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Neoliberal Social Policy in the United States Before Reagan

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by

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ABSTRACT

This work examines the role of trade agreements and the Carter administration in promoting neoliberal policy in the United States. Policy-planning groups, with extensive connections to the U.S. government and transnational corporations, such as the Council on Foreign Relations and the Trilateral Commission, played crucial roles in pushing neoliberal policies at the government level. The development of unrestricted trade and the open flow of financial capital across borders have allowed transnational corporations to divorce themselves from the social contract, enabling them to disinvest in public life and to push for further disinvestment on the part of the larger society. Results show that both Democratic and Republican parties have been servants to the neoliberal corporate agenda for decades. The implication of this finding is that challenging neoliberalism means challenging the whole of U.S. government leadership, rather than, as many have argued, merely taking on the Right of American politics.

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Chapter 1: Introduction

In the aftermath of World War II, the United States negotiated the Bretton Woods trade agreements with the nations of Western Europe and other allies. This trade pact opened national markets to direct foreign investment, along with creating the World Bank and the International Monetary Fund, and paved the way for future trade agreements such as the General Agreement on Tariffs and Trade (GATT) decades later. The goal was to enhance trade between the nations of the world, presumably benefiting everyone, along with insuring that the United States would control parts of the world that contained raw materials needed for industry.

The first GATT agreement was passed in 1971. This, along with the passing of subsequent international pacts such as the North American Free Trade Agreement (NAFTA) and more recent updates of GATT, was supposed to usher in a new era of prosperity for both rich and poor countries alike. Unfortunately, the promises of prosperity for the masses have not been fulfilled and the negative consequences of these agreements have often been severe for the majority of people around the world.

The world's Gross National Product (GNP) has increased five-fold since the end of WWII; yet poverty, unemployment, environmental destruction, and other social ills are on the rise in a majority of the world's countries (Goldmith, 1996, p. 502). The outsourcing of jobs and the replacing of workers with computerized technology is leading to increased unemployment in industrialized countries. These same global forces are also destabilizing traditional economies in third-world countries, disrupting their self-sustainability and forcing them to conform to the whims of the global market.

In industrial nations, jobs are being shed at the same time that “welfare provisions are being systematically dismantled at breakneck speed” (Goldsmith, 1996, p. 511). In addition, downward pressure is being placed on the wages of remaining jobs due to the threat of companies moving overseas for cheaper labor. The agreement signed between U.S. automakers and the United Auto Workers (UAW) in 2008 illustrates the point. Here, the UAW agreed to severely reduce hourly pay and benefits for young and future workers in the hope that the remaining auto jobs would stay in the United States. The Obama administration forced GM and Chrysler to get further concessions out of the UAW in order to receive government loans that will keep them operating until the U.S. economy recovers.

Goldsmith (1996) summed up the struggle, stating that the industrial world is now seeing its “salaries slashed, long-term contracts replaced by short-term contracts, full-time work replaced by part-time work, and men replaced by women at lower salaries” (p. 511). Referring to the increasingly tenuous job picture in the United States, Colin Hines and Tim Lang (1996) warn that “unless people have work, hope and the promise of a decent quality of life, society is destabilized” (p. 493). The decimation of the auto industry following the collapse of the housing market and, with it, the banking sector, signals more than merely another recession within the traditional business cycle. Rather, it speaks to a fundamental destabilization of our economic system - one that is happening quickly and dramatically before our eyes.

The consequences of unfettered economic expansion go far behind lost jobs and lower wages. As Satish Kumar (1996) states, “The seeds of war are sown with economic greed. If we analyze the causes of war throughout history, we find that the pursuit of economic expansion consistently leads to military adventures" (p. 421). It would be difficult to explain the recent United States military expeditions to Iraq and Afghanistan without understanding the vital role fossil fuels play in maintaining industrial economies and the excessive profits that oil companies have enjoyed due to the increased energy demands of a globalized economy. Meanwhile, the cost of these ongoing wars, in terms of lives lost and disrupted, is catastrophic. As of March 2009, American deaths in the two conflicts totaled over 5,000, with Iraqi and Afghani deaths estimated to be around 1.5 million people (Glanz, 2009, p. 1). Economically, the wars have cost the United States $860 billion through the summer of 2009, with over $300 billion budgeted for the next two years (Glanz, p. 1).

The personal consequences of being driven toward high achievement and materialism include "stress, loss of meaning, loss of inner peace, loss of space for personal and family relationships, and loss of spiritual life" (Kumar, 1996, p. 421). Modern communication media such as television and computers have depersonalized communication, where "there is a constant deluge of people who surround us but with whom we have no real physical or personal link, so we feel nothing toward them" (Armstrong, 1996, p. 468). Armstrong asks, "How can a person be a human while continuously living in isolation, fear, and adversity?" (p. 469).

Increased mobility has also separated and subverted families. This mobility destroys communities and contributes to the enclosure of the commons, community areas where people can meet and interact in non-monetized transactions (Prakash, 1994, p. 146). New technologies and increased mobility of individuals are both facilitated by economic globalization.

Aggregate economic growth has occurred in the wake of the aforementioned trade agreements, but there are also more poor people than ever before, along with a steadily growing income gap between the rich and the poor in most countries around the world, particularly in the United States. This has resulted because these trade agreements have increasingly freed corporations from the control of nations. Korten (1996) states that "by expanding the boundaries of the market beyond the boundaries of the nation-state through economic globalization, the concentration of market power moves inevitably beyond the reach of government" (pp. 25-26). Decisions that would have traditionally been made by government, which can be held accountable by their citizens, now are being made by corporations, which answer to no one except large shareholders.

Korten (1996) argues that "markets need governments to function efficiently" (p. 25). Governmental power must be equal to market power, so governments have the power to break up companies that become too large and restore competition within the market place. Also, governments must make firms "pay for the social and environmental impact of their activity" (p. 25). Social and environmental costs have largely become the burden of nation-states themselves, straining the economic resources of nations who are subsequently forced to ease environmental restrictions and reduce social safety nets.

In today's global marketplace, companies merge at an ever-faster rate in order to remain competitive. These companies are also increasingly less interested in long-term business prospects and much more concerned with short-term gain, leading to speculation, which fuels wildly fluctuating stock markets that wreak havoc with national economies. Companies are also pressured to downsize their workforce to maximize short-term stock gains for their shareholders. The result has been the shedding of jobs around the world. Today, nearly every country has a surplus labor pool. Companies that are unwilling to take these steps become targets of corporate raiders who buy the company and implement these harsh measures (Korten, 1996, p. 29). As companies downsize their workforces and move operations overseas, this depletes tax revenues for national, state, and local governments, forcing painful cuts in social programs and education.

The Bretton Woods negotiators were not concerned with limited resources, believing that economic growth could continue indefinitely. Korten (1996) cites U.S. Secretary of the Treasury Henry Morgenthau's claim during the Bretton Woods negotiations in 1947 that "prosperity has no fixed limits" and that the earth is "infinitely blessed with natural resources" (p. 21). A half-century of development based on mass-market consumerism has demonstrated the shortsightedness of this thinking. Much of the planet's renewable resources have been decimated, including the "loss of soils, fisheries, forests and water; absorption of carbon dioxide emissions"; this, along with the planet's inability to absorb all of our waste, is a clear indication that we have reached our growth limit (Korten, p. 23). The unrestrained free market is putting ever-greater pressure on already over-taxed resources, leading to "destruction of the regenerative capacities of the ecosystem on which we and future generations depend" (Korten, p. 23).

Most of the decisions that are causing this worldwide disruption are beyond the reach of democratically elected governments. The World Trade Organization (WTO), created with the final round of GATT negotiations in 1994, is the world governing body that sets rules and handles trade disputes within the global economic system. Unlike previous trade agreements that depended upon the cooperation of member nations, the WTO is not accountable to any national government and has the power to overrule national laws that restrict trade. Established rules disallow national governments from "providing any significant subsidies to promote energy conservation, sustainable farming practices, or environmentally sensitive technologies" (Nader & Wallach, 1996, p. 96). The trade rules also "do not incorporate any environmental, health, labor, or human rights considerations" (Nader & Wallach, p. 102). Many of the vital powers that allow national governments to protect their most vulnerable citizens have been taken away by these supranational organizations.

The WTO, created under GATT, has solidified corporate power over environmental considerations with international trade law. "Any health, safety, or environmental standard that exceeds international standards set by industry representatives is likely to be considered a trade barrier" and struck down by the WTO (Korten, 1996, p. 28). These rulings can only be reversed with a unanimous vote from the member countries.

The negotiations that brought about GATT and the WTO took place behind closed doors with agents who "mainly represent business interests" (Nader & Wallach, 1996, p. 99). The trade rules do not provide "any procedural safeguards of openness, participation, or accountability" (Nader & Wallach, p. 102). Non-governmental organizations (NGOs) are barred from any participation in negotiations and provisions often stipulate that "documents and proceedings remain confidential" (Nader & Wallach, p. 102).

The outsourcing of jobs to maximize profits, the merging of companies for ever-greater efficiency and economies-of-scale, the focus on short-term gain over long-term viability, the taking of power away from sovereign governments and giving it to unelected institutions and subordinating all other concerns to the whims of the market are all pieces of a rationale that has come to be known as neoliberalism. The intent of this study is to examine the reasons that neoliberal policies emerged in the United States, which has led to the government ceding power to supranational entities such as the WTO, while simultaneously abandoning the principles of democracy and making life increasingly difficult for a majority of citizens both within the United States and around the world.

The push for free trade by large transnational corporations has been the primary driving force of neoliberal policy in the United States. But the neoliberal rationality affects all aspects of the culture, fostering a "winner-take-all" attitude that can be observed in popular TV shows and films. Giroux (2008) states "the dominant public pedagogy, with its narrow and imposed schemes of classification and limited modes of identification, uses the educational force of the culture to negate the basic conditions for critical agency" (p. 113). Media consolidation has blunted criticism and oppositional perspectives, while the profit motive and narrow interests of the media's corporate directors have turned political campaigns into competitions of image and style rather than substance.

In formal education, the No Child Left Behind (NCLB) legislation defines success as a child receiving a high score on a standardized test. Schools are now refocusing resources to raise achievement, leading to 71% of U.S. school districts cutting back time spent on art and social studies programs since the passage of NCLB (George, 2008, pp. 221-222). These subjects are vital for students to develop critical thinking and other skills necessary to become effective citizens. Neoliberalism, in both formal education and the informal education of the media and popular culture, is working toward eliminating the role of citizenship in society.

The Bretton Woods trade agreements and the institutions that were created from it, namely the World Bank and International Monetary Fund and shifting from a government policy of full-employment to one where tight control of the money supply was the key concern, were crafted by members of elite policy-planning and discussion groups. These groups were largely composed of big business executives and other elites who were given direct access to the government to implement many of the policies now associated with neoliberalism.

A popular position taken by many social theorists is that neoliberalism achieved supremacy due to the coordinated push by the political right in the cultural arena beginning in the 1970s that culminated with the election of Ronald Reagan in 1980. This was achieved through the use of think-tanks, mass media under the control of big business, and the Christian right. This work does not attempt to refute the significance of the cultural shifts that took place in the U.S. or their effectiveness in the policy arena. Some of these cultural factors and their influence on the ascendance of neoliberal policy will be discussed in Chapter 5.

Policies associated with neoliberalism have been advanced by each successive U.S. presidential administration beginning with President Carter, continuing unabated through the current administration. Many of the boldest moves toward neoliberal policy occurred under President Carter, while the Democratic Party controlled the White House and both houses of Congress. This demonstrates that changes were happening in the policy arena *before* the forces of the right assumed power in 1980. A great deal of literature has been devoted to the role of Reagan and, later, Clinton in advancing the neoliberal agenda. This work does not take issue with the general analysis that Reagan and Clinton were both chief promoters of neoliberal policy but rather focuses on the key periods before Reagan, particularly after WWII and later during the Carter administration of the late 1970s, when some of the key policy moves toward neoliberalism took place. Simply put, this work examines the moves toward neoliberalism before the "Reagan Revolution."

By illuminating the role of the Carter administration in promoting the neoliberal agenda, as well as examining the early evidence of the Obama administration's role in furthering these policies, it becomes clear that Clinton's support of neoliberalism was not an aberration among Democrats, contrary to the implicit assertion of many social theorists. The so-called Left of American politics has had a strong hand in instituting the policies of neoliberalism, as the leadership of both Democrats and Republicans have been proponents of the neoliberal corporate agenda for decades.

Chapter 2: What is Neoliberalism?

Because of the complexity of neoliberalism and the different perspectives from which it is studied, there have been various definitions of the term. David Harvey (2005) defines neoliberalism as having four core principles: 1) that human wellness can be best served by liberating individual freedoms and skills within an institutional framework of strong private property rights, free markets, and free trade; 2) The state must create and preserve this framework, otherwise state intervention in the free market must be kept to a minimum; 3) Neoliberalism seeks to bring all human action under the domain of the market; and 4) Individual freedom is the central value of civilization under this doctrine, where freedom of the market and freedom of trade are the mechanisms that guarantee individual freedoms (Harvey, pp. 2-7).

Rachel S. Turner (2008) offers a similar definition, stating that neoliberalism stresses the importance of market order for efficiently allocating resources and safeguarding individual freedom. This is desired because neoliberal proponents believe that "unfettered markets produce natural order in society from the voluntary exchange of goods and services, promoting productive efficiency, social prosperity and freedom" (Turner, p. 4). Under this ideology, the main function of the state is to protect individual liberties with minimal intervention in private markets. This necessitates a system of full private ownership of decision-making at the individual, as opposed to the collective, level (Turner, p. 4).

Wendy Brown's (2006) definition of neoliberalism aligns with that of Harvey and Turner. She describes neoliberalism as depicting free markets, free trade, and entrepreneurial rationality as “achieved and normative, as promulgated through law and through social and economic policy – not simply occurring by dint of nature” (Brown, p. 694). In this design, the state must construct itself in terms of the market and perceive citizens as “rational economic actors in every sphere of life” (Brown, p. 694).

In each of these definitions the primacy of market capitalism triumphs over other facets of human existence. Individual freedom is heralded, while collective freedom is derided or ignored. This is the primary distinction of neoliberalism from its immediate predecessor, Keynesian liberalism, which mixed traditional liberalism with notions of collectivism and was the prevailing economic ideology in Western societies from the 1930s until the onset of neoliberalism in the 1970s. In Keynesian liberalism, there was a recognition that the market did not always work and the role of government was to insulate people, particularly those of lower socioeconomic status, from the harshest consequences of capitalism. With the advent of neoliberalism, the reality that markets often fail is either denied, ignored, or dismissed using the rationale that the United States is a meritocracy; those at the top have earned their status, while those at the bottom simply do not have the knowledge, intelligence, skills, or tools to be successful, or they are simply too lazy or unambitious. The harsh end logic is that those who are not successful under the narrow definition of market success are disposable and not worthy of investment. Under neoliberalism, the government has increasingly turned away from its role as a buffer for those at the bottom, making the acquisition of the necessary knowledge and skills for success more and more difficult.

Some economists question the assertion that neoliberalism is truly about the primacy of free markets. Al Campbell (2005) asserts that “markets never operate freely.

The assertion they do is part of neoliberal ideology" (p. 189). The primary facet of neoliberalism, according to Campbell, is the negation of "Keynesian-compromise capitalism" which consisted of restrictions on the behavior of finance capital, interventionism in the economy, along with labor and welfare policies (p. 189). The policies of Keynesianism, which largely came into being as a reaction to the Great Depression, took decades to dismantle, finally becoming apparent in the mid-1970s. Policies generated by the United States that loosened capital restrictions in the 1970s were crucial in allowing transactional banks to operate beyond the reach of national governments, giving financial capital leverage over national economies.

Karl Polanyi (1944) in his book *The Great Transformation*, over sixty years ago, states that *laissez faire* is not a natural condition but requires institutions that structure and safeguard markets over other priorities. Markets that are truly free have never existed but are a construct of the nation-state (pp.239-241). The construction of a strong state that is able to enforce so-called free trade policies is commonly recognized in the definitions or explanations of neoliberalism. However, Polanyi also criticized the underlying assumptions of the market system itself. He felt that the market system is in conflict with democracy and would inevitably lead to authoritarianism, as force and violence would be needed to maintain the market system (Polanyi-Levitt, 2006, p.12). Polanyi's (1944) analysis is prescient today as unelected, extra-governmental bodies such as the World Trade Organization (WTO), IMF, and World Bank assume ever-greater control over public life. These institutions, led primarily by the U.S. and, secondarily, by the other technologically advanced nations of the world, have forced the so-called free-market on the rest of the world's nations, coercing them into a system rigged against them with unfair trade conditions and making them reliant on loans lent at exorbitant rates. As noted earlier, the WTO, IMF, and World Bank leaders are not elected but appointed by the leaders of the so-called developed world, chiefly the United States.

Polanyi's (1944) examination of the market system is crucial to understanding policy changes associated with neoliberalism and the authoritarian nature of the global trading system that has developed over the last generation. What has emerged in the United States is a state that puts greater priority on preserving the status quo of international trade than in responding to citizens' legitimate concerns about the negative impact of such trade. This was evidenced by the police reaction to the nonviolent protests of the WTO meeting in Seattle in 1999, what has come to known as the "Battle in Seattle." Here, police viciously beat protestors who were blocking intersections, spraying many in the face with tear gas as the protestors sat peacefully with their arms linked together. Protests at international trade meetings have become the norm around the world, yet the response of nation-states has been to use force and repression to repel protestors, rather than make trade policies more transparent or open them to democratic processes.

The remainder of this work focuses on trade policy, particularly the unrestricted movement of financial capital, as the primary force driving neoliberalism. Trade policies have facilitated the conditions where governments are now privatizing many public services and focusing on individual rather than collective rights.

To understand how neoliberal policy came to the fore within the United States, the history of liberalism in American political thought must be explored in order to track the different forms that prevailed, particularly after WWII, when the proponents of neoliberalism began to coalesce and gain political ground.

Chapter 3: Literature Review:

Trade liberalization from World War II through the 1970s

Classical Basis for Neoliberal Concepts

The concept of the liberal political economy has its modern origins with Adam Smith at the end of the 18th century. Smith introduced the concept of rational, self-interested individuals who operate within a market structure formulated around competition. In this theory the keys to efficiency are openness and limits on the scope and influence of the state. American liberalism of the 19th century centered on the concept of *laissez-faire*, that the role of government should be minimal in public life, and public good is best achieved through individual competition. This is based on Adam Smith's concept of the "invisible hand" of the marketplace, where individual actors are able to adjust to market complexities far faster than the bureaucratic hand of the state.

Liberalism was a strong and enduring tradition in American politics and society. In his book, *The Liberal Tradition of America,* Louis Hartz (1991) called liberalism the only enduring tradition in America, creating an atmosphere of consensus among politicians and the citizenry, along with being the founding ideology of the American Constitution. The ideology of liberalism has been present in all major statesmen from Jefferson to Hoover (Hofstadter, 1989). The liberal concepts of economic individualism and property bound American values to capitalism based on competition.

Under the ideology of liberalism, the United States moved into the world of commerce, openly promoting its own interests in the 19th century. The ideas of liberalism were readily accepted by establishment journalists and entrepreneurs, along with industrial capitalists. The U.S., unlike Europe, had no strong history of aristocracy or a strong urban working class pushing the competing ideology of socialism, so industrialism and other liberal notions found their way into the American myth of progress.

Traditional liberal theory was the dominant economic ideology until after the First World War, when government began to play a more active role as mediator between individuals and the market. Best expressed by the writings of John Maynard Keynes, who believed capitalism was best achieved by collective action as opposed to the rugged individualism of traditional liberal ideology, the economic liberalism after WWI saw the state exercise more authority over both the structure and behavior of private enterprise.

The Great Depression of the 1930s led to an even greater role for the state. The severe unemployment and rampant poverty that resulted from the depression forced strong interventionist actions from the United States government in the economy. The government began working with businesses and labor to regulate wages and prices and stabilize various industries. Legislation was passed during this time that gave retired workers Social Security benefits as well as unemployment insurance to workers who were unable to find immediate work. The role of the state now included promoting economic and social justice, while continuing to protect individual freedom of choice and property rights.

Keynes was the first to popularly assert that maintaining demand by providing full, steady employment was the key to economic growth. He argued that “rising wages were the fuel that maintained and increased profits…as wages dropped, so did consumer demand, creating a vicious downward cycle” (Faux, 2006, p. 79). Keynes asserted that unions, unemployment insurance, and subsidized higher education were important because they supported spending that, in turn, supported full employment (Faux, 2006, p. 79).

The Keynesian notion of economic liberalism retained prominence in the immediate aftermath of World War II, where the U.S. government continued to see its role as a partner with the private sector to support the weaknesses of the private economy in order to promote prosperity and stability (Turner, 2008, p. 59). While Keynesian liberalism had marked differences from the traditional liberalism of the past, "both share an underlying commitment to a more open world economy based on private ownership of the means of production and generalized commodity exchange" (Rupert, 2000, p. 49). Both forms of liberalism also "shared a common growth ideology" based upon the Enlightenment notion of linear progress; these concepts were also adopted by socialists and even the central planners of the Soviet states (Fotopoulos, 1999, p. 7). The ideas of growth and expansion endured throughout the period of Keynesianism and paved the way for the ascendance of neoliberalism, as will be explored in the following sections.

Economic liberalism has endured as the dominant paradigm since the introduction of the market economy at the end of the 18th century. Fotopoulos (1999) states

> from Adam Smith to Milton Friedman, the values adopted are the same: competition and individualism, which, supposedly, are the only values that could secure freedom. Thus, for Adam Smith, the individual pursuit of self-interest in a market economy would guarantee social harmony, and, therefore, the main task of government was the "defense of the rich against the poor" by government providing protection for private property and wealth accumulation. (p. 4)

Fotopoulos (1999) argues that the ascendance of neoliberalism was inevitable in a system that insists every individual go his or her own way. The tenuous grip that Keynesian collectivism had on society was bound to slip away when the social and economic circumstances allowed for the reassertion of individualism. The internationalization of the market economy was also inevitable because of the "grow-or-die" principle inherent in capitalism (Fotopoulos, p. 8). Technological developments eased the burden of distance between continents, making international investment more appealing for large transnational corporations. This helps to explain the consistent expansionary tendencies of U.S. government foreign policy throughout the latter half of the twentieth century that contributed to the emergence of neoliberalism. This will be examined in the following sections.

Power Structure Analysis

According to C. Wright Mills (1957), important decisions within the U.S. are largely decided by an elite group of people in high ranks of the political, economic, and military circles. Mills states that "an intricate set of overlapping cliques share decisions having at least national consequences. In so far as national events are decided, the power elite are those who decide them" (p. 18). Mills describes these groups as "interlocking directorships" with corporations at their core (p. 123). He argues that corporations achieved greater influence over the government with the New Deal, as the government began working more closely with business (Mills, p. 275).

The partnership between government and big business led to ever-more control by business over the functions and polices of government. In the years 1940-1944, the government gave $175 billion worth of contracts to private corporations, two thirds of which went to the country's top 100 corporations; almost one third went to the top 10 companies. Most of these businesses were also given special tax privileges, along with favorable conditions to buy government facilities after WWII (Mills, 1957, pp. 100-101). Mills states, "The long-time tendency of business and government to become more intricately and deeply involved with each other has…reached a new point of explicitness. The two cannot now be seen clearly as two distinct worlds" (p. 274). After WWII, large corporations had come to dominate government decision-making.

Mills (1957) speaks eloquently on the supremacy of corporations in the United States. He says of the leaders of the American system that it is

> not the politicians of the visible government, but the chief executive who sits in the political directorate, by fact and by proxy, hold the power and the means of defending the privileges of their corporate world. If they do not reign, they do govern at many of the vital points of everyday life in America, and no powers effectively and consistently countervail against them, nor have they as corporate-made men developed any effective, restraining conscience. (Mills, p. 125)

Mills (1957) saw the immense profiteering by large corporations during the Second World War, along with the expanding influence of corporations in both domestic and foreign policy as evidence that government was increasingly controlled by people with close ties to corporations. Mills (1957) asserts that

> the three top policy-making positions in the country (secretaries of state, treasury, and defense) are occupied by a New York representative of the leading law firm of the country which does international business for Morgan and Rockefeller

> interests; by a Mid-West corporation executive who was a director of a complex of over thirty corporations; and by the former president of one of the three or four largest corporations and the largest producer of military equipment in the United States. (p. 232)

The pervasiveness of businessmen in the highest echelons of the executive branch led Mills (1957) to conclude that corporations had effectively taken over the U.S. government.

The analysis of William G. Domhoff (1996) supports that of Mills. Domhoff states that World War II and the subsequent Cold War "increased the strength and cohesion of the power elite by incorporating an expanded military, and hence increased ability of the power elite to dominate government" (p. 229). Domhoff (2002) has a slightly altered definition of the power elite, focusing on the relationship between the corporate community, policy-formation and policy discussion organizations, and the social upper class, though he shares the underlying basis of Mills' (1957) argument that corporations had come to dominate government decision-making (p. 96).

Domhoff (2002) explicates the details of corporate control, asserting that corporations control the public agenda through four power networks. These include 1) influencing government directly through the special-interest process; 2) using foundations and think-tanks to direct policy-planning; 3) involvement in candidate-selection process of both major political parties through large campaign donations; and 4) using the media, educational institutions, and corporate public relations departments to shape public opinion on issues, while keeping other issues off the table (pp. 12-13).

Corporations have distinct advantages over other interests groups in the American system, because they

> command raw materials, and the patents on inventions with which to turn them into finished products. They command the most expensive, and therefore what must be the finest, legal minds in the world, to invent and to refine their defenses and their strategies. They employ man as producer and they make that which he buys as consumer. They clothe him and feed him and invest his money. They make that with which he fights the wars and they finance the ballyhoo of advertisement and the obscurantist bunk of public relations that surround him during the wars and between them. (Mills, 1957, pp. 124-125)

In addition to direct monetary influence, the advantages listed above have allowed large transnational corporations to bend both foreign and domestic policy to their will.

A brief examination of the corporate money flow into the political system illustrates the point. Corporations are active in giving direct payments to lobbyists and insiders, along with direct campaign contributions by corporations and by corporate executives. They also provide money for think-tanks and fellowships for journalists, along with the promise of bringing jobs into a district or state, or, conversely, threatening to lay off workers in a state or district. It is also ever more common for corporations to provide jobs for defeated or retired politicians (Faux, 2006, p. 55).

Corporate domination was pronounced when Mills examined it in the 1950s, but the business stranglehold on the political system has become even starker in recent times. In 2003-2004, $5.4 billion was paid directly to lobbyists, the vast majority of whom represented large business interests (Faux, 2006, p. 57). In the 1970s, 3% of retiring members of Congress went on to work in K-street lobbying and law firms. In the 21st century, the number had risen to 30% (Faux, 2006, p. 57). This increasingly common "revolving door" between business and government represents a clear conflict of interest for lawmakers who may be hesitant to push laws that might be perceived as unfriendly to business. Given these statistics, one cannot take seriously any argument that downplays the disproportionate influence of corporate interests in the government and the fundamentally undemocratic nature of this influence.

Corporate control of government is illustrated by the steadily decreasing percentage of U.S. tax revenue paid by corporations over the decades. In the early 1950s, 32% of total federal tax revenue came from corporations; by 1980, corporations were contributing slightly more than 10% of tax revenue (Schiller, 1989, p. 28). As of 2003, the Center on Budget and Policy Priorities (2009) states that corporations now pay less than 7.5% of total U.S. tax revenues.

Today, many companies pay no taxes at all; with 72% of foreign corporations and 57% of U.S.-based corporations having paid no income tax for at least one year between 1998-2005; nearly half of these companies paid no taxes for two or more years during this time period (Smith, 2008, p. 1). Special corporate shelters and tax loopholes have increasingly enabled corporations to avoid contributing to government revenues. This should be a grave concern to the public, particularly when the United States faces record budget deficits that have led to unyielding attacks on funding for social programs and education during this time period.

The next section explains some of the major policy moves now associated with the ascendance of neoliberalism, along with some key government decisions made largely, if not entirely, for the benefit of large corporations. The next chapter will explore some of the policy-planning groups that were influential in turning the government toward neoliberal policies.

U.S. Internationalism within the Keynesian Period

The Great Depression and World War II.

The Keynesian controls on the economy "existed alongside the American government's desire to move towards the vision inspired by FDR's Secretary of State Cordell Hull: global free trade and an expansion of the long-standing American policy of the open door to foreign investment" (Gill, 1990, p. 96). The desire for expansion, however, was out of step with the protectionist mood of the 1930s, so Roosevelt was unable to pursue such policies until the advent of World War II and the U.S. Lend-Lease policy with Britain. The expansionist vision of the Roosevelt administration was finally realized in the aftermath of World War II with the Marshall Plan and the negotiation of the Bretton Woods trade agreements.

Kees van der Pijl (1984) asserts that Roosevelt, along with American industry, was eager to avoid another recession and aware that American capital had a distinct advantage in the world in the wake of World War II, where much of the industrial capacity of Europe was decimated. Mills (1957) identifies military and economic expansionism as being justified by the power elite for its stimulating effects on the economy, stating that "military spending at home and the expansion of corporations overseas became one means by which the economic problems of the 1930s were overcome" (pp. 225-226). In effect, the United States economy, from the onset of World War II until the present day, “is at once a permanent-war economy and private-corporate economy” (Mills, pp. 275-276).

In order for American industry to exploit its position, it “required a drastic liberalization of the world market” (van der Pijl, 1984, p. 142). Trade liberalization was an essential element in the Marshall proposal put forth by U.S. Undersecretary Clayton at the Paris conference in September 1947. Under the Marshall Plan, the United States also pressured European states to “dismantle state-monopolist structures” which had been tolerated immediately after the war in order for Europe to stabilize class relations and restore social harmony (van der Pijl, p. 154). The U.S. was partially successful in these efforts, though Europe was able to forge its own capitalistic path after the resurrection of their economic system and the formation of the European Economic Community over the next decade.

Americans were successful in using the weakened state of Europe to negotiate favorable conditions for international trade. The American trade negotiations “fostered liberalism in the sense of a pervasive awareness that society was in need of an internationalist, essentially private-individualist turn of class relations if it was to withstand the challenge of socialism” (van der Pijl, 1984, p. 162). These negotiations resulted in the Bretton Woods system that was intended to create an international circuit of capital that could be exploited by American industry (van der Pijl, 1984, p. 142). From this point forward, efforts were continually made to strengthen the ties between Western Europe and the United States.

The Bretton Woods agreements did not constitute free-trade in the sense of *laissez-faire* economics. Rather, it included a set of international policies that were enforced by the newly created institutions of the Marshall Plan, the IMF and the World Bank, by which “the American governing class shaped the noncommunist world after World War II” (Faux, 2006, p. 15). The U.S. government also provided heavy support for domestic agriculture, aircraft, and other industries to insure that they would be competitive in the emerging international market (Faux, 2006, p. 14).

In 1959, an Atlantic Congress was convened in London to discuss the possibilities of further military-economic integration. The main concern was the spread of Communism, though the talks centered on economic matters, demonstrating “an awareness that the challenge of Communism had come to reside particularly in the area of rival development models for the newly independent nations in the periphery” (van der Pijl, 1984, p. 183). Trade liberalization and economic integration were now cited as conduits for containing Communism; the official Atlantic Congress Report recommended that Western governments move to implement these policies.

The European Monetary Agreement, which first came into effect in 1958, allowed convertibility of Europe’s major currencies. However, in 1960 the International Monetary Fund declared some of its policies to be in violation of international trade laws, particularly Britain’s tight control of their currency in order to keep the value stable. In response, banks in London began using U.S. dollars for many transactions. This “acted as a spur to the development of a foreign currency money and capital market in Europe, the ‘Eurodollar’ market” (van der Pijl, 1984, p. 188). This move, in effect, made the U.S. dollar the world’s reserve currency. In the coming decades, foreign currency markets become a crucial part of the emergence of neoliberal economic policy.

With the election of President Kennedy in 1960, American interest in Atlantic unity increased. Kennedy began to push the concept of an Atlantic Partnership, which recognized the emergence of Western Europe as an economic power in its own right and sought to "enlist active Western European support for its Grand Design on a more equitable, 'ultra-imperialist' basis" (van der Pijl, 1984, p. 195). In 1962, the Kennedy administration formalized this idea by introducing the Trade Expansion Act and began an active campaign to push it through Congress. This act greatly liberalized trade between the United States and Western Europe and strengthened the burgeoning integration of their economies by eliminating tariffs on many items between participant nations. The Kennedy administration also used the United Nations to court the Third World nations into the Western development model, inviting them to "take part in the organization of a world of sovereign states along the outlines of the Atlantic Charter" (van der Pijl, 1984, p. 200).

After Kennedy's assassination, President Johnson continued economic expansionism as he served out the rest of Kennedy's term and was subsequently elected himself. Van der Pijl (1984) asserts that the Great Society measures were necessary to win support for economic and military expansion around the world, stating

> whatever the degree of honest compassion with the poor and underprivileged…its function was to reinforce the legitimacy of the Executive in serving the interests of American capitalism, and these in turn could only be served in a context of international expansion. Vietnam was seen as the test of U.S. willingness to support its interests in the periphery at large. (p. 229)

American involvement in Vietnam served as a reminder of the United States' unwavering commitment to internationalism. The connection between domestic programs and international military and economic expansion cited above "was always in one way or another consciously articulated by the top leadership" within the Johnson administration (van der Pijl, 1984, p. 229).

The expansion of economic and military forces depended on domestic economic expansion and near-full employment, what van der Pijl (1984) refers to as the "social-imperialist compromise" (p. 230). However, in the early 1960s, the U.S. began to have a trade deficit with Western Europe. In order to stop the flow of capital out of the U.S., the Interest Equalization Tax of 1963 was passed with the intention of preventing U.S. money from being used in the internationalization of production. This had the unintended consequence of creating the Euro-capital market, and the "internationalization of bank capital in response to these developments led to a synchronization of the international circuits of money and productive capital as international finance capital" (van der Pijl, p. 231).

The United States and Britain strongly supported the growth of the Eurodollar market in London, which acted as an "adventure playground for private international bankers" in a world of tight capital controls (Helleiner, 1994, p. 8). The Eurodollar market is often described as "stateless" or "unregulated," but it could not have survived without support from the United States (Helleiner, p. 8). The formation of international finance capital has important consequences as its purveyors began to wield more power in the coming decade.

Major policy turns of the 1970s.

The 1970s were a decade of drastic changes in U.S. international economic policy. In the post-war international financial order, the U.S. dollar was the unrivaled currency being used in most international transactions. At this point, the U.S. government would still exchange gold for U.S. dollars, which provided stability in international markets (Polanyi-Levitt, 2006, p. 17). However, inflation became an issue in both the U.S. and other industrialized nations in the 1970s. From the point of view of the American government, the dollar had to be devalued against gold and the other major currencies. In addition, international runs on the dollar were beginning to undermine the U.S. dollar as the world's backing currency, causing the U.S. to lose massive amounts of gold reserves (Wachtel, 1990, p. 105). So, the Nixon administration, in an attempt to both stem the tide of investment now moving out of the United States, along with the desire to curb inflation, suspended gold convertibility of the dollar in 1971.

A system of floating exchange rates was now introduced, which "eliminated any need for the United States to control its own balance-of-payments deficit, no matter what its source, because it was now possible to release unlimited quantities of non-convertible dollar into international circulation" (van der Pijl, 1984, p. 255). In effect, the U.S. could now print as much money as was needed without having to worry about backing up its currency with tangible assets. Floating exchange rates were one of the first tools in the neoliberal framework that enhanced the power of international capital, followed in 1974 by laws that further liberalized capital flows (Dumenil & Levy, 2004, p. 11). This was in addition to the passage of legislation that allowed banks to consolidate functions, a reversal of policies enacted under the New Deal that has been identified with several banking crises throughout the 20th and 21st centuries. Western European nations soon followed the United States in passing legislation that deregulated capital flows.

These policies unleashed a wave of unregulated money into the international economy and “forced the major capitalist states to subordinate every aspect of economic policy to the defense of the currency” (van der Pijl, 1984, p. 258). Deregulation of international money created a monster of “stateless money outside of the jurisdiction of national governments” that undermined national monetary sovereignty (Wachtel, 1990, p. 182). In the early 1970s, when these speculative capital flows began to threaten the stable exchange rate system established by the Bretton Woods trade agreements, Japan and Western Europe pressed for an agreement to control capital movements, but the U.S. refused. According to Helleiner (1994), “The United States not only opposed cooperative controls in this period but also began, for the first time since 1945-47, to urge other countries to follow its lead in abolishing existing capital controls” (p. 10). The U.S. was the dominant player in international finance, so without U.S. support, other countries were forced to abandon the idea.

Currency market stability was now a thing of the past due to the masses of international free-roaming capital. Consequently, currency speculation led to inflation emerging as a constant problem in the industrialized nations. In addition, war in the Middle East led to OPEC restricting oil output in 1973, which led to a five-fold increase in the price of oil. Fluctuating oil prices throughout the mid- and late-1970s were also a major cause of inflation in the United States and other Western economies.

According to Helleiner (1994), in the late 1970s U.S. policymakers considered reintroducing capital controls as a way of dealing with the pressure the speculative markets were putting on the dollar. He states that

> despite the severity of the crisis, they rejected the idea. This decision marked an important turning point because it demonstrated the strength of the U.S. commitment to the emerging open international financial order, a commitment that had been increasing since the 1960s. (Helleiner, pp. 10-11)

In the early 70s, Nixon had effectively used wage-price controls to tackle inflation. Later in the decade, Congress offered a renewal of this authority to President Carter shortly after being elected, but Carter refused, believing the free market would fix inflation without intervention (Faux, 2006, p. 83).

But the inflation problem persisted, so in 1979, on the recommendation of David Rockefeller, Irving Shapiro (chair of the Business Roundtable), and Walter Wriston (president of CitiCorp and a director of the Business Roundtable), President Carter installed Paul Volcker as the head of the U.S. Federal Reserve (Jenkins & Eckert, 2000, p. 314). Soon after, Volcker instituted a surge in interest rates in order to quell inflation. This signified a shift in U.S. government policy from that of full employment to a policy that centered on tight control of the money supply. The rapid increase in interest rates led to rising unemployment in both the United States and Europe, leading to the first major wave of productive capital moving out of the United States and dealing a significant blow to organized labor. It also dramatically raised the income and wealth of creditors and allowed politicians to use the nation’s resulting indebtness to attack the welfare state.

These policies would be further enhanced and enforced by the Reagan administration in the 1980s (Dumenil & Levy, 2004, p. 11).

Chapter 4:

Private Influence on Neoliberal Government Policy

The Council on Foreign Relations

The Council on Foreign Relations (CFR) is considered the largest of the private policy-discussion organizations. It was founded in 1921 by a group of bankers, lawyers, and academics who were interested in promoting a greater role in the world for the United States after World War I. The CFR membership has strong connections to the social upper class and the corporate community in the United States. Today, members include individuals from 21 of the 25 largest corporations and 16 of the 25 largest insurance companies in the United States, including Time-Warner, IBM, Lockheed, Sara Lee, Alcoa, Boeing, American Insurance Group, Chevron, Federal Express, Goldman Sachs, Citigroup, Delta, Disney, Ameritech, and Eastman Kodak (Domhoff, 2002, pp. 85-86). Salzman & Domhoff (1980) call policy organizations such as the Council on Foreign Relations and the Trilateral Commission "the core of a power elite in the United States" (p. 235).

Domhoff (2002) credits the CFR with creating the "postwar definition of the national interest" through its War-Peace Studies discussion groups that were given financial support by the Rockefeller Foundation (p. 87). These groups made many reports that were sent to the State Department, but one is considered crucial to defining postwar WWII American interest. The War-Peace Studies

> defined the minimum geographical area that was needed for the American economy to make full utilization of its resources and at the same time maintain

> harmony with Western Europe and Japan. This geographical area, which came to be known as the *Grand Area*, included Latin America, Europe, the colonies of the British Empire, and all of Southeast Asia. Southeast Asia was necessary as a source of raw materials for Great Britain and Japan, and as a consumer of Japanese products. The American national interest was then defined in terms of the integration and defense of the Grand Area, which led to plans for the United Nations, the International Monetary Fund, and the World Bank, and eventually to the decision to defend Vietnam from a communist takeover at all costs. The goal was to avoid both another Great Depression and increased government control of what was then seen as a very sluggish economy. (Domhoff, 2002, pp. 87-88)

This report was influential in convincing the government that, in order to avoid further crippling recessions, it would be necessary for the United States to engage in economic expansion backed up by military strength. As noted in the last section, the Roosevelt administration agreed with this assessment. The Marshall Plan, along with many of the institutions created with the Bretton Woods agreements, including the International Monetary Fund, followed from these recommendations.

President Roosevelt's Advisory Committee, the group of advisors that eventually drafted much of the language that became part of the Marshall Plan and Bretton Woods agreements after WWII, were all CFR members with the exception of Secretary of State Hull. Later, Hull established an Agenda Group to oversee the details of the forthcoming United Nations. Again, all members of this group were CFR members with the exception of Hull himself.

The War-Peace studies proved to be the CFR's most well-known project, but the Council has continued to be influential in policy circles due to the wealth and status of its individual members and their connections to both Washington and Wall Street. Funding for the War-Peace studies project was provided by the Rockefeller Foundation. David Rockefeller later went on to chair the CFR from 1970-1985. Rockefeller also has ties to Chase Manhattan Bank (now part of J.P. Morgan Chase), where he served as chairman from 1969-1981, and B.F. Goodrich & Co., where he served on the Board of Directors from 1956-1964. In the 1970s, Rockefeller went on to found an international group that has much in common with the CFR, the Trilateral Commission, although the Trilateral Commission is an international organization, where the CFR is only open to U.S. citizens.

The Trilateral Commission

Internationally, from the 1930s onward, political and business leaders from both sides of the Atlantic Ocean began meeting regularly in what came to be known in 1954 as the Bilderberg conference. These meetings were attended by top military leaders, politicians, and international businessmen, along with some trade unionists, civic leaders, and selected media and academic leaders. Intended to strengthen political and economic ties between the United States and Western Europe, these meetings took on greater importance after the end of World War II due to the perceived threat of the Soviet Union. The Bilderberg meetings were significant for the U.S. because they "enlarged the membership of the American elite which could approach world development with a more internationally-oriented frame of reference" (Gill, 1990, p. 132). These meetings acted as an informal corollary to the official alliance between the United States and Western

Europe. These highly secretive meetings are still held annually and are attended by many of the world's wealthiest businessmen and most prominent politicians. Bilderberg was the forerunner of the Trilateral Commission in the sense that it laid the groundwork for meetings among high-ranking business leaders and politicians from across the Atlantic.

The Trilateral Commission was formed in 1973 by internationalists on both sides of the Atlantic Ocean, though credit is given to David Rockefeller and Zbigniew Brzezinski for organizing the group. They came together due to opposition to the Nixon administration's unilateral policies, along with a feeling that the international trade system was heading toward crisis. It is an informal organization that includes many of the world's top political leaders and heads of international business. The Commission first received notoriety when more than 20 members took senior posts in the Carter administration, including Vice President Walter Mondale, Secretary of State Cyrus Vance, National Security Advisory Zbigniew Brzezinksi, Treasury Secretary Henry Blumenthal, Secretary of Defense Harold Brown, among many others. Vance, Brzezinski, and Blumenthal, along with many other members of the Carter administration, were also members of the CFR.

Table 1 details the connections of the Carter administration to the Trilateral Commission and the Council on Foreign Relations, as well as direct corporate connections and ties to other policy groups and think-tanks. As the table demonstrates, many of Carter's top appointments were Trilateral Commission members, as well as members of the CFR. Direct connections can also be made between this administration and large financial companies, large oil conglomerates, and industrial capital firms. In addition, members had extensive connections with various policy group and think-tanks.

Table 1:

President Carter's Cabinet and Connections with the Power Elite

Cabinet Title	Name	Trilateral Commission member	Council on Foreign Relations member	Corporate Directorships	Think-tanks & other policy group memberships
Vice-President	Walter Mondale	Yes	No	Northwest Airlines, Cargill Corp., numerous investment firms	National Democratic Institute for International Affairs
National Security Advisor	Zbigniew Brzezinski	Yes (founder)	Yes (director)	Amnesty International	Center for Strategic & International Studies, the Atlantic Council, & others
Secretary of State	Cyrus Vance	Yes	No	None	None
Secretary of Treasury	W. Michael Blumenthal	Yes	Yes	Unisys Corp., Bendix Int., NY Stock Exchange, Tenneco Inc.	None
Secretary of Defense	Harold Brown	Yes	No	Evergreen Holdings Inc., Rand Corp.	Center for Strategic & International Studies
Secretary of Energy	James R. Schlesinger	Yes	No	Mitre Corp., BNFL, Peabody Energy, Sandia Corp., Seven Seas Petroleum, advisor to Lehman Brothers	None
Chairman of Federal Reserve	Paul Volcker	Yes	Yes	J.P. Morgan Chase	Group of Thirty, Rockefeller Group, National Association for Business Economists
Chairman of Council of Economic Advisors	Charles L. Schultze	No	No	None	Brookings Institution, American Economic Association, National Association for Business Economists
Representative to the United Nations	Andrew J. Young	Yes	Yes	None	Working Families for Wal-Mart
Secretary of Education	Shirley Mount Hufstedler	No	Yes	Hewlett-Packard, U.S. West, Harmann International	Center for National Policy, Natural Resources Defense Council, Rand Corp, MacArthur Foundation
Treasury - Assistant Secretary for International Affairs	C. Fred Bergsten	No	Yes	None	Brookings Institution, Carnegie Endowment for International Peace, Center for Global Development
CIA Deputy Director	Robert R. Bowie	Yes	Yes	None	American Academy of Diplomacy
Ambassador at Large for Economic Summit Affairs	Henry D. Owen	Yes	Yes	None	Brookings Institution, American Academy of Diplomacy

Carter himself became a Trilateral member shortly after the Commission was founded. According to Lawrence Shoup (1980), Rockefeller and Brzezinski were looking for a southern Democrat who could be trusted to support their internationalist agenda. This led to meetings between Carter, Rockefeller, and Hedley Donovan, then editor-in-chief of *Time Magazine* and another prominent Trilateral Commission member who became Carter's senior advisor on domestic affairs and media relations (Shoup, 1980, p. 202). Shortly thereafter, Carter was invited to join the organization.

At its founding, 60 of the world's 100 largest corporations and 9 out of the 10 biggest U.S.-based corporations had high-ranking executives as Trilateral Commission members. These members included businesses involved in transnational production, along with members of large transnational bank and media corporations. In the late 1970s, these companies included Exxon, General Motors, Coca-Cola, Bank of America, Ford, Bechtel, CBS, Time, Texaco, Mobil, Royal Dutch/Shell, J.P. Morgan & Co. Manufacturers Hanover Corp., and General Electric among many others (Gill, 1990, p. 153). Members had extensive links with governments, and individual members were influential in policy-making circles, often actively lobbying for policies benefiting international mobile capital in their respective countries. Many of the members were businessmen who held directorships in multiple large corporations, many of which made substantial profits from international operations (Gill, 1990, p. 153). Members were "influential in business associations, media enterprises, important (American) law firms, and civic institutions" (Gill, 1990, p. 158). The main goal of the Trilateral Commission is to "change the orientations of the foreign and domestic policies of the major capitalist powers so that they might become more congruent with a globally integrated economic structure" (Gill, 1990, p. 144).[1]

The basic role of the Commission has been to internationalize the outlook of its members. The exclusiveness and influence of this group fosters a collective identity and assists in aligning frameworks of thought. Mills (1957) refers to an Interlocking Directorate of business, political, and military elites that coordinated on important policy issues. Nowhere is this better demonstrated than with the Trilateral Commission, where "such arrangements permit an interchange of views in a convenient and more or less formal way among those who share the interests of the corporate rich" (Mills, p. 123). Members are carefully selected by an executive committee composed of the most prominent members to insure that all members share a basic outlook on world affairs. According to Gill's (1990) analysis, "The Commission and its kindred private organizations represent a means by which a transnational 'strategic consciousness' can be developed, and in which power resources may be mobilized" (p. 113). Here, the members are able to coordinate activities in order exert the necessary political pressure in their respective countries to achieve favorable policy outcomes.

Commission members hold a series of meetings that vary from informal to completely formal gatherings, where they share ideas on policy. Debates are often heated, though agreement is highest on economic policy where "debates are built from axiomatic principles of economic liberalism" (Gill, 1990, p. 227). The aims of Trilateralists include limiting cultural contrasts, which they believe contribute to attitudes of nationalism and xenophobia, which work against international trade. Their goal is to unite the world under a Western-oriented model of development, which is a part of neoliberal rationality. According to Faux (2006),

> Ethnic customs, cultural traditions, and religious structures had created habits and values that worked against the neoliberal vision of each individual for himself. Property ownership was informal and often collective. Religious scruples discourage lending. Social mores resisted the commodification of sex that drives so much of Western marketing…these cultural obstacles had to be smashed to make way for transnational corporate investment…the neoliberal program aimed to transform these societies – the values and culture of the people – in order to accommodate the demands for cheap labor and, eventually, expanding markets. (p. 99)

This overtly Eurocentric point of view views the whole of existence through the prism of the so-called free market. Faux (2006) sums up the logic well by stating that the "colossal arrogance that drives this enterprise is rationalized by a makeshift philosophical assertion that values of individualism, consumerism, and that markets were universal and basic" (p. 100). These assertions are the very hallmarks of neoliberal rationality being promoted by an organization that is identified as liberal, in the American political sense of the term. Influential internationalist groups such as the Trilateral Commission have had tremendous success in the past few decades in bending many of the world's people to accepting their vision of a world order.

Trilateralists believe the way to defeat nationalistic tendencies is the "global spread of the liberal concepts of the market, possessive individualism, consumerism, interdependence, efficiency, and welfare" (Gill, 1990, p. 8). This quote mixes notions of

Keynesian liberalism with neoliberalism, though further examination reveals that the latter prevails in the Commission's policy proposals. The Trilateral Commission regularly issues special reports that are influential in policy circles. One such report sought to devise new guidelines for an international policy-making body, the Organization for Economic Cooperation and Development (OECD) in 1978-1979 that recommended trade policies for most industrialized nations. The suggested policies focused on improving efficiency and freedom for the market system (Gill, 1990, p. 99). The report stressed market forces as the foundation of our economic system. Soon after, an OECD report prepared by a committee chaired by then Trilateral Commissioner Paul McCracken "stressed the need for tight control of national money supplies, cuts or restraints in government expenditures, and attempts to stop the rise in real wages" (Gill, 1990, p. 99). The report also clearly states that the consequences of these policies could be severe, including

> higher, potentially permanent, levels of unemployment, and therefore the major capitalist states would have to jettison commitment to one of the central pillars of the postwar welfarist consensus. The changes involved an attack on wage indexation, and a general offensive designed to 'liberalize' labor markets. This report, in other words, contained the essentials of the neo-liberal orthodoxy. (Gill, 1990, p. 100)

The Trilateral Commission and OECD reports portended a change in economic focus from a full-employment economy to a focus on tight control of the money supply by the U.S. government. It also demonstrates that the Carter administration clearly understood the consequences of turning to a tight monetary policy, as so many of them were Commission members.

Market-centered reforms are often central to the Trilateral Commission's economic studies, where "deviations from the principles of market rationality are only accepted if they are directed towards the promotion of market principles at some point in the future (Gill, 1990, p. 99). This makes it clear that neoliberal rationality prevailed over Keynesianism within the Trilateral Commission, even in its early days before stagflation was used as a justification for government slashes in social spending.

Mills (1957) states that "as the corporate world has become more intricately involved in the political order, these executives have become intimately associated with the politicians, and especially with the key 'politicians' who form the political directorate of the U.S. government" (p. 167). In their analysis of the emergence of neoliberalism, Harvey (2005) and Demarrais (2006) make no mention of the Trilateral Commission, choosing to focus on the American institutions explicitly identified with conservative political ideology. However, the Trilateral Commission speaks to a formalization of the alliance among the power elite between the United States, Western Europe, and Japan, and their members' extensive connections with government and business within their respective countries.[2] The Commission's range of members across the American political spectrum and the influence wielded by them in both government and business demonstrates a consensus within the American political system that began to more forcefully assert its hegemony during the 1970s.

Perhaps the most revealing report published by the Trilateral Commission was titled *The Crisis of Democracy* (1975). It was authored by three prominent Commission members – Michael Crozier, Samuel P. Huntington, and Joji Watanuki – though contributions were made by dozens of others, including Robert R Bowie, whom Carter later appointed as Deputy CIA Director; author Arthur M. Schlesinger; and Carter's National Security Advisor; Zbigniew Brzezinski.

The introduction to the report, written by Brzezinski, gives credit to the rise of cities and the emergence of capital investment as the reason for the diversification and extension of democracy (Crozier et al., 1975, pp. 5-6). The notion that economic liberalism led to political freedom is an idea directly associated with neoliberal ideology. It identifies intellectuals within academia and the media who "devote themselves to the derogation of leadership, the challenging of authority, and the unmasking and delegitimation of established institutions" as one of the key challenges to the future of democracy within the United States (Crozier et al., p. 7). The report blames education for the increasing boldness of intellectuals, stating

> In the age of widespread secondary school and university education, the pervasiveness of the mass media, and the displacement of manual labor by clerical and professional employees, this development constitutes a challenge to democratic government which is, potentially at least, as serious as those posed in the past by the aristocratic cliques, fascist movements, and communist parties. (Crozier et al., 1975, p. 7)

The authors consider an increasingly critical citizenry to be a danger to democracy. This reveals the elitist nature of the report and the taken-for-granted elitism that prevails within the Trilateral Commission.[3] It also demonstrates a desire among the authors to diminish or eliminate critical inquiry and debate within the education system and the popular culture.

In the conclusion, the authors argue that the widespread dissemination of education has created a challenge to democracy by raising people's expectations. Ultimately, the authors assert that the problems in governance are rooted in an "excess of democracy" (Crozier et al., 1975, p. 113). The authors state

> the vulnerability of democratic government in the United States thus comes not primarily from external threats, though such threats are real, nor from internal subversion from the left or the right, although both possibilities could exist, but rather from the internal dynamics of democracy itself in a highly educated, mobilized, and participant society. (Crozier et al., 1975, p. 115)

The answer to this challenge, according to the authors, is either to lower the expectations of those going to college, or redesign higher education to make it less about intellectual pursuits and critical citizenship, making it more about job training (Crozier et al., 1975, pp. 183-184). Railing against an open media and attacking the education system serve to blunt critique from the parts of the culture most equipped to provide oppositional voices against those in power. In effect, the Trilateral Commission is arguing for a more authoritarian posture on the part of the U.S. government to reign in free thinking in both formal education and the public pedagogical functions of the larger culture.

The report also cites union workers, particularly unionized government employees, as the primary reason for the inflationary tendencies of the period, because of their consistent demands for wage increases (Crozier et al., 1975, p. 105). In reality, demands for wage increases on the part of labor unions had little effect on the inflation of the period. Rather than providing sound arguments, these statements and indeed much of the report tell more about the perspectives and vested interests of the authors and members of the Trilateral Commission than offering solid critiques of current policy. Again, the answer, according to the authors, is to lower the expectations of the citizenry to lessen these demands.

The authors also express concern over a “greater dispersion of power” within the U.S. Congress (Crozier et al., 1975, p. 176). They suggest centralizing power within the House and Senate in order to derive and promote policy goals more effectively. The freedom of the press was, in their analysis, also in need of curtailing. The authors acknowledge the necessity of a free press, but argue that “like any freedom, however, it is a freedom which can be abused” (Crozier et al., p. 180). As noted earlier, the proponents of neoliberalism prefer to work through non-democratic channels whenever possible. The Trilateral Commission, according to *The Crisis of Democracy* (1975) report, wholeheartedly embraces much of neoliberal rationality, as its solutions to many of society’s perceived problems is to concentrate power into fewer and fewer hands. Its policy positions foretell the wave of corporate mergers that began just a few years after the release of this report. The Commission’s stance on education portends the “back to basics” movement, resulting in an increasing focus on standardized testing in schools. The attacks on education and academia bear a striking resemblance to some of the criticisms within the infamous Powell Memo, which is generally credited with jumpstarting the coordinated business reaction to the social movements of the 1960s. This demonstrates a clear alignment between the conservative allies of Powell and the elite liberals on the Trilateral Commission.

Though the report makes no direct policy recommendations, it does express the collective opinion among this highly connected and influential group of politicians, businessmen and other elites that many avenues of democracy need to be narrowed. Many of these goals were achieved in the subsequent decades as media consolidation has served to crush dissent on television and within newspapers, while the aforementioned raising of interest rates under Paul Volcker at the Federal Reserve did much to crush labor union power. Expectations were indeed lowered during the Carter administration as the Trilateral Commission report stated was necessary, under a cabinet that was loaded with Trilateral Commission members.

Carter Administration Policies and Neoliberalism

Carter was a member of an international organization whose chief goal was to shape the world in a manner that was conducive to international trade from the perspective of transnational corporations. Many of the members of this organization went on to high positions in his cabinet. The next logical path of investigation would be to examine his policy proposals to see if they reflect similar goals.

Like the Trilateral Commission, the Carter administration was deeply committed to international trade. Carter normalized trade relations with China in 1978 and completed the Tokyo round of GATT negotiations in 1979, which further liberalized the international trading system. He also turned a one-time meeting of world leaders by former President Ford into an annual event where world trade would be the centerpiece of discussion. These meetings later became known as the G-7 (and later G-8) summit (Biven, 2002, p. 110).

Neoliberal ideology re-envisions the state as the protector of the international trade system, while diminishing its role in social justice and equality. This necessitates increases in budget expenditures for defense while cutting spending on social programs and education. The Carter budget given to Congress in 1979 proposed cutting $2 billion from social services and $1 billion from social security and school lunches while raising the budget of the Pentagon. The following year another increase in the military budget was initiated, while $13 billion in cuts were slated for social programs, including food stamps and programs for children's health (Fink & Graham, 1998, p. 13). Inflation had become a serious problem by 1979; this was used as an explanation for cuts in social programs that can contribute to inflationary tendencies. It is noteworthy that Pentagon spending did not suffer the same criticism. The aggressive posture of the Soviet Union, particularly with respect to Afghanistan, was the justification for increases in defense spending (Fink & Graham, 1998, p. 13). These were highly unusual budget proposals for a Democrat of this era and were out of step with party leaders who controlled the House and Senate. Compromises were worked out in the final budgets that passed Congress.

One of the lasting impacts the Carter administration had on the American economy was the dramatic deregulation of American industry, including the airline, trucking, and railroad industries. The Carter administration argued that if these industries could become more efficient, it could lower inflation without causing unemployment to rise (Biven, 2002, p. 107). These arguments for deregulation were given considerable weight due a series of studies published by the Brookings Institution, where Carter's Chairman of the Council of Economic Advisors, Charles Schultze, was a senior fellow before joining the administration. Henry Owen, Carter's Ambassador at Large for

Economic Affairs and close advisor, was director of foreign policy studies at Brookings before being asked to join the administration. Fred Bergsten, the assistant Treasury Secretary, was also a member. Both Owen and Bergsten were also members of the Trilateral Commission. The position of the Brookings Institution on deregulation was virtually identical with that of Milton Freidman and the University of Chicago scholars, who stated that deregulation would be beneficial for both businesses and consumers. In hindsight, it is easy to identify these policies as a central part of the neoliberal agenda. Again, evidence is clear that centrist forces, in addition to those on the political Right, had become proponents of neoliberal policy.

The Carter administration also loosened regulations on financial institutions and ended controls on the prices of oil and natural gas, leading to higher prices for consumers. Passage of the Depository Institutions Deregulation and Monetary Control Act gave savings and loan associations and mutual savings banks greater freedom in lending. Savings and Loans institutions could now buy bonds as well as lend on commercial real estate (Wells, 2003, p. 109). This new consolidation of functions played a key role in the Savings and Loan crisis at the end of the 1980s. This legislation, proposed by Carter, passed Congress with bipartisan support, leading to a wave of mergers among banks. Large institutions such as Bank of America, CitiCorp, J.P. Morgan Chase, and Bank One swallowed up many smaller institutions.

Carter also scaled back enforcement from government regulatory agencies, citing the prohibitive cost to business and the subsequent contribution to inflation. Carter appointed agency commissioners who were sympathetic to regulatory restraint and created a review board that overruled many of the regulatory decisions of his own agencies that were deemed too costly to implement (Biven, 2002, p. 225). Reagan is often criticized for slashing regulatory agency budgets and discouraging their effective operation, but it is worth noting that his Democratic predecessor paved the way for this orientation toward government regulation.

Carter also pioneered the idea of redirecting the responsibility of social programs to states. At a time of tight budgets at the national level and urban distress in most major cities, particularly the older cities of the Northeast and Midwest, Carter redirected money and control for urban programs to states and localities. According to Fink and Graham (1998)

> Carter's urban initiatives redefined the civic sphere in ways that provided a theoretical justification for government cutbacks. He shifted the burden of urban problems to the private sector and to community groups. By diminishing government's role, Carter ensured that urban problems would remain unsolved. (p. 152)

Carter ignored the root causes of the urban crisis, which were a result of developments at the regional, national, and international level. More important, his neglect of America's big cities became a template for his successors during the twelve years of Republican rule that followed his presidency. Neoliberal rationale is apparent in Carter's approach to urban policy, where the national government is divested of its responsibilities for social welfare and protecting society's most vulnerable citizens.

The Power of International Financial Capital

Stephen Gill (1990) asserts that the easy movement of capital under neoliberal capitalism conditions the behavior of governments, along with trade unions and other groups (p. 113). Governments must push policies that attract capital, while trade unions must not demand too much from their employers. The recessions of 1970s-1980s contributed to a reappraisal of the public sector's role in the market economy. The tax revenue shortages made governments more willing to consider privatizing public services and assets (Gill, 1990, p. 7). This rationality was enhanced by the rise of financial capital; supranational forces weaken national government's ability to manage their own economic affairs. Under this scenario, privatization gains legitimacy and creates a "self-fulfilling prophecy that permits free-market ideology to gain a foothold" (Wachtel, 1990, p. 183).

Gill (1990) points out that international financial power "creates sets of constraints on national fractions of capital, states and labor...they make policies favored by transnational capital more likely" (p. 113). The development of a supranational monetary system forced certain policy responses on national governments, including the United States. In effect, "Supranational money now has control of the U.S. government, as it must adjust to keep them happy" (Wachtel, 1990, p. 135). The policies of the nation-state toward the market, labor, and infrastructure are now recast in an internationalist framework (Gill, 1990, p. 114).

Sharon Beder (2008) states that economies in the grip of international financial capital have to adjust every policy to appeal to these interests. The effect becomes that the "thrust of policies in such an economy therefore, even in principle, is not towards serving the interests of the people but towards serving the interests of speculators, which represents an inversion of democracy" (Beder, 2008, p. 13). According to Beder (2008), countries still retain an appearance of democracy through competing political parties, but "because of the constraints imposed by the need to please international financial markets, the policy differences between the major parties is minimal" (p. 13). As more power is handed over to non-democratic supranational entities, laws, or the lack thereof, will continue to favor the wishes of speculators over the wishes of democratically elected majorities within nation-states around the world.

Faux (2006) sums up the problems with the current arrangement of the global economy by stating that "the larger the international sector of the economy, the less power government has to smooth out business cycles, sustain domestic prosperity, and maintain the social contract. Therefore, the less relevant government is to the economic management of the economy" (p. 89). The international sector of the economy continues to grow, portending more destabilization for the foreseeable future.

Corporations are at the center of the power elite (Mills, 1957), while financial corporations are at the center of power within the corporate network because they control the direction of capital flows. This gives financial capital firms leverage over industrial capital as well as society at large as decisions about capital flows affects development at local, national, and even international levels (Mintz & Schwartz, 1985, p. 252). Banks have been able to achieve domination over the rest of the corporate world due to their unique position as lender, but also because of their extensive interlocking directorship ties (Domhoff, 2002).[4] This has allowed financial institutions to maintain a unified stance toward capital flows (Mintz & Schwartz, 1985, p. 252). Mintz and Schwartz (1985) state

> the leverage that accrues with the capacity for coordinated decision-making about capital flows – even the loose coordination of hegemony – is the most abiding and long-term external influence in corporate life. Therefore the influence of bankers is the most abiding and significant in the corporate world…major decision making takes place in the boardrooms of financial institutions and that this decision making reverberates throughout the entire society, creating de facto policy without the mediation of public institutions. (p. 250)

The direction of capital flows commits the resources of the society toward projects that are valued by financial institutions. Mintz and Schwartz (1985) state that "this form of corporate coordination is…the primary decision-making apparatus in American society" (p. 252). The modern bank is, essentially, a vehicle for control of the economy and the society.

The financial influence in the political system leads to governments often guaranteeing bank solvency no matter the cost (Harvey, 2008). The bank bailout of 2008-2009 in the United States seems to provide solid evidence for this assertion. Both the Republican Bush administration and the Democratic Obama administration have each handed over hundreds of billions of tax dollars to large financial institutions whose reckless, speculative lending behavior was an important causal factor in the banking crisis and the subsequent recession that is currently wreaking havoc on the global economy. The speculative lending of these large institutions was facilitated by the aforementioned banking deregulation.

The Glass-Steagall Act was part of New Deal regulations that were designed to prevent the crony capitalism that led to the stock market crash in 1929. This act disallowed the same financial institutions from selling both stock and commercial loans, as this has a tendency to corrupt the bank's judgment of a firm's creditworthiness. This happens because it gives the bank a stake in inflating the company's stock price (Faux, 2006, p. 117). When the Glass-Steagall Act was repealed in 1999, it "sent a strong signal to the banks that crony capitalism, widely condemned in the third world, was once again to be nurtured in America" (Faux, p. 118). And nurtured it was, with the repercussions likely to be felt by citizens all over the world for years to come, even assuming that the government takes steps to reign in the financial industry. With the business-friendly Obama administration at the helm, this common-sense reaction is far from certain.

However, the 2008-2009 bank bailouts were not the first large bailouts of the financial industry by the American government. Past financial bailouts include the S&L crisis of 1987-1988 that cost the United States $150 billion and the Long Term Capital Management Hedge Fund scandal in 1997-1998 that cost $3.5 billion (Harvey, 2005, p. 73). These scandals would never have occurred if not for earlier capital deregulation. If international capital has as much power over national governments as many assert, 2008-2009 may not be the last of the bank bailouts for the United States government.

Conclusions about the Ascendance of Neoliberalism

The currents of liberal ideology, which make up the core of neoliberalism, run strongly and consistently through American history. Notions of individualism are at the center of the American myth. Indeed it seems the aberration in American life occurred in the 20^{th} century from the Great Depression until the mid-1970s, when ideas about collectivism were able to gain a stronger foothold.

Economic expansion was a continuous goal of American policy throughout the Keynesian era, with the government consistently advocating policies on behalf of large corporations. Keynesianism shares the growth ideology of neoliberalism, so this is not as much an inconsistency in policy, but rather a shifting of focus.

The global expansion of trade was aided by “evolving technology, communications, and business organization in search of efficiencies of scale” (Faux, 2006, p. 87). As technological advances made trading easier, the natural tendencies of expansion inherent in capitalism were able to take hold.

But this is only part of the reality. Before the mid-1970s, foreign direct investment was done mainly to produce and sell within a foreign market. When companies produce and sell in the same market, they have a direct interest in keeping wages high, so the citizens of that market can buy their products, as Keynes underscored (Faux, 2006, p. 88).

Once the business community was able to get the American government to eliminate import restrictions and greatly reduce tariffs through international agreements such as GATT, along with easing international capital flows, transnational corporations were effectively able to divorce themselves from the post-World War II social contract. Where once the profitability of business depended upon higher wages for workers, now profits are maximized by keeping wages as low as possible. This helps to explain the disinvestment in public life over the last generation and the push by business organizations to dismantle social safety nets, because they no longer have the same degree of investment in the well-being of the U.S. citizenry. It also helps to explain the stagnating minimum wage, which would need to be raised from the current $6.15 an hour to $10 an hour in order to match its purchasing power in the late 1960s.

From the end of the World War II until the present, the U.S. government moved to steadily deregulate the movement of financial capital. This, in effect, has forced other countries to follow suit, otherwise those countries would quickly lose capital investment to countries such as the United States with friendlier regulatory laws. The U.S. has also encouraged other nations to liberalize their trade policies and even dismantle or diminish their social safety nets. Today, we identify these policies as neoliberal, yet the U.S. advocated such moves throughout the Keynesian era, which demonstrates that the distinctions are not always clear.

The U.S. shift from a policy of full-employment to that of a monetary policy focused upon lowering inflation was a substantial change in government policy. The dismantling of the welfare state at the same time that jobs have been continuously outsourced has had severe effects on American workers. What must be emphasized is that the expansionist moves of the United States government that occurred throughout the Keynesian period were instrumental in bringing about the era of neoliberalism, by freeing financial capital from the control of nation-states and by encouraging foreign investment by American corporations, which facilitated the outsourcing boom of the last generation.

Many of the boldest moves toward economic expansionism and capital deregulation occurred during Democratic administrations, particularly the Carter administration, even though many blame the modern conservative movement for the ascendance of neoliberalism. This examination reveals much of the neoliberal agenda to be a concerted effort by members of the power elite, regardless of American political party affiliation, to wrest power from a population that were beginning to take their roles as citizens too seriously. As noted by Faux (2006),

> the difference between the Clinton neoliberals and the Bush neoconservatives over America's fundamental role in the world is quite small. The leadership of the two parties is in accord with the notion that the American governing class has the authority and obligation to police the world. They only differ on the question of tactics. (p. 102)

As large transnational corporations have gained the freedom to move their operations anywhere in the world, countries have been forced to vie for their business, enticing them with large tax incentives. This has robbed national and local governments of much needed tax dollars, making it necessary to diminish commitments to safety nets and social services, including education. The concerted push made by those in power to control the culture worked to justify much of the neoliberal agenda and makes it ever-more difficult for forces opposing neoliberalism to gain traction in the public realm, as the next chapter will explain.

Chapter 5:

The Role of Media and Public Pedagogy in Bolstering Neoliberalism

Influence of Private Enterprise and Think-Tanks

Bourdieu (2005) says that neoliberalism is rooted in the economic common sense of the society (p. 10). The ideologies of individualism and market-based economics have endured recessions, the Great Depression, and the era of Keynesianism. However, in the last generation these concepts have been extended beyond the economic realm to make market logic the primary organizing principle for all decisions within the social and political arenas as well (Giroux, 2004, p. 495). This did not occur by accident or historical circumstance, but was largely a deliberate and systematic push begun by right-wing intellectuals, businessmen, and wealthy individuals.

In the United States in the 1930s, leaders of some of the largest U.S. corporations began having regular meetings in New York. Referring to themselves as the Brass Hats, they “colluded in a united effort to spread the free market message to the public using every available public relations avenue” (Beder, 2008, p. 2). Powerful business organizations such as The Advertising Council, the National Association of Manufacturers, the Chamber of Commerce, and many private organizations “formed to propagate free market economies so that people would be more pro-business and accepting of market values” (Beder, 2008, p. 3). These groups focused much of their efforts on the public school system, disseminating free education materials that endorsed free market ideology to school districts. In 1954, “corporations were supplying $54 million worth of free materials to schools compared with an annual expenditure of regular textbooks in schools of $100 million" (Beder, 2008, p. 3). This demonstrates the massive push made by business to promote the business-friendly free-market ideology of economic liberalism in schools.

In 1947, a group of academic economists, historians, and philosophers from the United States and Western Europe met in the mountains of Switzerland to discuss ways to combat the dominance of what they perceived as collectivist ideology within Western governments. The group came to be known as the Mont Pelerin Society (MPS). Led initially by Friedrich von Hayek, whose book *The Road to Serfdom* asserted that government ownership of the means of production would inevitably lead to authoritarianism, the MPS was committed to constructing a liberal utopia based on free trade and freedom of opportunity. Their first goal was to persuade intellectuals to change course and embrace individual freedom over collectivism. From there, they reasoned, the masses and politicians could be convinced to embrace a more individualistic orientation toward social policy (Turner, 2008, pp. 70-71).

Their professed goal was to facilitate the creation of an international order that was conducive to safeguarding peace and liberty, while permitting the establishment of harmonious international economic relations. They perceived the institutional safeguards for this international order to be a limited state function within a free international economy (Turner, 2008, p. 74). The MPS received financial support from wealthy individuals and corporations, and their ideas were disseminated by think-tanks, which many MPS members were part of in their respective nations. Think-tanks such as the American Enterprise Institute (AEI) and the Hoover Institute began working to influence American public opinion toward individualism and free-market ideology beginning in the

1940s and 1950s. They sent millions of pamphlets and public awareness brochures to reporters and other public figures, which spoke of the harm of government regulation, corporate taxes, and labor unions. These pamphlets also made the case for stronger national security and a more militant foreign policy. This worked in accordance with corporation and foundation endowments to journalism schools for courses and programs designed to make newspeople "more understanding" of the business perspective (Parenti, 1986, p. 40). This "bottom-up" effort to influence journalism and reporting worked in conjunction with the top-down efforts of media organizations discussed later in the chapter.

The Intercollegiate Society of Individualists, the first large organization dedicated to promoting free-market ideology on college campuses, began in the early 1950s; their first president was William F. Buckley. In 1955, Buckley also began publication of the influential conservative journal *The National Review. Modern Age* was another important conservative journal that came into publication two years later. In 1965, Irving Kristol began publication of the journal *The Public Interest.* Together, these journals worked to popularize free-market principles mixed with strong currents of anti-communism and conservative Christian values. These journals portended the alliance between free-markets ideologues and individualists with conservative Christians in American politics. The political effectiveness of this alliance was finally demonstrated with the election of President Reagan in 1980.

In the wake of the defeat of Barry Goldwater in the 1964 Presidential election, conservatives perceived a growing threat from forces on the left. It was in the face of this perceived threat, amplified by the pressure placed on business from public interest groups, along with Vietnam War protests, that future Supreme Court Justice Lewis Powell wrote his infamous memo to the chair of the U.S. Chamber of Commerce entitled *Confidential Memorandum: Attack of Free Enterprise System* in 1971. Powell argued that the business community needed a coordinated effort to protect corporate interests from an overbearing federal government. He advocated creating a staff of sympathetic scholars in the social sciences to evaluate textbooks and correct what Powell perceived as ideological imbalances in college faculties. He pushed for more action geared at influencing high school students, along with equal time for free enterprise advocates in the media. He also suggested that business should become aggressively involved in politics and should not be afraid to use the legal system to achieve its aims (Demarrais, 2006, p. 204).

Powell, along with former Treasury Secretary William Simon, worked to galvanize politicians, wealthy businessman, and philanthropists into protecting U.S. business interests by creating a "well-funded network of organizations dedicated to shaping opinion and policy in ways favorable to capitalism; neointellectuals would become the public and political actors for doing so" (Kovacs, 2008, p. 2). Here Powell repeats the idea promoted by the Mont Pelerin Society that the way to change government policy is by influencing the American intelligentsia. Powell and Simon also actively recruited scientists who were sympathetic to their causes, while urging businesses to forge stronger alliances with the scientific community.

In the wake of the appeals of Powell and Simon, conservative foundations, along with the help of large corporations, funded a new group of think tanks and policy groups that promoted right-wing and business-friendly causes. These think tanks "played a major role in disseminating and popularizing neoliberal ideas and ideologies…promoting the free market and attacking government regulation” (Beder, 2008, p. 10). Arguably the most influential of these groups is the Heritage Foundation, which was formed in 1973.

The mission of the Heritage Foundation is: “to formulate and promote conservative policies based on the principles of free enterprise, limited government, individual freedom, traditional American values, and a strong national defense” (Demarrais, 2006, p. 225). According to Demarrais (2006), today’s Heritage Foundation has a staff of over one hundred that includes policy analysts and communication specialists along with a management staff. They have four marketing divisions including “(1) marketing ideas to the media and public; (2) government relations to Congress, the Executive branch, and government agencies; (3) academic relations to the university, community, resources bank institutions, including state think tanks, and the international conservative network; and (4) corporate relations to business and trades” (p. 224). They also have a collegiate network to recruit and network with young conservatives, along with their Center for Media and Public Policy, which “offers news releases, commentary, easily arranged interviews with Heritage experts, a 24-hour media hotline with five media contacts” and free radio studios (Demarrais, 2006, p. 225). From the point of its founding, the Heritage Foundation played an important role in packaging conservative ideas for a larger audience. They published hundreds of essays each year on specific policy issues throughout the 1970s, particularly in the lead-up to the 1980 elections (Turner, 2008, p. 106).

The Heritage Foundation is vilified by Demarrais (2006), Beder (2008), and others, while think-tanks such as the Brookings Institution get a free pass because they are cited as being left-leaning or non-ideological. However, the Brookings Institution has been involved in crafting policies from the Marshall Plan to policy recommendations from the Trilateral Commission, both touting an expansionist free-trade ideology that contributed to the rise of neoliberalism. Major sources of funding for the Brookings Institution include the John M. Olin, Smith Richardson, and Walton Family Foundations, which are the *very same foundations* that are criticized by Demarrais (2006) for supporting conservative think-tanks such as the Heritage Foundation (Media Transparency, 2009).

As noted by Domhoff (2002), the Brookings Institution is a moderate right-wing organization. Although the Brookings Institution members were economic advisors to Democrats in the 1960s, "by 1975 these same economists were criticizing government initiatives in ways that later were attributed to the employees of their main rival, the American Enterprise Institute (AEI)" (Domhoff, 2002, p. 79). The two think-tanks now cosponsor the Joint Center for Regulatory Studies, which demonstrates their closeness to the AEI on basic policy issues.

The Trilateral Commission's programs were developed with assistance from the Brookings Institution, which was identified by Frank Rich (2004) in his book *Think Tanks and Public Policy* as a center-oriented or non-ideological think-tank, which demonstrates the hegemonic position of neoliberalism within economic policy in the United States, even among many in academia. The Trilateral Commission's first director, Zbigniew Brzezinski, enlisted the help of think-tanks because he believed the mobilization of intellectuals was essential to their success, stating "overt political acts and perhaps even the creation of new political structures will be needed to cope effectively with what may appear to be now essentially technical or economic problems" (Gill, 1990

p. 145). Interestingly, the rationale of employing intellectuals in their cause is similar to that of the Mont Pelerin Society and Lewis Powell, who are generally identified with right-wing ideology. MPS and Powell were pushing an economic agenda that aligns very closely with that of the Brookings Institution and the Trilateral Commission.

An example of one member of the Board of Directors of the Brookings Institution is Lawrence Summers, who was instrumental in pushing through the Gramm-Leach-Bliley Act in 1999 during his time as Treasury Secretary for the Clinton administration, which allowed consolidation among banks, securities companies, and insurance companies and led to further mergers in the financial services industry. The Gramm-Leach-Bliley Act is considered one of the primary causes of the collapse of the financial industry in 2008. Summers is an economist whose personal hero is neoliberal icon Milton Friedman. He is now a chief economic advisor for the Obama administration.

As stated by Domhoff (2002), "The corporate community is cohesive on the policy issues that affect its general welfare, which is often at stake when political challenges are made by organized workers, liberals, strong environmentalists" (p. xi). In the late 1960s and early 1970s, the business community in the U.S. began facing resistance from public interest groups and an antiwar movement that provided energy to the political left. In response, they stepped up publicity efforts with the Ad Council, mounting their largest economic education campaign. According to Beder (2008), their education material "juxtaposed personal, political, and economic freedom, arguing that constraints on economic freedom were tantamount to reducing personal and political freedom and that those who sought to intervene in the play of market forces, however well intentioned they might be, posed a major threat to those freedoms" (p. 4). The argument that personal and political freedom is derived from economic freedom is one of the trademarks of neoliberal ideology advocated by many early and influential neoliberals, most notably Milton Friedman. The campaign listed government regulation as the primary cause of inflation; the solution, according to the ads, was to roll back government regulations (Parenti, 1986, p. 73). It is worth noting that "the media contributed $40 million of free time and space to the campaign in the first two years" (Beder, 2008, p. 4). The media plays a critical role in disseminating free enterprise and free market ideology, as will be explored in more detail in the next section.

Corporations have effectively used their control of media and influence in government to take control of public service airtime on TV. The Federal Communications Commission (FCC) requires networks to devote three percent of air time to public service announcements. The Advertising Council, which is a nonprofit corporation funded and controlled by corporations and their directors, monopolizes free public service television time, along with free space in magazines and newspapers, to promote private enterprise and business interests. These advertisements are passed off as nonpolitical public interest material (Parenti, 1986, p. 73). Striking as this may seem, it is even more egregious after considering the groups that are frozen out of this free advertising time, including labor, consumer advocacy, environmental advocates, and other groups. Considering that the airwaves are publicly owned, this is a shocking abuse of power that receives little attention, but is further evidence of corporate domination over the political system.

News and Politics

Gramsci stated that the ruling class dominated through winning consent of subordinate classes through systematic ideological campaigns that penetrated their daily practices and common sense (Gitlin, 1980, p. 253). The media exercises great power over the thoughts of the viewing public because they decide what gets exposure and, conversely, what gets ignored. Their coverage, or lack thereof, defines what issues are important. Afterward, they frame the issues and control access to information. As noted by Parenti (1986), “The media may not always be able to tell us what to think, but they are strikingly successful in telling us what to think about” (p. 23).

Corporations exert direct influence over media through several channels, but the most direct is through the board of directors of large media conglomerates. In the 1990s, the largest media behemoths together had 81 directors on their boards. These directors held 104 other directorships with Fortune 1000 companies. By the 2000s, further consolidation left only 5 media companies with 118 directors who sat on 288 other corporate boards (Perrucci & Wysong, 2003, p. 208). As of 2005, these interlocks included the large defense contractors Lockheed Martin and General Electric, big oil companies Chevron/Texaco, Conoco Phillips and Halliburton, along with many of the largest banking institutions including J.P. Morgan Chase, Lehman Brothers, Citigroup, Goldman Sachs, Bear Sterns, and Wells Fargo (Phillips, 2005, p. 1). Bear Sterns and Lehman Brothers no longer exist as independent entities after the banking crisis of 2008-2009. Is it possible that the interlocking directorates within these media institutions led to underreporting (or non-reporting) of the underlying conditions of some of these banking firms? It seems likely. However, even if no specific conflict of interest was evident in media reporting, the power wielded by media companies is enough to call such relationships into question. The larger society must ask whether a society can be open and free-thinking when the vast majority of information is controlled by so few individuals, many of whom have strong connections to other powerful institutions within the society. The centralization of control inherent in this arrangement is fundamentally undemocratic.

The media are controlled by top corporate and political elites, so it is not surprising that the media reflect their worldview. However, there is not one single ruling class, so the hegemonic ideology adopted by the media reflects this variety and complexity (Gitlin, 1980, p. 254). However, there are certain tendencies among mainstream media that have proven consistent, particularly from the Vietnam era forward. The establishment positions on the virtues of free enterprise and capitalism and the denigration of protests, labor unions, and communism are given steady exposure, while countervailing views of these topics are given very limited play, often being derided or simply ignored. While business criticism can be found within the media, it usually takes the form of isolated cases (Parenti, 1986, p. 109). A particular business may be vilified *after* egregious actions have been exposed, such as the behavior of Enron earlier in the decade. But rarely, if ever, will the media dig below the surface to examine the structural reasons why such abuses were able to occur. In the case of Enron, as with the banking crisis, government deregulation was directly responsible in allowing Enron to manipulate energy futures. Instead, structural issues are manipulated to appear as interpersonal dramas. The convergence of abuse and incompetence on the part of government officials and regulators is blamed upon the behavior of particular executives such as Ken Lay and Jeff Skilling. Meanwhile, not exposing the underlying conditions ensures that similar occurrences are sure to repeat themselves, as they did a few years later with the banking crisis, whose fault can be traced back to rollbacks in government regulation. This demonstrates the destructive and destabilizing logic of neoliberal rationale, as systemic injustices and problems are individualized, while collectivist and systemic solutions are ignored.

It is vital that citizens understand the central role that deregulation played in the economic collapses of the last decade. Understanding such connections is, at least partly, the job of the media to explain to viewers and readers. Schiller (1989) states

> of the urgent questions now surfacing, the personal connection might not be as readily apparent. This explains why the control of the mass media and the general information system has become a key element either in maintaining or changing the status quo. How the media treat or ignore a problem constitutes a critical exercise of power. (p. 163)

With issues of government policy and other specialized information, connections may not always be obvious for a casual viewer or reader. This is where the media could play a critical role in raising consciousness, but rarely does so. Media consolidation has intensified this problem as reporting has become more one-dimensional and less substantive. The dissemination of information becomes tighter and it becomes easier for the media to present stories in a unified manner pleasing to their corporate directors.

The popular media frame events and then analyze events through their own frames (Gitlin, 1980, p. 141). For example, in the rare times that protests are covered, the common question asked by the media is whether the protest will be violent. This becomes the media's frame for reporting the event. Either the event was violent, or it was not, but what is not discussed is why protestors were protesting. What were their issues or points of concern? What did they hope to achieve by organizing? These questions are simply not asked, making it more difficult to call attention and galvanize public opinion against harmful corporate practices or shortsighted government policies.

The manipulation of protest coverage first became apparent with the social protests and uprisings of the late 1960s. After the riots in Detroit and Newark, the Justice Department met with news executives and laid out guidelines for covering “racial disturbances” in order to “cool down the tensions in the ghettos” (Gitlin, 1980, pp. 212-213). Within a year, all three major networks had devised their own guidelines that matched government requests. In particular, militant black leaders who advocated violence were no longer to be covered (Gitlin, 1980, p. 213).

Manipulation was also apparent in the coverage afforded Vietnam War protests. According to Gitlin (1980), the media consistently played up the violence of the early protests, contributing to a sense that it was an extremist movement, which helped to justify the repressive response from the state (p. 203). As the war became unpopular and the protests grew, the media helped to foster the belief that an ideological divide existed between the average anti-war protestor and the confrontational radical leftists. By the time of the Nixon inauguration in 1969, the protest movement’s counter-inauguration was ignored by NBC and given scant coverage by the other networks (Gitlin, 1980, p. 214).

A decade later, it became even more difficult for protests to receive coverage (Gitlin, 1980, p. 287). The consumer advocacy movement was growing and labor union protests were prevalent as rapid inflation began to affect the real income of workers, but protests received very little attention in the popular press. In more recent times, the media-labeled “anti-globalization” protests in Seattle in 1999 were afforded coverage by the media, though the damage to city property inflicted by the protestors was greatly exaggerated and framed to present the demonstrations as violent, when they were overwhelmingly peaceful. Nowhere in the coverage by the major media outlets were the concerns of the protestors taken seriously. In 2008, the Denver police arrested 1,700 protestors at the Democratic National Convention and held them without charges for several days, yet this received virtually no coverage in the major media. This allows the government to more forcefully repress the masses and keep attention away from extreme injustices in neoliberal economic and social policy. During the early 1960s, media footage of the brutal repression of blacks by police officers in the south served to galvanize support around the civil rights movement. Today, social justice movements can count on virtually no coverage from the media unless it carries a derisive slant.

The media, as it is currently arranged, cannot take protests seriously, anymore than they can examine the systemic corruption of business and its ties to deregulation and lack of government oversight. This is because it would call the system itself into question. Deregulation of media has led to consolidation into the gargantuan media organizations of today. These giant corporations are owned and controlled by the same people who worked to deregulate industry and have instituted the global financial system that was being protested in Seattle and Denver. Media work to deride, denigrate, or simply ignore protest movements, particularly ones with any revolutionary tendencies, because it would openly call into question the entire system of control that channels decisions ever-upward and out of the hands of the citizens.

The media exert tremendous control over the political process as well. The deregulation of media has worked to put both politicians and political parties at the mercy of corporations, as only corporations can finance the exposure that it takes to win national office (Schiller, 1989, p. 132). Politicians are careful not to antagonize the media, as a negative impression by the media can mean the end of their careers. Political candidates tend to avoid controversial issues, as the tabloid journalistic posture of today's media will tend to focus on the controversy itself, rather than the issue. This has a conservative effect on the political system as it becomes difficult to offer any truly radical ideas (Parenti, 1986, p. 14). The policy proposals pushed by candidates tend to fall within a narrow frame in order not to appear too progressive or reactionary. Beyond the candidates themselves, this also has a conservative effect on public discourse, as policy proposals tend to flow from the candidates, through the media, and into public discussion. The result is that campaign coverage tends to focus on image, rather than content (Parenti, 1986, p. 14).

It is hard for people to see through the media fog because they are conditioned to accept the frames that are offered. According to Parenti (1986), people tend to discriminate based on past exposures to media (p. 21). Opinions too far out of the mainstream are likely to be immediately rejected by the viewer or reader. Media consolidation helps ensure an ever-more uniform set of opinions that bombard the viewer or reader, while our selectivity will dismiss information and views that contradict the frames that we have been conditioned to accept (Parenti, p. 21). The media can occasionally allow subversive views on news shows, or even in print, because most viewers are likely to reject the information as extreme. This mechanism serves to reinforce an appearance of balance and objectivity in coverage, while never seriously challenging the dominant frame.

The press most effectively directs perceptions when people have no prior or contrary information (Parenti, 1986, p. 22). It is easy to dismiss protestors as extreme or violent, since the media is not offering any substantive coverage of their reasons for protesting. The only people who might challenge such notions are the protestors themselves, or people who know the protestors and understand their motives. In the same way it is easy for media pundits to dismiss a single-payer national health-care plan as "too expensive," even though in reality it would save the nation hundreds of billions of dollars a year while making the nation healthier, safer, and more productive. Unfortunately, without media coverage, the only people who know this are policy experts, activists, academics, and their immediate connections. It is in this way that media act as a conservative force by what they choose to cover, what they choose to ignore, and what they choose to mischaracterize or misrepresent.

Kellner (1979) reminds us that "as long as individuals in advanced capitalism are more than totally manipulable robots, they can process television and images and messages in ways that may contradict the ideological encoding of the 'mind managers'" (p. 402). This may help to explain the increasing prevalence of analysis following coverage of events, particularly politics. Not only have our political choices been narrowed and options outside of that narrow spectrum been ignored or derided, but among our remaining political choices media pundits tell people exactly what to think and feel about their every speech, statement, or appearance. The so-called analysis generally only analyzes the effectiveness of the statement or speech, rather than the content. Rarely is the efficacy of the policy proposal itself analyzed substantively. In the

21st century, the political analysis provided by network news has about the same depth of coverage as celebrity news shows. Giroux (2008) sums up the point eloquently;

> as knowledge becomes abstracted from the demands of civic culture and is reduced to questions of style, ritual, and image, it undermines the political, ethical, and governing conditions for individuals and social groups to either participate in politics or construct those viable public spheres necessary for debate, collective action, and solving urgent social problems. (p. 122)

The focus on image and success, rather than on content and substance, serves a public pedagogical function: sending an unspoken yet loud and clear message that what matters most in politics is not the substance of the issues, but image management. Do not be concerned with the ideas, but how those ideas are sold.

Film and Television

The quality of political coverage has a direct bearing on the quality of democracy, but the media influence perceptions in other ways that are crucial. The depictions presented on television and feature films are also important markers of public pedagogy, providing a “daily, if not hourly, diet of systemic values, spooned out to whichever public happens to be engaged” (Schiller, 1989, p. 33). The production of culture, largely through these avenues, is vital in maintaining, reinforcing, or challenging the status quo.

Schiller (1989) refers to TV, film, sports, and other media distractions as the “social glue” of the advanced market economy (p. 34). As people have moved farther away from their friends and co-workers, segmenting themselves by income category in isolated, cul-de-sac neighborhoods, water cooler discussions about the previous night’s sitcom or sporting event have become the common point of reference for socializing. This interaction works, however inadequately, to fill the social needs of people who feel increasingly isolated in this anonymous world of big-box retailers where one does not know the name of the employee at the hardware store, let alone any neighbors.

Giroux (2008) refers to today's television environment as one of "unchecked social Darwinism" where "demonizing the most vulnerable, treating misfortune with scorn and granting legitimacy to a fiercely competitive ethos that offers big prizes to society's winners while producing a growing insensitivity to the plight and suffering of others" (p. 161). One need only watch one episode of the hit reality TV show *Survivor* to recognize the hyper-individualism and the win-at-all-cost mentality where the very purpose of the show is to screw over all other contestants until there is only one person left. In the wake of this massive hit show, dozens of shows with similar themes washed over prime-time television over the last decade.

Kellner (1979) states, "Through American television people passively receive ideologies that legitimate and naturalize American society" (p. 389). In reality TV and shows like *Survivor*, we see the ideologies of individualism being elevated and naturalized, while the values of teamwork, compassion, and honesty are – by the very design of the shows – denigrated or minimized. In the real world of neoliberalism as in the scripted world of reality TV, there is no value in community solutions to problems, no lifting up another person when they suffer misfortune. Deep and meaningful connections to others are not valued; victory is all that matters.

This rationality can also be witnessed in the changing nature of the game show on

American television, where traditionally losers were given consolations prizes, projecting the “benevolent welfare state where losers, too, are taken care of” (Kellner, 1982, p. 144). On many game shows today, consolidation prizes have been eliminated in favor of the host’s declaration that the “loser” leaves with nothing, emulating the winner-take-all rationale of neoliberal reality.

Kellner (1979) identifies the key role of television and popular culture as that of “ritualistically producing and transmitting mythologies and hegemonic ideology” (p. 289). TV performs this function less through rationality, as opposed to print-media, and more through images, symbols, and mythological components. Kellner’s analysis of television during the late 1970s provides a window into how television was operating to produce, reinforce, or contradict neoliberal ideas while many of the key moves toward neoliberal social policy were occurring within the U.S. government.

Shows such as the TV miniseries *Loose Change* depicted three women who attended Berkeley in the 1960s. It portrayed the 60s as chaotic versus the stability of the present, emphasizing the “pain and punishment inflicted for not conforming and the rewards for adjusting to the existing order” (Kellner, 1979, p. 396). This aligns with efforts of news shows to minimize coverage of protests, working synergistically to socialize people away from social action and toward conformity.

Kellner (1982) says that sitcoms affirm conformity and the society’s dominant values and institutions (p. 145). The hit sitcom of the late 1970s *Laverne and Shirley* depicts two working-class women who are determined to “do it our way” and “make our dreams come true” (Kellner, 1979, p. 397). Episodes end with them failing to achieve their goals and accepting their working-class status with a positive attitude. Airing at a time of severe economic dislocation after years of decline in real wages, when the decline of manufacturing jobs first became apparent to average Americans, *Laverne and Shirley* projects the message that working-class life is not bad, certainly not bad enough to join a protest movement or perform any other type of social action. As social mobility became more and more difficult for the working-class, shows like *Laverne and Shirley* projected the message of people happily accepting working class status.

New ideologies promoting extreme individualism also made their appearance in the 1970s. Shows like *Starsky and Hutch*, *Baretta*, and *Serpico* featured individualistic police officers who battled corruption and inefficiency from their superiors, all while fighting criminals on the streets (Kellner, 1979, p. 402). Kellner identifies these shows as anti-authoritarian, contradicting the themes found in shows like *Laverne and Shirley*, because of their attacks on bureaucratic corruption within the police hierarchy and government agencies such as the FBI and CIA (p. 402). However, these attacks are narrowly focused on the public social functions of the state, demonstrating that this is just another facet of neoliberal rationality, where the state is envisioned as inefficient and ineffective at solving social problems, be it crime, poverty, or other social ills.

Individualism and social decay were common themes in popular cop films of the era such as the *Shaft* and *Dirty Harry* movies. In the *Dirty Harry* movies of the 1970s and early 1980s, Clint Eastwood plays a vigilante cop who must endure the inefficiency of the police bureaucracy and the ineptitude of superiors more worried about their political aspirations than about catching criminals. A recurring theme is one where criminals, who are clearly guilty of their crimes, are let go due to technicalities or improper police procedures.

Giroux (2006) states that films do more than reflect culture, they also construct it, where the viewer "participates in a kind of ideological framing and works to structure everyday issues around particular assumptions, values, and social relations" (p. 123). In the *Dirty Harry* movies, the viewer learns that the system is rotten and corrupt, that people care more about themselves than justice, and that there are no collective answers to these challenges. The only answer is the individualistic vigilante justice of Harry Callahan's 357 magnum handgun, reinforcing the ideology of individualism as part of neoliberalism.

Superhero movies such as the *Batman* and *Spiderman* franchises have set box office sales records in recent years. The immense popularity of superheroes on television and movies in the modern era also had its genesis in the late 1970s with shows like *The Incredible Hulk* and *Wonder Women*, along with the popular *Superman* feature films. The universe of the superhero bears a striking resemblance to that of the world of Harry Callahan. Criminals control the city and police officers are helpless against their overwhelming power. High-ranking policemen and public officials are often corrupt and part of the problem. As in *Dirty Harry*, only the individualistic and, at least in the case of superheroes, superhuman effort of the lead characters can save the city, demonstrating that collective effort by engaged citizens will not be enough to stem the city's decay.

Giroux (2006) calls film "a visual technology that functions as a powerful teaching machine that intentionally tries to influence the production of meaning, subject positions, identities, and experience" while representing an important site for political struggle (Giroux, 2006, p. 120). In the *Dirty Harry* movies and superhero films and TV shows, we see the logic of neoliberalism crushing the notions of community and collectivism. Absent is an exploration of the underlying reasons for criminal activity, or even recognition that there might be larger forces at work. Illegal behavior is the fault of bad individuals, not a society that systematically objectifies and demoralizes people and stresses material success while taking away the collective means for helping a greater number of people to achieve it. The public pedagogical function of these films is to construct a world of isolated individuals in pursuit of individualistic goals and rewards. Representations of collectivism or the public realm, such as the legal system or police departments, are repeatedly shown to be ineffectual. Public spaces such as streets and parks are presented as dangerous and under the control of ruthless criminals, rather than spaces for social action and interaction. The message is to fear the public realm, move to a secluded and income segmented neighborhood far away from the anarchic public streets. A steady diet of televised entertainment has a reinforcing effect; the consistent message to the viewer is not to risk venturing out into public space, but rather stay at home and receive your entertainment from the passive and isolating medium of television.

Chapter 6:

Significance: The Consequence of Neoliberalism

David Harvey (2005) asserts that neoliberalism could be interpreted in two ways: as "a utopian project to realize a theoretical design for the reorganization of international capitalism, or a political project to re-establish conditions for capital accumulation and to restore power of economic elites" (p. 19). Results demonstrate that it has not restored capital accumulation, but it has restored the power and wealth of the economic elite. In the 1970s, the percentage of wealth held by the richest 1% plummeted, only to recover in the 1980s as the monetary policies associated with neoliberalism took effect (Dumenil & Levy, 2004, p. 12). In fact, the wealth of the richest 20% has climbed steadily from the late 1970s onward (Polanyi-Levitt, 2006, p. 20), while real wages for most Americans have steadily declined since the same period. The utopian arguments made by the Mont Pelerin Society and other free-market advocates appear to simply be justifications for achieving the goal of reasserting elite power. Government's "protecting financial interests reflects consolidation of upper-class power, but is antithetical to neoliberal theory" (Harvey, 2005, p. 74). The United States government, who recently provided large handouts to transnational corporations while simultaneously cutting back on social programs, lends weight to Harvey's assertion that the true purpose of neoliberalism is to reestablish elite power, rather than an orthodox belief in the principles of neoliberal economic theory.

Van der Pijl (1984) states that privatization "has largely depleted the stock of centrally controlled wealth which the homeland of capital might need to survive future crises, but which has now been liquidated for private enrichment driven by the same predatory instincts" (p. 311). This is supported by David Harvey (2008), who states that the U.S., because of the depletion of the treasury over the last generation, does not have the financial resources to combat the recession of 2008-2009. According to his figures, the U.S. would need to spend at least $2 trillion on a stimulus package for it to regenerate the economy (Harvey, 2008). The plan that passed Congress was $850 billion, which is only approximately one third of the total Harvey asserts is necessary to be effective.

Time will tell if the stimulus bill can reignite the American economy. Of course, stimulus spending alone will not bring back the long-term, good-paying jobs that have now been lost under the policies of neoliberal globalization. The U.S. recession of 2008-2009 may very well signal a long-term shift downward in the quality of life for average Americans as the government – both Democrats and Republicans, liberals and conservatives – refuses to acknowledge that the economic policies of the last generation have destroyed the foundation of American economic prosperity, at least for the vast majority of Americans.

The consequences of the unrestrained free market have made headlines throughout the recession. In the United States, the focus on short-term stock gains led to overbuilding in the housing market and over-lending by banking institutions, which was another causal factor in the current financial crisis. The mergers in the financial services industry that have occurred in the wake of the passage of the aforementioned Gramm-Leach-Bliley Act in 1999 have led to the formation of gargantuan financial institutions. Now the American people are told that many of these banks are "too big to fail," which has led the White House to assert that these institutions need a bailout from the taxpayers.

At the same time, the position taken by the Obama administration with offering loan assistance, as opposed to bailouts, to General Motors and Chrysler demonstrates their desire to break the United Auto Workers, who have long been a symbol of American union power. The U.A.W. had already agreed to major concessions in the last contract negotiations, but the Obama administration made government loans contingent upon the auto companies gaining even-greater union concessions. This overt double-standard – offering free taxpayer money to financial capital while stiffing productive capital – demonstrates the entrenched power that financial capital has over Washington.

The future under neoliberal globalization is sure to bring lower wages for the middle class due to the accelerated pace of outsourcing that is now apparent to anyone in the United States not in a coma or suffering from dementia. Speaking about outsourcing and free trade, Faux (2006) correctly asserts, "You cannot logically believe that one is good and the other is bad. Like free trade, the major impact of outsourcing is not on the number of jobs as much as it is on the wages they pay" (p. 185). Outsourcing of jobs is a logical part of neoliberalism and will continue to accelerate until policies are fundamentally altered.

Outsourcing of jobs has steadily moved from blue-collar industries to routine office work and onto professional white-collar work. Today, much of the advanced research and development that would traditionally be located in the United States is being moved to countries like China and India (Faux, 2006, p. 186). And there is no end in sight because, as Faux (2006) points out, these countries "can maintain huge supplies of labor willing to work for subsistence and at the same time graduate scientists, engineers, and technicians in greater numbers than the United States" (p. 186). Today, many of the biggest companies in the United States make a majority of their profits abroad. The vast majority of their capital investment is also done overseas, making investing in American social programs and education unnecessary (Faux, 2006, pp. 189-190).

It is now clear that no job is safe from the effects of neoliberal globalization, including teachers. This lack of certitude about one's existence is sure to bring about social dislocation and disruption, as has already been evidenced by the recent recession and the collapse of the housing market. This is also part of the neoliberal agenda, as it further weakens the resolve of workers to ask for higher wages and better working conditions (Robbins, 2008, p. 337). This logic was explicitly asserted in the *Crisis of Democracy* report published by the Trilateral Commission in 1975.

Neoliberalism came to the fore of American policy due to a convergence of forces related to both major American political parties. The conservative movement, including groups such as the Mont Pelerin Society, think-tanks such as the Heritage Foundation, and individuals such as Lewis Powell and William Simon, had considerable influence on policies associated with neoliberalism. However, what should not be ignored is the role played by members of the American politics outside of the political Right. During the pivotal points of the 1970s when financial capital was beginning to assert its power, members of the future Carter administration were knee-deep in the Trilateral Commission, working on reports that touted the same neoliberal ideology as that espoused by the American conservative establishment.

The ties between corporations and the government became most obvious during World War II and the presidency of Democratic President Roosevelt. Decades later, Carter's focus on deregulation and cuts in social spending began a generation of unremitting attacks on the entire public realm, including education. In addition, it was

President Carter who instituted Paul Volcker as the head of the Federal Reserve. This was done with an explicit understanding that Volcker would raise interest rates in order to quell inflation. Carter willfully ignored the option of using wage-price controls, even though the consequences of such a policy were clearly understood, as the previous Trilateral Commission and OECD reports cited earlier make clear.

In the 1990s, it was Democratic President Clinton who finalized the Uruguay round of GATT negotiations, creating the WTO and putting ever more power into the hands of the IMF and World Bank, who are beyond the reach of democratic majorities. As noted by Harvey (2005),

> Governance by majority is seen as a potential threat to individual rights and constitutional liberties. Neoliberalism favors governance by experts and elites. They prefer to insulate key institutions from democratic pressure, such as the central bank. There is a strong preference for government by executive order and judicial decision rather than democratic process. (p. 64)

The power of international institutions such as the WTO, IMF, and World Bank are direct expressions of neoliberal ideology, as they are able to make binding decisions on nations without input from citizens or even the governments of those nations. But it is worth noting that these institutions were also created as part of the Bretton Woods trade agreements in the heyday of the Keynesian era in the late 1940s. As the interest of the power elite evolved on the issues of free trade, the role of these institutions were expanded to reflect the changing desires of large corporate interests.

Although neoliberals prefer to avoid democratic processes whenever possible, orchestration of public opinion is often necessary in the long run. Failure to gain public approval for policy actions can cause political problems when large sections of the public are against a given policy. This was demonstrated in the late 1960s and early 1970s with the Vietnam War and social movements of the era. In response, corporations tightened their grip on the media and have waged a constant war on education in the form of a standards movement. The need to influence public opinion to changing prerogatives of the power elite helps to explain the massive push made by think-tanks, interest groups, and business in the 1970s in the midst of these overhauls of U.S. trade policy.

Clinton also successfully pushed through NAFTA with nearly universal support from economists, demonstrating the “hegemony of abstract individualism among American economists and those under their intellectual influence” (Rupert, 2000, p. 56). Many of these economists identify themselves as being on the left of American politics, which truly demonstrates the pervasive grip of neoliberalism on the people who govern the United States, which first became apparent in the 1970s with the economic reports from the Brookings Institution.

Clinton also pushed for China’s entry in the WTO, gaining their admittance in 1999, with the repercussions direct and severe for millions of people within the United States and countless millions more around the world. These examples demonstrate the bipartisan nature of this issue. An honest discussion of how to take on neoliberalism must begin with the understanding that the leaders of both the Democratic and Republican parties are servants to the neoliberal corporate agenda. A challenge to neoliberalism, therefore, must take the form of a direct challenge on the two major American political parties. This challenge could take the form of a populist third-party that pulls disillusioned members from the existing two parties or a challenge from within one or, perhaps, both parties, as a response to popular pressures from the citizenry as the economy continues to fall into the abyss.

Many of the laws that facilitate the outsourcing of jobs could be changed, or laws could be enacted that would reverse this trend. Domhoff (2002) states that "tax breaks to offset taxes paid overseas could be eliminated, for example, or laws could be passed stipulating that goods could not enter the U.S. from countries that ban unions and use government force to suppress wages" (p. 150). But even after all of the economic turmoil of the past few years, there is no public talk among politicians or media pundits about implementing any of these policies. This is because the corporate forces that control both the media and the leading politicians of both political parties want to keep these options off the table.

In the domestic political arena, voters are told that there is no alternative to neoliberal globalization. Both Republican and Democratic presidential nominees since at least the early 1990s have been staunch neoliberals. This is because the corporate community is united in their support for neoliberal globalization. Any presidential primary candidate who dares to challenge the gospel of free trade, such as Dennis Kucinich for the Democrats in 2008, is quickly starved of the corporate funding now necessary to mount a serious challenge for the presidency. In addition, Kucinich and other candidates who dare to challenge the status quo are derided by the media with unyielding personal attacks. Of course, the media tend not to attack these candidates' policy positions, because they tend to be far closer to the majority of American people than the media's preferred corporate candidates. The overt favoritism of certain candidates by the media lends credence to the argument that the media does much to shape the political agenda, usually in line with the wishes of their corporate owners and directors.

Today, we are witnessing the consequences of a government that has ceded too much of its power to big corporations. Many are under the impression that this dynamic may change with the election of Barack Obama, but his cabinet appointments, which include 10 members of the Trilateral Commission, are also heavy on former members of the Clinton cabinet, with many being staunch neoliberals. This suggests that it will be business as usual with respect to neoliberalism in Washington. The Obama administration has acted quickly to hand out hundreds of billions of taxpayer dollars to large banking institutions, with little to no action to bring stronger banking regulations or a speculation tax that would discourage reckless short-term stock trades in order to keep the bailout cycle from repeating. The common sense solution would be to restore true competition within the banking system and break the banks up into smaller entities, but this will not be part of the solution offered by the Obama administration.

In late May 2009, Obama's Treasury Secretary Tim Geithner, after consulting with National Economic Council Chairman Lawrence Summers and Economic Recovery Advisory Board chairman Paul Volcker, announced a bold plan to consolidate banking regulatory functions at the Federal Reserve. The plan would strip the Securities and Exchange Commission, the Future Commodities Trading Commission, and other government agencies of their regulatory power over the financial system. The Federal Reserve is technically a private bank owned by shareholders made up of the biggest banking institutions, the largest of which is J. P. Morgan Chase and the New York Federal Reserve Bank (Marshall, 2009, p. 3). So, the solution to the banking crisis, which was caused by rollbacks in government regulation, according to the leading economists in the Obama administration, is to *strip the government of all its regulatory powers* and give that power to a private agency that is controlled by the banks the Federal Reserve would then be in charge of regulating. This may be the wet dream of neoliberal capitalists, but it would greatly exacerbate the problem that facilitated the banking crisis, by not allowing the government to perform regulatory functions on banking operations.

To put this plan in perspective, the architects must be examined to determine their motives. Tim Geithner was the former head of the Federal Reserve Bank of New York. Though not reported by the major press, he was instrumental in working out the details of the first bank bailout in 2008 with the Bush administration's Treasury Secretary Henry Paulson, before handling the second round of bailouts himself as Obama's Treasury Secretary. Paul Volcker has also been the head of the Federal Reserve Bank of New York, in additional to being an economic advisor to other presidents; he is often credited with convincing Nixon to suspend gold convertibility of the dollar, a key move in creating the destabilizing financial currents that led to runaway inflation in the 1970s, which he was later appointed to fix when Carter put him in charge of the Federal Reserve. Volcker also served as vice-president and director of planning at Chase Manhattan Bank (now J. P. Morgan Chase) before entering public service, later becoming the chairman of the prominent New York investment banking firm, J. Rothschild, Wolfensohn & Co., a corporate advisory and investment firm in New York. Lawrence Summers served as Treasury Secretary under Clinton and was instrumental in pushing through the aformentioned Graham-Leech-Bliley act, which, as noted earlier, was instrumental in the current financial crisis.

The conflicts of interest inherent in two former heads of the Federal Reserve Bank of New York and a former V.P. at Chase attempting to turn regulatory control of the entire banking system over to institutions primary controlled by the same banks is absurd and would be laughable if only it were fiction. Unfortunately, this is the reality of neoliberal rationale within the Obama administration, who are attempting to use the financial crisis, not to solve problems, but as an opportunity to further consolidate power in the hands of greedy financial capitalists. If their plan passes Congress, the United States is sure to see more banking crises in the future, more destabilization of the economic system with the repercussions leading to further cuts in spending on social welfare and education programs.

Domhoff (2002) points out that the power elite rarely lose in the American political arena when they are united on policy issues. He cites periods of economic stress and social upheaval as the only times where competing interests, such as the liberal-labor coalition, are able to push through legislation. The deep and prolonged recession that is facing the United States and other nations may open such a window of opportunity in the near future. In addition, the unified front presented by the power elite on neoliberal globalization may also begin to fray, as its devastating effects on national economies begins to negatively affect the balance sheets of corporations that are not internationally mobile. Conceivably, this could create a breach between national and international capital, where competing interests groups could form alliances to challenge the dominance of neoliberal policies.

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Footnotes

[1] See Appendix A for an extensive list of corporate executives that are members of these elite policy-discussion groups, either the Trilateral Commission or the Council on Foreign Relations.

[2] I chose to focus exclusively on the American side of the Trilateral Commission, though examining the political connections and influence of members within the countries of Western Europe and Japan would be worthwhile.

[3] It was reported that there were disagreements among Trilateral Commission members about certain assertions in *The Crisis of Democracy*. However, the fact that the document was able to win approval for publication by the membership demonstrates the prevailing attitudes within the Trilateral Commission.

[4] Domhoff's (2002) book, *Who Rules America*, along with research by Mintz & Schwartz (1985) and many others, provides extension evidence of the existence of interlocking directorships within American corporations.