

Republican Rift: Big Business vs. Tea Party

Posted: 08/09/11 10:02 AM ET

There has long been a conflict within the Republican Party between its Big Business wing and its Tea Party wing (or its earlier incarnations, like the Christian Coalition and the John Birch Society). Corporate PACs and business executives provide Republican politicians with campaign contributions. The Tea Party comprises a huge part of the Republican's voting base (especially in primaries) and campaign volunteers.

The tension between these two wings of the GOP rose to the surface during the recent battle over the debt ceiling, which then exploded into a war of words between former Republican Senator Alan Simpson and Grover Norquist, head of the right-wing outfit, Americans for Tax Reform. The conflict put the party's leadership in an awkward position. They had to negotiate a temporary truce between the two GOP's two wings. But the split is likely to intensify over the next year, as the corporate contributors and the Tea Party zealots back different candidates for president, Congress, and state offices.

The major corporate lobby groups -- like the U.S. Chamber of Commerce and the Business Roundtable -- wanted Congress to lift the debt ceiling. They weren't interested in linking the debt ceiling issue to either tax reform or budget cuts. They care about both matters, but they just wanted to avoid an economic meltdown, and they lobbied Congress to get it done.

The Tea Party wanted to use the debt ceiling issue -- which in normal times is raised without controversy by Republicans and Democrats alike -- to manufacture a crisis over the budget, by demanding that Congress slash government spending without raising taxes, even on the very rich, as a quid-pro-quo for lifting the debt ceiling. The Tea Partiers latched onto the debt ceiling to win ideological points, embarrass Obama, and test their political muscle with the Republicans in Congress, especially the members elected in November and others who identify with the Tea Party caucus. A significant number of Republicans in both houses did not want the debt ceiling raised regardless of what the consequences were for the economy.

This rift within the GOP put enormous cross-pressures on House Speaker John Boehner and Senate Minority Leader Mitch McConnell. Both are conservatives who have who pledged allegiance to the Tea Party's right-wing principles and signed the "no tax" pledge demanded by Norquist's Americans for Tax Reform. (All but 13 Republicans -- six in the House and seven in the Senate -- have signed ATR's pledge). Boehner and McConnell not only support the Tea Party views, but owe their leadership positions to support from their colleagues in Congress who view themselves as Tea Party allies.

At the same time, both Boehner and McConnell know that it is Big Business that fattens the GOP's campaign coffers with the funds needed to elect Republicans. They were caught in the tug-of-war between the two wings of their party. When, early in the negotiations, Boehner hinted that he might be willing to cut a deal with President Obama that would include some tax increases, he faced a rebellion within the GOP ranks in the House, led, not too covertly, by Majority Leader Eric Cantor. Boehner quickly recanted.

Business leaders stayed aloof from the debt ceiling debate until it appeared that the Republicans wouldn't bend and would hold the ceiling hostage beyond the August 2 day of reckoning. So in mid-July, the Chamber, the Business Roundtable, the National Association of Manufacturers and other business groups began to weigh in seriously. They organized a letter from 450 CEOs to Obama and all members of Congress on July 12 insisting that "Now is the time for our political leaders to put aside partisan differences and act in the nation's best interests" and warning that Congress act swiftly to raise the debt ceiling to avoid economic catastrophe.

As the likelihood of default became greater, the business groups' lobbying intensified. "Defaulting on our debt is not an option -it has real, immediate, and potentially catastrophic consequences," the Chamber said in a <u>statement</u> on July 21. The country's top business leaders emailed, phoned, and visited members of Congress, imploring them to lift the ceiling.

The pressure from business groups forced Boehner and McConnell to work even harder to persuade their die-hard Tea Party colleagues that they had to cut a deal that gave them most, but not everything, that they wanted. Boehner twice had to call off a vote on the deal in order to secure enough Republican votes. Most Republicans eventually fell into line, but 19 Republicans in the Senate and 66 Republicans in the House voted against the plan.

The battle exposed some deep wounds within the GOP. The day after the final vote, former Republican Senator Alan Simpson lashed out at Norquist -- a proxy for the GOP's Tea Party wing -- during an <u>interview with Lawrence O'Donnell</u> on his *Last Word* show on MSNBC.

Since 1985, when he founded Americans for Tax Reform (ATR), Norquist has used the group to intimidate Republicans into signing the "no tax" pledge and to align themselves with ATR's extreme right-wing agenda. A decade ago he <u>quipped</u>, "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." Toward that goal, ATR proudly "opposes all tax increases as a matter of principle."

Norquist commands no troops. ATR is a relatively small organization that gains its influence through his ability to bring the disparate groups within the conservative movement together to coordinate their policy and lobbying activities. A 2005 *New Yorker* profile of Norquist called him the GOP "ringleader."

A one-time leader of the College Republicans and a former official with the U.S. Chamber of Commerce before creating ATR, in 1993 Norquist began hosting Wednesday meetings series at ATR headquarters of the key conservative organizations, including business groups, conservative think tanks, the Christian Right, and National Rifle Association, and others, to coordinate strategy to kill President Clinton's health care proposal. The group has continued its weekly meetings since then.

During his years in the Senate, Simpson (who retired from Wyoming seat in 1997) was a pro-business conservative. He earned a 78% rating from the American Conservative Union for his voting record. By supporting reproductive rights for women, he broke ranks with most other Republicans, but on economic issues he was a dependable corporate ally. As a leading "deficit hawk," he was a strong voice for slashing Social Security benefits, but also to raise some taxes and close some loopholes to avoid too much red ink.

Last year, Obama appointed Simpson the co-chair of a special bipartisan commission on deficit reduction with Erskine Bowles, chief of staff in the Clinton White House. Not surprisingly, the Simpson-Bowles task force recommendations last year included significant cuts in Social Security and other entitlement programs as well as modest tax increases and closing some tax loopholes. It called for \$1.6 trillion in spending cuts by 2020, reduction in the federal workforce by 10% (about 200,000 jobs), and a cap on federal spending to just under 22% of Gross Domestic Product. It called for a simplified tax code with a return to the Reagan era top rate of 28%, traded off with fewer deductions, including mortgage interest on second homes. It called for treatment of capital gains as ordinary income. Both parties in Congress ignored the commission's recommendations.

But Simpson continued his attack on Social Security, displaying a profound ignorance about the program's basic mission and economics. In May, at an event hosted by the Investment Company Institute, a finance industry lobby group, Simpson attacked AARP (the senior citizens group that he called "38 million people bound together by love of airline discounts") and went on a rant against Social Security, which he said is a "Ponzi" scheme, "not a retirement program." In other words, Simpson is no liberal.

Neither is Republican Sen. Tom Coburn. He signed Norquist's no-tax pledge. He proposed a \$6 billion cut in ethanol subsidies, arguing that ethanol subsidies and similar credits are "tax earmarks" -- special interest spending -- and should be treated that way.

But Norquist decided to flex his ideological muscles, insisted that Coburn's plan was a "tax increase," and accused the Oklahoma Senator of lying to voters.

Simpson was already irked at Norquist for successfully mobilizing conservative activists to push Republicans in Congress to reject the commission's recommendations. So when Norquist labeled Coburn's plan to cut ethanol subsidies a "tax increase," Simpson went ballistic. He told O'Donnell: "Grover and his happy band of warriors are trying to call that a tax increase -- that's a damn lie and he knows it."

Clearly Simpson has a lot of pent-up anger against Norquist and his influence within GOP circles. On O'Donnell's show, Simpson <u>called for an investigation</u> of Americans for Tax Reform. "Grover Norquist should be examined into -- where does he get his money?" Simpson said. It is time to "peel all the layers of the onion" of the secretive ATR. "Anytime anyone gets this powerful," he added "you want to dig in... who is he slave to?"

Simpson asked the right question. But because of our tax and campaign contribution laws, the source of much of ATR's funding is unknown. What is known is that corporations and industry lobby groups with a particular anti-government axe to grind (such as the Tobacco Institute, R.J. Reynolds, and Philip Morris), and right-wing foundations (such as Bradley, Scaife, and Olin) <u>have</u> lined <u>ATR's pockets</u>. The Koch brothers, who own oil companies and fund many right-wing think tanks and political groups, including some affiliated with the Tea Party like Dick Armey's FreedomWorks and Americans for Prosperity, has funneled money to Norquist's group.

On most economic issues, the GOP's corporate wing and its Tea Party wing are in sync, giving Norquist a foot in both camps. They both oppose government regulation of business to protect workers, consumers and the environment. They hate labor unions and progressive income taxes. On almost every economic policy issue of any importance -- protecting tax cuts for the rich, privatizing Social Security, opposing cap-and-trade legislation, expanding off-shore oil drilling, opposing strong pro-worker labor laws, slashing unemployment insurance, limiting the authority of the Food and Drug Administration, and many others -- the two GOP wings agree.

On some issues, however, they part company. The major big business groups, like the Chamber and Business Roundtable, support government funding for infrastructure, while the Tea Party wing tends to view such projects as wasteful "pork." Here, too, most Republican members of Congress are caught in the hypocritical middle and forced to walk a political tightrope. They rail against wasteful government spending, but love to cut ribbons for various government-subsidized construction projects in their states and districts.

Most corporate lobby groups don't care about the party's right-wing social issues -- such as abortion and gay rights -- but they support candidates who share the conservative social agenda because they want to elect pro-business Republicans. They understand that while they have the cash, it is the Tea Party, the Christian Right churches, and the National Rifle Association that have the troops. So the two wings of the GOP generally get along as part of a coalition of necessity.

Occasionally, however, the coalition's fragile foundation cracks, as it did during the debt ceiling debate, putting the GOP leaders in an awkward position.

The battle for the GOP presidential nomination may reveal another crack in the coalition. The party's corporate wing is more comfortable with fellow business types like John Huntsman and Mitt Romney. The Tea Party wing (which includes the broadcast extremists like Rush Limbaugh and Glenn Beck) favors Michele Bachmann, Rick Perry, Ron Paul and, had she decided to enter the race, Sarah Palin.

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Politics typically boils down to which candidates can garner the most money and mobilize the most voters. The battle for the Republican presidential nomination -- as well as many House, Senate, and gubernatorial and state legislative races -- seems to have pit the corporate donors against the Tea Party zealots, who will judge candidates differently based on their stances on the debt ceiling debate, taxes, and cuts to government spending.

The cat fight between Alan Simpson and Grover Norquist was just a dress rehearsal for the war between the two wings of the Republican Party we're likely to see over the next year.