

Social Disruption

Q1: I wish to enumerate the major events of American civil unrest, particularly in the 1960s and early 1970s, that led to the consensus in the business and financial community that the established order was under threat, as expressed, for example, in the 1971 Lewis Powell memo. I remember, for example, riots in Watts and Detroit. What were the major events that led to a conservative consensus to become more politically active?

A1 (Claude Sonnet 5, 2026-08-19): Here's a fairly comprehensive rundown of the civil unrest and social upheaval of that era that alarmed business and conservative elites, culminating in things like the Powell Memo (August 1971).

Urban riots

- **Harlem riot, 1964** — sparked by a police shooting of a Black teenager; often seen as the opening event of the "long hot summers."
- **Watts riot, Los Angeles, 1965** — six days of unrest, 34 deaths, over 1,000 injuries, \$40 million in property damage. A major shock to white America's sense of racial peace.
- **Chicago and Cleveland riots, 1966**
- **Newark riot, July 1967** — 26 killed, hundreds injured.
- **Detroit riot, July 1967** — the deadliest of the era: 43 killed, nearly 1,200 injured, thousands arrested, whole neighborhoods burned. Led directly to LBJ's Kerner Commission.
- **"Long, hot summer of 1967"** — over 150 riots/uprisings nationwide that summer alone.
- **King assassination riots, April 1968** — over 100 cities erupted after MLK's assassination, including major unrest in Washington

D.C., Baltimore, Chicago, and elsewhere; tens of deaths, thousands of arrests, massive property destruction.

Campus and antiwar unrest

- **Free Speech Movement, Berkeley, 1964-65** — early flashpoint for campus radicalism.
- **Columbia University occupation, 1968** — students seized buildings protesting the war and university policy.
- **1968 Democratic National Convention, Chicago** — violent clashes between police and antiwar protesters, broadcast nationally.
- **Kent State shootings, May 1970** — National Guard killed four students protesting the Cambodian incursion; triggered a nationwide student strike (some 4 million students, hundreds of campuses shut down).
- **Jackson State killings, May 1970** — police killed two Black students at a Mississippi college days after Kent State.
- **Weather Underground bombings, 1969–1970s** — including the Greenwich Village townhouse explosion (1970) and the March 1971 Capitol bombing, just months before Powell's memo.

Labor and other unrest

- A resurgence of **labor militancy** in the late 1960s/early 1970s (wildcat strikes, postal strike of 1970) also fed elite anxiety about social order, alongside the rise of consumer and environmental regulation (Ralph Nader's movement, the EPA's creation in 1970) which business leaders saw as a direct threat to corporate autonomy — this last point being one of Powell's explicit preoccupations.

The cumulative effect

By 1971, when Powell wrote his memo (at the request of his neighbor, a U.S. Chamber of Commerce official, before Powell joined the Supreme Court), the business community had watched roughly seven years of:

- Sustained urban riots
- A radicalized student movement
- Political assassinations (JFK, MLK, RFK)
- Domestic bombings
- A newly assertive regulatory and consumer-rights movement

Powell's memo argued explicitly that the "American economic system" was under broad ideological attack — not just from riots, but from academia, media, and the "intellectual community" — and called for organized, well-funded, long-term political mobilization by business. It's often cited as a founding document for the modern network of conservative think tanks, legal foundations, and lobbying infrastructure (Heritage Foundation, founded 1973, is frequently linked to this moment, though not directly commissioned by the memo).

Want me to go deeper on any piece of this — the Kerner Commission's findings, the specific contents of the Powell memo, or the institutional buildout (think tanks, PACs) that followed?

Q2: Yes, I am interested in your description of the institutional buildout that followed.

A2: Here's the institutional buildout that followed the Powell Memo era, roughly spanning the early 1970s through the 1980s — often described by historians as the construction of the modern conservative "counter-establishment."

Think tanks

- **American Enterprise Institute (AEI)** — existed since 1938 but was dramatically expanded and professionalized in the 1970s, becoming a central hub for free-market economists and future Reagan-era officials.
- **Heritage Foundation, 1973** — founded by Paul Weyrich and Edwin Feulner with seed money from beer magnate Joseph Coors, explicitly designed to produce fast, digestible, ideologically pointed policy papers for members of Congress — a deliberate contrast to the slower academic style of older think tanks.
- **Cato Institute, 1977** — founded by Ed Crane with funding from Charles Koch, focused on libertarian free-market and limited-government advocacy.
- **Manhattan Institute, 1978** — founded by William Casey (later Reagan's CIA director) and Antony Fisher, focused on urban policy, deregulation, and law-and-economics ideas.
- **Hoover Institution** at Stanford also grew substantially in influence during this period as a feeder of personnel and ideas into the Reagan administration.

Legal and litigation infrastructure

- **Pacific Legal Foundation, 1973** — first of the conservative/libertarian public-interest law firms, focused on property rights and deregulation litigation.
- **National Right to Work Legal Defense Foundation** — expanded litigation against union power.
- **Federalist Society, 1982** — founded by law students (with backing from figures like Robert Bork and Antonin Scalia as faculty advisors) to build a pipeline of conservative and libertarian lawyers and judges — arguably the single most consequential institution of this buildout in the long run, given its later role in shaping federal judicial appointments.
- **Law and Economics movement** — funded partly by the Olin Foundation, this effort placed free-market economic reasoning into law school curricula (University of Chicago being the flagship), training a generation of judges and scholars.

Business lobbying and coordination

- **Business Roundtable, 1972** — founded explicitly in the Powell Memo spirit, bringing together CEOs of major corporations to lobby collectively rather than relying solely on the more diffuse U.S. Chamber of Commerce.
- **U.S. Chamber of Commerce** — itself substantially reinvigorated and expanded its lobbying budget and staff through the 1970s (Powell's memo was originally addressed to a Chamber official).

- **National Federation of Independent Business (NFIB)** — grew into a major lobbying force representing small business interests, often allied with the larger corporate lobby.

Funding networks

- A handful of family foundations became central financial engines for this buildout, most notably:
- **John M. Olin Foundation** — funded law and economics programs, think tanks, and academic centers.
- **Scaife Foundations** (Richard Mellon Scaife) — heavily funded Heritage, AEI, and various media and legal efforts.
- **Bradley Foundation** — became a major funder from the 1980s on, especially of school choice and welfare reform research.
- **Coors family** — early funder of Heritage.
- **Koch family foundations** — funded Cato and later a much broader network of libertarian and free-market advocacy.

These foundations pioneered a strategic funding model: rather than funding scattered individual scholars, they made sustained, multi-year, general-operating grants to build durable institutions — a departure from prior philanthropic practice, and one that gave conservative infrastructure unusual staying power.

Media and messaging

- Conservative commentary gained institutional backing through outlets like **National Review** (older, but increasingly networked into this infrastructure) and later cable and talk radio expansion.

- **Op-ed strategy** — think tanks systematically cultivated relationships with newspaper opinion pages, training scholars to write for general audiences, a deliberate tactic to shape public discourse beyond academic journals.

Political action

- **Political action committees (PACs)** proliferated rapidly after the 1974 campaign finance reforms (post-Watergate) inadvertently made PACs a more attractive vehicle for corporate and ideological fundraising.
- Corporate PACs grew from under 90 in 1974 to over 1,200 by 1980.
- **New Right organizing** — figures like Paul Weyrich, Richard Viguerie (direct-mail fundraising pioneer), and Howard Phillips built an infrastructure connecting economic conservatives with the emerging religious right, including groups like the **Moral Majority (1979)**.

Cumulative effect by 1980

By the time Reagan took office in 1981, this network had produced a ready-made bench of personnel (many staffed his administration directly, especially from Heritage and AEI), a body of policy proposals (Heritage's "Mandate for Leadership" transition report is often cited as directly shaping early Reagan policy), and a durable legal and media apparatus that historians like Kim Phillips-Fein (*Invisible Hands*) and Jane Mayer (*Dark Money*) have argued fundamentally reshaped the landscape of American politics — shifting the center of gravity rightward on economic policy, regulation, and labor for decades afterward.

Want me to go deeper on any particular strand — the Federalist Society's later judicial influence, the Reagan personnel pipeline specifically, or the funding relationships in more detail?

Economic Disruption

Q3: There were also other disruptive events in that period; I'm thinking, for example, of the Nixon Gold Shock and the 1973 oil crisis. Please give me an authoritatively cited short list of major disruptive events of that period. To the extent that you can authoritatively support it, please supplement that with short discussions of causes.

A3 (2026-08-24): Here's a chronological list of the major economic and political shocks of the late 1960s–1970s that compounded the social unrest already discussed, with brief causal explanations.

Economic and monetary shocks

Nixon Shock — August 15, 1971 Nixon unilaterally ended the dollar's convertibility into gold, closing the "gold window" established at Bretton Woods in 1944. Also imposed a 90-day wage-price freeze and a 10% import surcharge. *Causes:* Mounting balance-of-payments deficits, foreign dollar holdings vastly exceeding U.S. gold reserves, inflationary pressure from Vietnam War spending and Great Society programs, and a run on gold by European central banks (especially after France under de Gaulle began redeeming dollars for gold). This effectively ended the Bretton Woods system and ushered in floating exchange rates.

Wage and Price Controls, 1971–1974 Nixon's Phase I–IV controls, an attempt to curb inflation without recession ("stagflation" was becoming apparent). *Causes:* Persistent inflation from deficit-financed war and social spending combined with Fed policy; controls were politically popular short-term but produced distortions (shortages, black markets) and are widely regarded by economists as a policy failure.

OPEC Oil Embargo — October 1973–March 1974 Arab members of OPEC embargoed oil exports to the U.S. and other Israel-supporting nations; oil prices roughly quadrupled. *Causes:* Retaliation for U.S.

support of Israel during the Yom Kippur War (October 1973). Triggered gas lines, rationing, a stock market decline, and is widely cited as the proximate cause of the 1973–75 recession, one of the worst since the Depression.

Stagflation, mid-to-late 1970s The simultaneous appearance of high inflation and high unemployment — a combination classical Keynesian economics held to be nearly impossible. *Causes:* A convergence of oil shocks, the end of Bretton Woods exchange stability, expansionary fiscal/monetary policy through the late 1960s, and productivity slowdowns. This is widely credited (e.g., by economists like Milton Friedman) with discrediting Keynesian demand management in mainstream policy circles and opening space for the monetarist and supply-side ideas that would inform Reagan-era policy — a shift that dovetails directly with the institutional buildout discussed earlier.

1973–1975 Stock Market Crash / Recession The Dow lost about 45% of its value between January 1973 and December 1974. *Causes:* Combination of the oil shock, the winding down of Bretton Woods, and the onset of stagflation.

Second Oil Shock — 1979 Oil prices roughly doubled again amid the Iranian Revolution. *Causes:* Disruption of Iranian oil exports following the fall of the Shah; compounded existing inflationary pressure and is often treated as a bookend event to the 1970s economic crisis, feeding directly into the "malaise era" politics of the Carter administration and the political opening for Reagan in 1980.

Political shocks compounding the economic ones

Watergate scandal, 1972–1974 The break-in, cover-up, and subsequent Nixon resignation (August 1974) — the only U.S. presidential resignation in history. *Relevance here:* Though not economic, it

deepened the broader sense of institutional crisis that business elites like Powell were responding to, and it produced the 1974 campaign finance reforms that (as previously discussed) inadvertently supercharged the PAC-based political infrastructure of the conservative movement.

Vietnam War end / Fall of Saigon, April 1975 *Relevance here:* The final, visible collapse of U.S. policy in Vietnam. Combined with Watergate and the economic crises, it contributed to what commentators of the time (and Carter himself, in his 1979 "malaise" speech, though he never used that word) described as a broader crisis of confidence in American institutions.

A note on sourcing

These are well-established facts of economic and political history, cross-confirmed across standard sources (Federal Reserve historical archives, BLS/NBER recession dating, and general economic histories such as Robert Samuelson's *The Great Inflation and Its Aftermath* or Daniel Yergin's *The Prize* for the oil shocks specifically). I haven't run a live search for this response since none of it is time-sensitive or contested. If you'd like, I can pull up more specific primary-source citations (Fed statements, NBER recession dates, OPEC communiqués) via web search, or go deeper on how the stagflation crisis specifically fed the intellectual shift from Keynesianism toward monetarism and supply-side economics within the institutions we discussed.

Q4: Yes; I'm particularly interested in how these events changed elite thinking about economic theory.

A4: Here's how the crises of the 1970s reshaped elite economic thinking, tracing the intellectual shift from Keynesian dominance to monetarism and supply-side economics.

The Keynesian consensus before the shocks

From the New Deal through the 1960s, American economic policy was built on a broad, bipartisan Keynesian consensus. Nixon himself famously said in 1971, "We are all Keynesians now." The core assumptions:

- Government could "fine-tune" the economy through fiscal policy (spending and taxes) and monetary policy, trading off inflation and unemployment along a stable **Phillips Curve**.
- Recessions were solved by stimulus; inflation was solved by tightening — the two problems were not supposed to occur simultaneously.
- The economics profession, epitomized by figures like Paul Samuelson, largely treated this framework as settled science, taught in the dominant textbooks of the era.

Stagflation broke the model

The mid-1970s produced something the Phillips Curve said shouldn't happen: **high inflation and high unemployment together**. By 1974–75, the U.S. had double-digit inflation *and* unemployment above 8%. Standard Keynesian tools were designed to fight one or the other, not both at once, and policymakers found themselves without a coherent playbook.

This is widely regarded as the empirical crisis that opened space for alternative theories, much the way a scientific anomaly can force a paradigm shift (economists and historians have explicitly used Kuhnian language to describe this moment).

Monetarism's rise — Milton Friedman

Milton Friedman and the "Chicago School" had been making the monetarist argument since the 1950s and 60s, largely as a minority position. Their core claims:

- Inflation is "always and everywhere a monetary phenomenon" — caused by excessive money supply growth, not by cost-push factors like unions or oil prices alone.
- The Phillips Curve tradeoff was illusory in the long run; attempts to exploit it (accepting inflation for lower unemployment) would only produce accelerating inflation without permanent employment gains — the "accelerationist" critique Friedman laid out in his 1968 AEA presidential address, which many economists later credited as strikingly prescient once stagflation actually arrived.
- The Fed should target steady, predictable money-supply growth rather than trying to fine-tune the business cycle.

By the late 1970s, this had moved from academic heterodoxy to policy orthodoxy. The turning point is usually dated to **October 1979**, when Fed Chairman **Paul Volcker** (appointed by Carter) explicitly adopted monetarist operating procedures, targeting money supply growth and letting interest rates spike — reaching over 20% by 1981. This triggered a sharp recession but did break the back of inflation by 1983, and is widely treated by economists as the decisive practical validation of the monetarist critique.

Rational expectations and the further erosion of Keynesian tools

Alongside monetarism, the **rational expectations revolution** (Robert Lucas, Thomas Sargent) delivered a more theoretically devastating blow. The "Lucas critique" (1976) argued that traditional Keynesian econometric models were unreliable for policy prediction because they didn't account for how people's expectations adjust to anticipated policy changes — undermining the technical basis for fine-tuning itself, not just its outcomes. This work later earned Lucas the 1995 Nobel and Sargent the 2011 Nobel, reflecting how thoroughly it reshaped mainstream macroeconomics.

Supply-side economics

A distinct but overlapping strand emerged from economists like **Arthur Laffer**, along with journalists and political figures like Jude Wanniski (*The Way the World Works*, 1978) and Robert Bartley at the *Wall Street Journal* editorial page. Core claims:

- High marginal tax rates were suppressing investment, work effort, and growth (the "Laffer Curve" argument that tax cuts could partly pay for themselves via growth).
- Regulatory burdens (environmental, safety) imposed in the early 1970s were also dampening productivity growth — dovetailing directly with the business-community concerns in the Powell Memo.

Supply-side ideas were more contested within the economics profession than monetarism (many mainstream economists, including some conservative ones, were skeptical of the strong Laffer Curve claims), but they proved highly influential politically, forming the intellectual backbone of the 1981 Kemp-Roth tax cuts under Reagan.

Institutional transmission

This is where the buildout we discussed earlier connects directly to the theory shift:

- The **University of Chicago economics department** became the flagship institution for monetarist and free-market thought, later feeding into the law-and-economics movement in legal education.
- **AEI and Hoover** provided institutional homes and platforms for Friedman, Lucas-influenced economists, and later Reagan advisers.
- The **Wall Street Journal editorial page** under Bartley became the primary vehicle popularizing supply-side ideas to a business and policy audience.
- Friedman's own public reach expanded enormously via his *Newsweek* column (from 1966) and the 1980 PBS series *Free to Choose*, translating academic monetarism into a mass-market political argument.

The culmination

By 1980–81, this combination — the empirical failure of Keynesian stagflation-fighting, Volcker's monetarist disinflation, and the institutional infrastructure built after the Powell Memo — produced a genuine paradigm shift. The **Council of Economic Advisers under Reagan** (chaired initially by Murray Weidenbaum) explicitly incorporated monetarist and supply-side thinking into official policy, a stark contrast to the Keynesian-dominated CEAs of the 1960s.

Historians of economic thought (e.g., in retrospectives published by the NBER and in academic economic-history literature) generally treat 1979–1981 as the decisive break point — not a sudden conversion, but the moment when a decade of accumulating anomalies, minority

theoretical critiques, and institutional groundwork converged into a new governing consensus that would dominate American economic policy for decades.

Would you like me to go further into any single strand — Volcker's disinflation specifically, the internal profession debates over rational expectations, or how supply-side ideas were received (and contested) within mainstream academic economics at the time?