nots to the haves. What makes religious leaders see an elite dynasty as their friend?

Phillips stresses the personal side—George W. Bush’s ability to convince many on the religious right that in spite of his silver-spoon background he really is one of them, for example in his born-again belief in the “power of prayer.” I suspect there must be more to it than that. Phillips also writes, “Could 75 to 80 percent of the believers in Armageddon have voted for Bush? So it appeared.” But in any case, for now the fact of the alliance with the religious right is, as Phillips says, a crucial part of the political story.

But what about the rest of the population? The third strand in Phillips’s explanation of the Bush dynasty’s success is its virtuosity in misrepresenting what it’s up to:

If hypocrisy is the tribute vice pays to virtue, compassionate conservatism is the policy hypocrisy uses to disguise economic vice. While it has been three generations in the making, its rhetorical embrace by the Bushes has come to display less and less genteel upper-class pretense . . . and instead to manifest a higher and higher ratio of outright deception: saying one thing and meaning another.

In describing this deception, Phillips invokes the term “Mayberry Machiavellis”—referring to Mayberry, North Carolina, the fictional small-town setting of *The Andy Griffith Show*. This label for Bush officials was originally used by John DiIulio, the former head of the White House’s “Faith-Based and Community Initiatives,” in a revealing interview with the freelance journalist Ron Suskind about the political opportunism of the White House. And Suskind has done it again. His new book, *The Price of Loyalty: George W. Bush, the White House, and the Education of Paul O’Neill*, is based partly on discussions with Paul O’Neill, the former Treasury secretary, partly on 19,000 documents supplied by O’Neill, and partly on other, unnamed, insider sources. And it provides a devastating portrait of Bush policymaking that dovetails perfectly with Phillips’s analysis of Bush’s motives.

Press coverage of Suskind’s book focused on O’Neill’s revelation that the administration was obsessed with the idea of invading Iraq from day one, long before September 11. Not that his point has been refuted—in fact, other sources have come forward to confirm it. But the main virtue of *The Price of Loyalty* is what it tells us about the administration’s values and mode of operation.

Let’s start at the end—a discussion of economic policy in November 2002, shortly before O’Neill was fired. Remember that 2002 was the year of corporate scandals; for a

brief period the revelations of chicanery at Enron, WorldCom, and other pillars of the economy seemed likely to dominate the midterm election. Instead, the administration—after making a few gestures toward corporate reform and grudgingly agreeing to a small increase in the SEC’s budget—beat the drums of war, and drowned the issue out.

Still, officials remained concerned about a sluggish economy. But what was the cause of that sluggishness? The President, according to his secretary of the Treasury, had a simple answer: “SEC overreach.” That is, those nasty regulators, in their attempt to crack down on corporate malfeasance, were making executives and investors nervous, depressing the economy. Here’s how Suskind describes the moment:

O’Neill couldn’t quite believe what he was hearing—SEC overreach? No wonder the White House had backed off from the toughest medicine for crooked executives and eventually ceded the corporate governance debate to Congress. How, though, could the President believe that the largely overwhelmed SEC had any significant effect on the vast US economy?

Kevin Phillips could, of course, have told him: Bush—whose own business career had involved some remarkably Enron-like moments—was revealing his instinctive, indeed inbred sympathy for corporate insiders, and his antipathy toward anyone who might try to enforce accountability.

Aside from the report of Bush’s amazing outburst, what we learn from Suskind’s description of that meeting is that, in private, top administration officials conceded the very points that they vehemently denied when responding to outside critics. They knew that they were being fiscally irresponsible. “The budget hole is getting deeper,” warned budget director Mitch Daniels. “We are projecting deficits all the way to the end of your second term.” (And this was before the 2003 tax cut.)

They also knew that their policies heavily favored rich people—indeed, in an uncharacteristic moment Bush himself seemed uneasy over the tilt, asking, “Didn’t we already give them a break at the top?” And when Bush asked, “What are we doing on compassion?,” no one answered.

But what they said in public was the exact opposite. In private Bush might worry that his tax plan was too friendly to the rich; in public he insisted that “the vast majority of my tax cut goes to the bottom of the economic spectrum.” In private Dick Cheney told O’Neill that “Reagan proved deficits don’t matter.” In public he described himself as a “deficit hawk.”

So Phillips is right: the Bush administration is deeply hypocritical with regard to its core policies; what it says is at odds not only with what it does, but with what it really thinks. But then what does drive its policy decisions?

Let's flash back to what John DiIulio told Suskind in late 2002:

There is no precedent in any modern White House for what is going on in this one: a complete lack of a policy apparatus. What you've got is everything—and I mean everything—being run by the political arm. Everything—and I mean everything—is being run by the Mayberry Machiavellis.

O'Neill confirms DiIulio's picture, with a vengeance. Consider, for example, what may in the long run be considered the administration's most fateful decision: to abandon the Kyoto Protocol and, in effect, abandon any attempt to face up to global warming. O'Neill's account makes it clear that nobody even tried to ask what the facts were, what the tradeoffs might involve. Instead, "energy concerns and the thinly supported jeremiad by industry lobbyists had eclipsed considerations about action on global warming. Period." Or as O'Neill summarized this approach to policymaking, "The base [i.e., Bush's Republican political base] likes this and who the hell knows anyway."

Or take the steel tariff. The decision to impose a tariff on steel imports was a terrible one in every way one can think of. It was bad for the economy; it was obviously illegal under international law. It squandered US credibility on trade issues; it was a clear betrayal of the administration's own rhetorical commitment to free trade and free markets. But throwing steel-producing regions a bone might—just might—yield some small political gains.

The Clinton administration refused to impose a steel tariff even during the 2000 campaign; had it betrayed its principles, West Virginia might have gone to Al Gore, who would now be in the White House. When the issue arose again in early 2002, Bush was still immensely popular. "If you can't do the right thing when you're at 85 percent approval, when can you do the right thing?" asked one official. But politics prevailed, and the tariff went through. (The tariff was later rescinded, after the World Trade Organization—predictably—ruled that it violated international law. But the damage was done: US credibility on trade issues had been damaged severely. Partly because of this loss of credibility, international trade negotiations—supposedly an administration priority—have stalled.)

What emerges from Suskind's book is a picture of an entirely cynical administration—much more cynical than Nixon's, in which the corruption was localized, and large parts of the policy process continued to be run by serious, even idealistic people. (Old hands at the Environmental Protection Agency describe the Nixon administration as a golden age.) Under Bush, it seems, political rhetoric bears no relation to reality—what officials say has nothing in common with what they do, or what they think. And policy decisions are driven almost entirely by politics, by what the political arm thinks will play well with "the base."

But in that case, what's it all about? If everything Bush and his officials do is political, what is that they want to do with their power?

Old-line Republicans that I know cling to the belief that the Machiavellianism is only temporary, that it's embraced in service to a higher goal. Once the 2004 election is over, they say Bush will show his true colors as an idealist, someone who genuinely believes in small government and free markets.

But if Phillips is right—and I think he is—there is no higher goal. Bush's motivations are dynastic—to secure his family's rightful place. While he may have some policy biases—like that "instinctive policy fealty" to the investment business—policy is basically there to serve the acquisition of power, and not the other way around.

According to people who observed him in Texas, Karl Rove is a devotee of Machiavelli, and particularly of *The Prince*. And as Phillips points out, "Twenty-first-century

American readers of *The Prince* may feel that they have stumbled on a thinly disguised Bush White House political memo.” For Machiavelli’s book was all about how to gain and hold power, not about what to do with it.

So what is the state of the union? Let Phillips have the last word:

The advent of a Machiavelli-inclined dynasty in what may be a Machiavel-
lian Moment for the American Republic is not a happy coincidence. . . .
National governance has, at least temporarily, moved away from the proven
tradition of a leader chosen democratically, by a majority or plurality of the
electorate, to the succession of a dynastic heir whose unfortunate inheri-
tance is privileged, covert, and globally embroiling.

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