

**FROM CORPORATE LIBERALISM TO NEOLIBERALISM:
A HISTORY OF AMERICAN THINK TANKS**

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Ph.D., University of Pittsburgh, 2005

Submitted to the Graduate Faculty of
Arts and Sciences in partial fulfillment
of the requirements for the degree of
Doctor of Philosophy

University of Pittsburgh

2005

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FROM CORPORATE LIBERALISM TO NEOLIBERALISM: A HISTORY OF THINK TANKS IN AMERICA

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The Washington, D.C.-based nonprofit public policy organizations constituted by section 501c3 of the U.S. Tax Code (“think tanks”, TTs or “tanks”) monitor and adjust governance norms and networks by using research, analysis, and advocacy to structure discourse about social problems and solutions among multiple elites and in the popular imagination. Through conversation, public communication, participation in government commissions and committees, and other methods, tanks strive to keep certain ideas alive (or at bay) until a particular policy idea becomes politically feasible and persuasive. Thirty-four case studies illustrate TT roles in constructing two basic policy regimes in 20th century America, corporate liberalism and neoliberalism. The two policy regimes are contingent discursive achievements, reflected in the adaptations in the modalities and rhetoric of think tanks in relation to dynamic processes of capitalist development, crisis, realignment, and consolidation. The cases show that while TTs generally function to contain and co-opt radical political economic ideas and social impulses, they are not able to stitch interests seamlessly into state policy. Rather, social and economic crises, the changing demands and forms of the economy and the state, the actions of other actors, and other forces function to constrain the appeal of a given discourse or institution, so much so that individual tanks can drift from one ideological pole to another over time in reaction to these forces. These forces can also enable think tanks to exert discourse as an autonomous power that transcends the material constraints of the organizations themselves.

PREFACE

The University Of Pittsburgh Department Of Communication, Program for Cultural Studies, and Office of the Provost provided financial support for this project. The University Of Illinois Department Of Speech Communication allowed me to teach and live while pursuing early graduate work. John Lyne shepherded the project gently, and with a curious and expansive mind. Carol Stabile gave the most trenchant criticism, and made graduate life genuinely enjoyable. Paul Bove stuck with me through a false start or two. Jonathan Arac was an excellent reader and a sweetheart. Julie Thompson gave invaluable extended commentary on multiple drafts. Janet Donofrio kept me focused on the practical aspects of the process. The final version would not have happened without the love and friendship of Yasia Semikolenova, Greg Crowley, and Phil Burdette. I wish to thank cherished teachers I have had over the years: Lois Bell, Peggy Fahey, Barbara Mattingly, Don Jenkins, Leslie Roche, Mike Degraba, Don Housley, Donald Barron, Irene Treunfels, Stanley Day, Alfred “Tuna” Snyder, David Berube, Bob Pepperman Taylor, Arthur Kuflik, Barbara Jordan, Barbara J. O’Keefe, Dilip Gaonkar, and Lawrence Grossberg. I dedicate this study to my mom, Elizabeth Tevelow, and to the Abelman sisters, my grandma Miriam and great aunt Florence, and their doting husbands Jack Felstein and Marvin Gerstin. Their tremendous love, beauty, wit, and cultural wisdom revealed life as wonderful.

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TABLE OF ABBREVIATIONS

| | |
|-----------|--|
| AALL | American Association for Labor Legislation |
| AEI | American Enterprise Institute |
| ALEC | American Legislative Exchange Council |
| ASSA | American Social Science Association |
| AVOT | Americans for Victory over Terrorism |
| BAC | Business Advisory Council |
| Brookings | Brookings Institution |
| CAF | Campaign for America's Future |
| CBPP | Center for Budget and Policy Priorities |
| CC | Chamber of Commerce |
| CDA | Committee to Defend America |
| CEA | Council of Economic Advisors |
| CED | Committee for Economic Development |
| CEIP | Carnegie Endowment for International Peace |
| CEPR | Center for Economic Policy and Research |
| CFR | Council on Foreign Relations |
| CMP | Committee for the Marshall Plan |
| COPD | Committee on the Present Danger |
| COR | Club of Rome |
| CPI | Committee on Public Information |
| CSP | Center for Security Policy |
| DPG | Defense Policy Guidance |
| EPI | Economic Policy Institute |
| ERP | Economic Recovery Plan |
| FFF | Fight for Freedom |
| GJM | Global justice movement |
| GWOT | Global war on terrorism |
| HF | Heritage Foundation |
| HI | Hoover Institution |
| Heartland | Heartland Institute |
| ICS | Institute for Contemporary Studies |
| IE | Institute for Economics |
| IEA | Institute for Educational Affairs |
| IFI | International financial institution |
| IGR | Institute for Government Research |
| IIE | Institute for International Economics |
| IIF | Institute of International Finance |
| IMF | International Monetary Fund |
| INC | Iraqi National Congress |
| JINSA | Jewish Institute for National Security Affairs |
| LI | Leadership Institute |
| MAI | Multilateral Agreement on Investment |

| | |
|-------|---|
| MCEA | Madison Center for Educational Affairs |
| MI | Manhattan Institute |
| MPS | Mont Pélerin Society |
| NAM | National Association of Manufacturers |
| NAS | National Association of Scholars |
| NBER | National Bureau of Economic Research |
| NCF | National Civic Federation |
| NESA | Near East South Asia bureau |
| NGO | Nongovernmental organization |
| NICB | National Industrial Conference Board |
| NIRA | National Industrial Recovery Act |
| NML | National Municipal League |
| NPC | Non-Partisan Committee |
| NRA | National Recovery Administration |
| NRC | National Resource Council |
| NRPB | National Resources Planning Board |
| NYBMR | New York Bureau of Municipal Research |
| OECD | Organization for Economic Cooperation and Development |
| OSP | Office of Special Plans |
| PAC | Political action committee |
| PNAC | Project for the New American Century |
| PPI | Progressive Policy Institute |
| PWC | Post-Washington consensus |
| RSF | Russell Sage Foundation |
| RBGS | Robert S. Brookings Graduate School of Economics and Government |
| TC | Trilateral Commission |
| TCF | Twentieth Century Foundation |
| USATE | U.S. Alliance for Trade Expansion |
| WB | World Bank |
| WEF | World Economic Forum |
| WIB | War Industries Board |
| WINEP | Washington Institute for Near East Policy |
| WPS | War and Peace Studies (CFR) |
| WTO | World Trade Organization |

1. Introduction

C. Wright Mills wrote, “The most important issue of political reflection and political action in our time [is] the problem of the historical agency of change, of the social and institutional means of structural change.”¹ Of the many institutions acting on the historical stage, nonprofit public policy research institutes, or “think tanks” (TTs) have operated below the scholarly radar screen. This dissertation is a partial attempt to remedy this omission.

Military scientists and strategists first referred to secure Pentagon conference rooms as “think tanks” during World War II.² Today, the formal North American usage refers to policy research organizations varying in size, resource base, and focus,³ and legally distinct from government and commercial entities under section 501(c)(3) of the U.S. Internal Revenue Code. The tax code creates financial incentives for the establishment of nonprofit, nonpartisan, educational organizations by exempting income taxes for such organizations and enabling individuals and corporations to make tax-deductible contributions to them. An organization qualifies for charitable educational status if “no part of [its] net earnings...inures to the benefit of any private shareholder or individual,” and it does “not participate in, or intervene in (including the publishing or distributing of statements), any political campaign on behalf of (or in opposition to) any candidate or public office.”⁴ Treasury regulations specify, “An organization is

¹ C. Wright Mills as quoted in Jacobs and Landau, 1966:107

² James Allen Smith, 1991

³ National Institute for Research Advancement, *NIRA's World Directory of Think Tanks* (2002)

⁴ Internal Revenue Code § 501(c)(3) (1989) extends tax-exempt status to “Corporations, and any community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary, or educational purpose...no part of the net earnings of which inures to the benefit of any private shareholder or individual, no substantial part of the activities of which is carrying on propaganda, or otherwise attempting, to

not organized or operated exclusively for [exempt] purposes...unless it serves a public rather than a private interest.”⁵ Hundreds of such institutes operate around Washington, D.C. today.

From the outset, I want to make it clear that while I use a much stricter definition of think tanks than most people do in common parlance, their similarities to and interactions with other organizations makes strict definitional boundaries almost impossible. Sociologists like William G. Domhoff, for example, analyze think tanks alongside foundations like Ford, Rockefeller, Carnegie, Mellon, Scaife; institutes affiliated with major universities like the “Chicago School”; independent research institutes like Brookings and Heritage; and policy discussion groups like the Council on Foreign Relations, The Trilateral Commission, the Business Roundtable, and the World Economic Forum. While my study uses the tax code designation and a focus on federal U.S. policy to carve out the heart of its object of analysis, the function and roles of think tanks is similar to the types of organizations Domhoff identifies. Further, since tanks often maintain close operational and financial connections to such organizations, a certain amount of analytical bleed is inevitable.

Think tanks work at the intersection of political institutions (state forms, bureaucracies and elected officials), economic structures (productive modes and capacities), intellectual and legal traditions (social science and policy legacies), mass media (technology and popular culture), philanthropic foundations (financial investment), and interest groups. They function similar to certain governmental organizations,⁶ parties, interest groups, trade and professional

influence legislation...and which does not participate in, or intervene in (including the publishing or distribution of statements), any political campaign on behalf of or in opposition to any candidate for public office.”

⁵ Treas. Reg. § 1.501(c)(3)-(d)(1)(ii) (as amended in 1976).

⁶ Commissions, executive staffs, and research agencies in government

organizations, which link knowledge to policy processes⁷ by supporting those who possess, invent, discover, and propagate ideas.

Think tanks aim to shape public and elite understanding of the sources and solutions of social problems⁸ in a number of ways. They generate usable data, analysis, and practical recommendations; hold seminars, workshops and symposia for elected officials, bureaucrats, reporters, interest groups, and donors; participate in formal and informal government advisory bodies and commissions; publish books, briefs, journals, op-ed essays, and websites to publicize their work; and appear as invited guests on television and radio talk shows and news reports.

Understanding how tanks exercise authority and function in the political system contributes to an understanding of how states use policy expertise, and what generates consent to collective action. In defining the terms of debate among policymakers and the national imagination, tanks appear to function as a sort of venture capital by which various elites sustain an atmosphere⁹ and ensure that only particular policies have purchase in that climate. Yet because tanks possess no legal decision-making authority, they receive little sustained attention from political scientists, who focus on the formal machinery of government (legislatures, chief executives, departments, elections).¹⁰

Researchers who assess the role of nonprofit policy organizations tend to approach these issues from three analytic frameworks.¹¹ Pluralist, elite, and epistemic frameworks have defined discussion of the role of think tanks in policy processes, and the causes of political outcomes

⁸ They “adjust ideas to people and people to ideas.” See Donald Bryant (1953).

⁹ Stoesz 1987

¹⁰ Rich 1999, chapter 1; throughout the 1970s and 1980s, mainstream political science journals published just two articles on think tanks (see Dye 1978 and Weaver 1989)

¹¹ This is a combination of taxonomies offered by Diane Stone (1996) and Donald E. Abelson (2002).

more generally. After addressing the insights and blindness of each, I synthesize them into an approach more attentive to the contingent and discursive aspects of policymaking.

1.1. The pluralist framework

The key features of pluralism are 1) “rationalist”¹² propositions about knowledge transfer, and 2) a concept of civil society as a relatively open system of argumentation.¹³ First, pluralism proposes that pure reason and objective inquiry is separable from the corrupting influence of power and politics.¹⁴ Think tanks in this view function *instrumentally*, transferring evidence and conclusions through direct and indirect means to make public policy more rational. They *directly* influence problem solving by providing detailed solutions that can act as precise blueprints for state action, and personnel to serve in commission, committees, or other official positions. They also *indirectly* shape policy by diffusing knowledge and “enlightening” the polity over the long term.¹⁵

¹² Weiss (1979)

¹³ David B. Truman (1951) strongly influenced the American pluralist tradition is strongly influenced by These rationalist and enlightenment assumptions inform approaches to knowledge and power in mainstream political science (Polsby, 1983; McGann, 1992; Pressman and Wildavsky, 1984). Most policy studies today combine pluralist assumptions with neoclassical economics in explaining behavior, evaluating courses of action, and recommending policies. Under the “public choice” label (Alt and Shepsle, 1990), the explicit application of orthodox economics to political science judges any collective activity by how well it models perfect markets (Olson 1965). Theodore Lowi (1992) argues public choice dominates political science because its assumptions are consistent with Republican Party *laissez-faire* beliefs. Free market think tanks promote public choice models to policymakers and thus help to structure policy discourse. As Stone (1996:166) notes, public choice theory “has been an important pillar in the revival of market liberalism...[and] think tanks have also played a key role in advocating privatization and promoting its international spread.”

¹⁴ Rationalist principles are constitutive of think tanks. While the distinction between scientific knowledge and political argument gradually blurred with the proliferation of “advocacy” tanks, I argue that as an organizational field, think tank workers have always been political, exercising power whether it is their motivation or not. Indeed, they may exercise it without knowing it. Social scientific research issues from bodies of concepts, theories, and data within specialized fields, but it is also a form of political practice intertwined with power. The fact that partisans with competing values and interests routinely use policy research means that state-oriented social scientists are not dispassionate, disinterested observers of facts in the world (an assumption made in the rationalist and enlightenment models), but people with normative and cultural assumptions who prepare arguments of potentially strategic importance.

¹⁵ Kingdon 1984

Besides the fact that tank workers continue to understand their daily practice in such terms today, the rationalist propositions are useful insofar as they direct scholarly attention to both the precise *interactions* that comprise policy discourse, and think tanks' long term, *strategic* impact on the context within which publics identify problems and propose alternatives. This encourages consideration of both the mechanisms influencing the range of legislative possibilities at any given moment, and the culling of knowledge over the long term into a "common wisdom." Whatever their precise impact, tanks do contribute to a vast political conversation marked by continuity and change, accumulation of knowledge and testing new data against received wisdom.¹⁶ However the abstraction of rationality from the conditions and processes that structure it fails to recognize how what counts as rational discourse *shifts* depending on its inscription in broad patterns of ideas, the balance and activity of social forces, modes of production, state-society relations, world politics etc. The historical approach of this dissertation is in part an attempt to capture the discursive construction of "rational" policy in interaction with such structures.

Second, pluralists view think tanks as elements and evidence of a robust civil society that includes trade unions, interest groups, and other nongovernmental actors who jockey for position and help inform decision makers of diverse views in a relatively open system of argumentation.¹⁷ From this perspective, modern democratic states guarantee a relatively open civil society of argumentation, acting as neutral arbiters of competing interests. Direct elections, checks and balances in the political system, and the fragmentation of American state structures, including the division and separation of powers, extensive bureaucracies, and relatively weak political parties, operate to disperse power and create multiple power centers and opportunities for citizen

¹⁶ See Billig 1987; Ricci 1993

¹⁷ This is "interest group pluralism" (McGann 1992:738; Dahl 1961; Wildavsky 1984; Polsby 1983)

influence and organizational survival.¹⁸ The 501(c)(3) I.R.S. section in particular creates incentives for all types of interests to participate in public discussion by forming think tanks.

Pluralists see think tanks as possessing modest influence in such a system, thriving more or less as independent consultants contributing to democratic debate and public enlightenment in a free marketplace of ideas. As Steven Brint argues, a large bureaucracy or fragmented political system may induce a buzz of technocratic activism often mistaken “for an unusual level of expert power or influence”,¹⁹ but the expert class are actually “relatively minor players...within the American political structure.... They support competing elites or competing interest groups with data, information, and proposals, or they analyze and champion policy in a framework set by others.”²⁰ Pluralists believe no single type of actor dominates the policy process, but if anybody does, it is the state (elected officials), not corporations or interest groups.²¹ Some pluralist accounts recognize the limits that the power of money places on competition in the field of policy expertise, but most tend to downplay how deficits in the ability of certain groups in society to fund think tanks limits their access to the policy process.²² Instead, they focus on the number and diversity of American think tanks as evidence of competition within a marketplace of ideas in which almost anybody can play and nobody is dominant.

1.2. The elite framework

In contrast to the pluralist framework, the elite framework understands civil society as an uneven field of competing elements, and sees think tanks as mechanisms that elites use to translate their interests into state action. Encompassing Marxist and “power structure” research,

¹⁸ Weaver 1989:570; Polsby, 1983:58

¹⁹ Brint 1994:4

²⁰ Brint p. 135-7

²¹ Kingdon 1984; Skocpol 1992

²² Parsons, 1995; Lindblom, 1990:237

elite theorists²³ argue that while social scientists operate within professional norms of neutral observation, their role in the context of broad policy and class struggles between capital and people resisting exploitation is not neutral. These studies specify how think tanks help drive state initiatives by mobilizing elites to become involved policy debates and providing ideas to protect major sources of economic power. Elite theories explain the ability of certain organizations to generate more funding, visibility, and power in terms of interlocks with business and government elites.

Elite theorists, operating mostly within the disciplines of sociology and political science, argue for the centrality of planning organizations in the policy process.²⁴ Dye argues that think tanks are “central coordinating mechanisms for the power elite,”²⁵ and that expert policy planning is such a dominant force as to render the White House, Congress, and bureaucracy “proximate policy-makers...the final, public phase of policy-making which focus on the means rather than the ends of policy.”²⁶ In this view, think tanks (and experts generally) are a product of capitalist development: capitalist processes produce alienation and exploitation, which create the demand for a specific stratum of functionaries—subordinate to the ruling class—to propagate and monitor social norms as well as control and direct collective labor. With every advance in social and technological complexity, the ruling class of necessity devolves additional power to experts.

Domhoff girds this analysis with elaborate sociological data that combines institutional and class vectors to argue tanks like Council on Foreign Relations constitute a “power elite”

²³ Mills 1959; Eakins 1972; Silk and Silk 1980; Shoup and Minter 1977; Domhoff 1978, 1979, 1983, 1986, 1990, 1998; Steinfels 1979; Useem 1984; Dye 1978, 1987; Peschek 1987; Desai 1994; Stefancic and Delgado 1996. Most organizations in my study are regarded as prestigious according to broadly accepted standards, and therefore qualify as “elite” according to the definition used by these writers.

²⁴ Dye, et al. 1973: 8-29

²⁵ 1987:169

²⁶ Dye 1976:241

group that formulates “general guidelines for American foreign policy and provide the personnel to carry out this policy.” He identifies an interacting and intermarrying elite social stratum (the “upper class”) that is able to shape public opinion and U.S. economic and social policy via “a set of interlocking policy discussion groups, foundations, think tanks, and university institutes.” By serving also as a recruiting ground for government, these groups secure the continuing power of the upper class, making it the “ruling class.”²⁷

While the analysis of corporate power constituted through interlocking directorates provides valuable insight into the structure of national and transnational class formation, it barely touches on the discursive elements of hegemonic projects, or the specific ways in which tanks articulate interests, share concerns, and strategize action. Further, the approach does not account for heterogeneity in policy recommendations, or as Brookings Institution Michael Armacost put it, the lack of “institutional positions” emanating from major think tanks.

Less reductive forms of elite analysis dispute the view of the state as merely an effect or “superstructure” of a monolithic dominant class, and recognize its frequent ability to operate apart from the narrow short term interests of the competing capital sectors and nation-states in order to coordinate and protect the stability of the system.²⁸ In this view, the state can draw on the “enlightened” long-term and general orientating function tanks as mechanism to unite diverse fractions of capital²⁹ around common strategies for rationalized capitalist development. Ideological variety among think tanks offers elasticity in adjusting to new situations, but restricts the range of acceptable opinion to the functional bottom line of imposing capital discipline and

²⁷ Domhoff 1983: 82, 116-56

²⁸ Poulantzas 1978; Mandel, 1975:Ch. 15; Jessop 1982, 1988; Skocpol 1985; Domhoff, 1983:83; van der Pijl 1998. For example, the ability of capital fractions to extract a greater share of total profits may undercut systemic stability.

²⁹ Marx defines fractions of capital as functional divisions within capital, e.g. money (bank and insurance capital), commodity (wholesale, retail, export, import), productive (transportation). Van der Pijl (1998: 52) constructs hypothetical collective orientations of the ruling class, arguing that fractions “crystallize to which we can ascribe a certain ideal-typical perspective which will make itself felt in the formulation of a class strategy.”

overcoming resistance and limits to it. Whatever dissent exists among relevant think tanks is narrowly “polyarchic” rather than broadly pluralistic.

An example of such a theory is the work of Antonio Gramsci, which rejected the notion that dominant ideologies flow inevitably from the requirements of capitalism, or that power emanates from a single sovereign source like the state. Gramsci’s re-reading of Marx took politics and class formation (the “superstructure”) as autonomous forces that discursively mediate and structure capital accumulation as much as capital accumulation structures them. He regards civil society as a field of interest articulation and social struggles that grows within capitalism but often operates distinct from processes of production and the state, and adjusts over time to material and rhetorical exigencies.³⁰

Instead of using static categories, this perspective approaches capitalists “as a social class to which social movement activities pertain as an attribute, just as with any other social class...; that is, to think of changes in the economy proper as a function of social movements.” From this perspective, we can see the transition from one phase of capitalism to another “not simply a matter of submission to ‘objective’ laws of economic evolution,” but “an integral component of the social-political movements” of the time.³¹ In rejecting a causal line from economic base to ideological superstructure, Gramsci³² presaged modern sociological explanations of historical change as a “duality of structure”³³ (or as neo-Marxists might phrase it, the *dialectic totality* of structure and agency)—a recursive process uniting agency and structure. In section 1.4 below, I discuss such “structuration” theory as a way of integrating the various frameworks presented here.

³⁰ Urry 1981:31

³¹ Sklar 1988:12

³² Gramsci 1971:190

³³ Giddens 1984

1.3. The epistemic framework

Many conceptualize tanks as members of “epistemic communities,”³⁴ “policy communities,”³⁵ “issue networks,”³⁶ and “discourse coalitions.”³⁷ I group these approaches under the epistemic rubric because they all focus on groupings that share common norms, causal beliefs, vocabularies, proximity to government, and goals of integrating their beliefs into public consciousness and policy outcomes.³⁸ In addition to think tanks, these groupings include members of government agencies, commissions, committees, and interest groups that organize around particular policy areas.

Like pluralism, the epistemic perspective highlights the role of direct contact in the transfer of knowledge. Focusing on the specific level of networks and actors who share norms and causal beliefs, the epistemic perspective views the diffusion of knowledge into public policy primarily as a matter of “social learning” on the part of policymakers and relevant bureaucracies.³⁹ This level of analysis can be useful in tracing the innovation and translation of policy ideas across time and space through the interpersonal connections and discourse shared by experts in a policy area and public officials who oversee that area. While a focus on the micro-interactions of idea diffusion may sidestep larger questions of class and state, if we consider

³⁴ Stone 1996; Haas 1997. Stone (1996:37) defines epistemic communities as “knowledge based networks who articulate the cause-and-effect relationships of complex problems...[and] help decision-makers without expert knowledge to clarify state interests regarding complex technical problems.”

³⁵ Policy communities are stable networks bound by common interests in a particular policy area that restrict access to participants and are insulated from other networks. The network can include interest groups, government officials, journalists, and think tanks (Sabatier, 1987:660).

³⁶ See Walker 1977; Kingdon 1984; Hecl 1978. An issue network is a group that shares knowledge to reduce contradictions inherent in diverse organizational participation.

³⁷ A discourse coalition is “a group of actors who share a social construct” (Hajer 1993:45); or “alliances or coalitions... struck between scholars and policy makers...[that] lead to a restructuring of the terms of discourse in both politics and social science” (Wagner 1991:76). See also Dryzek 1996:ch.6 “Democracy Versus Ideology,” for discussion of discourse coalitions.

³⁸ Stone 1996:36

³⁹ Rose 1991; Hall 1993

institutional approaches in cultural studies,⁴⁰ organizational sociology,⁴¹ and political science,⁴² as part of this framework, then we can say that the epistemic framework resists a pure micro focus.

An advantage of the epistemic approach is that it understands discourse as an important and autonomous source of influence. Discourse in this view provides policy elites with a repertoire of symbols and other rhetorical forms that can make policy ideas persuasive; agents frame policy ideas to convince elites and the public that certain solutions to common problems are plausible. The epistemic accounts help to correct the neglect of discourse as a force in policymaking,⁴³ but they still tend to present discourse as simple instrumental persuasion, and ideas as simple representations of preexisting interests. They fail to account for the ways in which discourse can *shape and define* interests, rather than simply reflect them.

In the following section, I develop a level of analysis *between* individual agents and political economic structures, and propose a framework of *discourse structuration* that integrates the analytic grasp of each, but also goes further in incorporating discourse as a constitutive element of historical change. The approach accounts for structural variables while avoiding both the functional determinism of structural analyses like world systems theory, and the voluntarism characteristic of micro-analysis and journalistic work.

1.4. Discourse structuration

In modern social theory, “structuration” is an ontology⁴⁴ that holds political and social institutions are neither structurally determined nor utterly contingent. They are not natural or inevitable, and could and would be different had different events happened at critical junctures;

⁴⁰ See Foucault 1991, 1970; Ricoeur 1983; Bennett 1998; Hunter 1988; Rabinow 1989

⁴¹ Powell and DiMaggio 1991; March and Olson 1989; Fligstein 1999

⁴² See Steinmo, Thelen, and Longstreth 1992; Gagnon 1990; Pal 1990

⁴³ See Peter Hall 1993

⁴⁴ Giddens 1984

at the same time, they do not just appear due to mere chance or charismatic leadership. Structuration integrates both “macro” theories of power that explain policy outcomes in terms of grand historical variables like Capital and the State, and the “micro” approaches that prefigure social and symbolic interaction into a middle-range “mezzo” or “meso” level of analysis of how institutions mediate the interpenetration of structure and action. Shifts in the distribution of power across society occur at this meso or “conjunctural” level as much as they do at the grand historical level. If we fix our gaze on this level, and consider discourse as a fundamental mediating institution, then we can analyze *discourse structuration* as “the way in which scholars and policy makers have tried to use whatever knowledge and competence they had felt called up and enabled to draw upon when faced with societal transformations.”⁴⁵ Understanding how people draw on structures to manage or alter state-market-civil society relations requires *historical* analysis because over broad sweeps of time one can appreciate the cohesion and discontinuity underlying such interaction. Therefore, in addition to the think tanks themselves, the analytical units of my study are agents, structures, and discourse.

1.4.1. Agents

Scholars, policymakers, and philanthropists consciously link knowledge and policy through mechanisms and institutions that draw upon and refashion existing rules and resources. For my purposes, the key strata are those in the role of organizing and supervising the social whole, called sometimes the “new petty bourgeoisie,”⁴⁶ “professional elites,”⁴⁷ “professional-managerial class,”⁴⁸ “cadre,”⁴⁹ or simply “experts.”⁵⁰ This stratum populates most Washington-

⁴⁵ Wagner et al 1991:75

⁴⁶ Poulantzas 1974

⁴⁷ Perkin 1996

⁴⁸ Ehrenreich and Ehrenreich 1979; Ohmann 1996

⁴⁹ Gérard Dumenil 1975

based think tanks. It has proliferated as administrative and technological interfaces have accelerated in the “information society,” but its lineaments are discernible clearly in the mid-late 19th century.

Potential fallacies arise from a focus on those groups networked closely in and around various elites and government, namely, ascribing unwarranted importance to the subject in a way that disregards other influential factors in the policy process and gives the impression that think tanks stitch policy at whim. Looking at elite organizations, one is likely to find elite influence. I try to avoid this by considering a number of cases representative of the breadth of activity in the TT field, and by looking across broad *structural* contexts of socio-political-economic forces over long waves of historical change.

1.4.2. Structures

Giddens⁵¹ defines structures as the rules and resources that knowledgeable human beings draw upon and reshape everyday to make and remake everyday social reality. Expanding this concept to macro institutions again, we see that economic conditions and government demands for knowledge create the parameters within which think tanks set agendas and define solutions. The relevant “exogenous conditions” or “paths” that structure the rhetorical opportunities for think tanks are:

- A. *Social and economic crises, such as widespread poverty and unemployment, war or the threat of war, and group conflicts. Such crises may mark major transformations that create opportunities to challenge or confirm the shared experience and reality of political subjects.*
- B. *The forms of state and political institutions. The forms of a particular country (e.g. large bureaucracies, philanthropic law, and political parties) structure the interaction of policymakers and social research in that country*
- C. *Established traditions, both in political culture broadly speaking (ideologies, social problems, popular attitudes) and in think tanks and the social sciences themselves (professional norms, organizational cultures and identities, intellectual and disciplinary trends). When coupled with*

⁵⁰ Benveniste 1972

⁵¹ 1984

perceptions of social and economic crisis, the presence of alternative discourses allows actors to define and interpret the crisis and propose new solutions.

- D. *Forms and tendencies of capital accumulation (labor processes, industrial expansion, technological advance, elimination of particular industrial modes, etc.). Particular modes of economic development may strengthen certain capital fractions and corresponding elites. Successive configurations of capital or “regimes” may empower different actors in relation to others.*
- E. *The transnational setting, including military and economic superiority of “core” capitalist states over the “contender” and “periphery” states,⁵² and global networks and alliances such as cross-national interlocking directorates among policy planning and research communities.⁵³*

These pressures and constraints define the field of opportunities within which think tanks vie for intellectual leadership. I discuss the relevant aspects of each in the substantive chapters; however, I do not present structures as a self-sustaining total system or functional teleology. Structures do not determine outcomes, but place limits on the possible. Structures are themselves contingent, defined by contradiction, unanticipated obstacles and outcomes, human striving, the possibility of their own reversal and undoing, and the autonomous role of discourse.

1.4.3. Discourse

The pluralist, elite, and epistemic approaches are all handicapped to a degree by a lack of attention to the role of discourse. To remedy this, I conceptualize tanks as networks of institutional power centers *held together by discourse* (collective goals, values, ideas, principles, and interests). Thus, discourse

- A. *Is a property that emerges from previously existing structures, but that can have autonomous effects on those structures. It shapes the very structures that make it viable and give rise to its particular form.*
- B. *Builds and deconstructs political coalitions by creating identification or conflict between social groups. It mediates and masks contradictions in way that reveal identification with new coalitions and conserve old ones. It is the “glue that agents use to fuse “historic blocs” and the “hammer” used to drive them apart.*

⁵² Wallerstein 1984:49

⁵³ However, where realist thought in IR and world systems thinking takes the system of states and the global division of labor as ontologically prior units, my perspective, following Gill (1993:9) understands them to be products of specific social discursive practices.

My use of discourse analysis as a method to investigate policy analysis and planning⁵⁴ derives from the social constructionist critique of linguistic realism in the social and human sciences.⁵⁵ These studies understand discourse as more than a repository of referential symbols (language) or a reflection of unyielding structure. It is a contingent and contested system of meaning and social order that is *constitutive* of interests and identities, not just reflective of them.

My approach to discourse also draws on rhetorical studies of identification in socio-political coalitions and conflict.⁵⁶ These studies apply the ancient study of rhetoric, or, the competent discovery and application of rhetorical tropes and figures as a form of practical wisdom, to trace the roots of social constructs over time in individual acts, agents, and events. The key rhetorical method I analyze is that of “framing.” Rein and Schoen define framing as the process of “selecting, organizing, interpreting, and making sense of a complex reality to provide guideposts for knowing, analyzing, persuading, and acting.”⁵⁷ My study examines two basic mechanisms think tanks use to frame social problems and categories in ways that imply particular legislative solutions.

A key recurrent framing technique by think tankers is the representation of *particular* interests as *general* interests. Gramsci’s signature concept of “hegemony” captures how this discursive strategy 1) serves to transcend/unify particular interests (e.g. fractions of capital, labor) by socializing elites into the conduct of ideological struggle, 2) mobilizes the beliefs and actions of the population at large, and 3) co-opts radical ideas into a framework that does not

⁵⁴ Fischer 1980; McCloskey 1985; Forester 1981; Majone 1989; Stone 1988; Nelson, Megill, and McCloskey 1987

⁵⁵ I.e. the critique of “language as a mirror of nature” and the “linguistic turn” in twentieth-century social theory and philosophy: Richard Rorty, Jean-Francois Lyotard, Jurgen Habermas, Michel Foucault, Jacques Derrida, Ludwig Wittgenstein, J.L. Austin, Hans-Georg Gadamer, Stephen Toulmin, Thomas Khun, Peter Berger and Thomas Luckmann, Clifford Geertz, Bruno Latour and Steve Woolgar.

⁵⁶ See Aune 1996, 1994; McGee 1990; Burke 1969; Perelman and Olbyrechts-Tyteca 1969.

⁵⁷ p.263-5 in Wagner, Weiss, Wittrock, Wollman (eds.) 1991.

disrupt fundamental power relations. The case studies suggest this mechanism is a primary “intellectual function”⁵⁸ of think tanks.

A second key framing technique is the development of “paradigm ideas.”⁵⁹ These cognitive frameworks are generative metaphors and causal stories that form baseline assumptions about the national interest and general attitudes towards capitalism. They articulate the interests of historically specific configurations of classes and states, and spread through the dominance of particular groups that constitute the “core” field of policy action. Ideas become paradigmatic when they saturate broad aspects of mass and elite consciousness, “crowding out” other ideas and congealing into seemingly natural institutions until challenged by a conjuncture of crisis and active opposition. My concern is precisely *how* certain paradigm ideas come to dominate intellectual and political discourse at particular moments and periods. As we shall see in the case studies, tanks use paradigm ideas to either *bridge* or *bypass* the gap between practical politics and the technocratic language of policymaking. A paradigm idea is thus a mechanism that can both bring elite and popular opinion into alignment, and manage contradictions between the two.

By structuring popular, government, expert, and corporate discourse around particular interpretations of public problems and policy solutions, successful paradigm ideas manifest as relatively stable political coalitions and major policy outcomes, what I call a “policy regimes.” I have adapted the “regime” concept from international relations (IR) literature and its international political economy (IPE) sub-field, where it refers to agreements between states or

⁵⁸ “intellectuals...function...is that of mediating the extremes, of ‘socialising’ the technical discoveries which provide the impetus for all activities of leadership, of devising compromises between, and ways out of extreme solutions” (Gramsci 1971: 182n)

⁵⁹ Khun 1962

one state's hegemony,⁶⁰ to refer to stable patterns of cooperation between key elements in national society that produce longstanding and far-reaching policy outcomes. Each policy regime produces and rests on paradigm ideas that shape how elites and the public define the nature of public problems and the actions required to solve them. One can thus analyze paradigm ideas like "efficiency" or "Keynesianism" and the cluster of ideas that surround them (full employment, demand management, welfare state) as rival political projects among multiple elites in a "war of position."⁶¹

1.5. Chapter summaries

Whatever influence tanks have in such hegemonic projects depends largely on their ability to present themselves as legitimate possessors of special competencies at certain times and places to discrete coalitions of multiple elites. Thus, we would expect changes in TT practice to vary between periods of hegemonic stability and periods of crisis. I focus on the nexus of TT rhetoric and organizational activity. The cases in the substantive chapters (2-8) show transformations in the field of think tanks in the context of major socio-economic transformations. Each chapter develops representative case studies of particular think tanks that embody the role of experts in the development, redefinition, and maintenance of public policy paradigm ideas. Through both continuity and change, we witness a striking correlation between the shape of the TT field and the shape of the global political economy.

Authors have widely diverging views on how much and whether think tanks affect public policy, as the three frameworks detailed above show. Some simply concede that Washington

⁶⁰ *International Organization* 1971 "Transnational Relations and World Politics"; see also Keohane and Nye 1973.

⁶¹ Gramsci defined the war of position as encompassing piecemeal progress and a strong ideological element (as opposed to a "war of movement" or insurrection). This "passive revolution" (1971: 114) allows progressive or bourgeois elements to gain power without a dramatic upheaval. The policy processes I describe draw on both the war of position and movement through the concept of "punctuated equilibrium," borrowed from geology, which identifies long periods of relative equilibrium (stability, a "regime") punctuated by sudden shifts in opportunity structures and capacities that make for rapid change (at times, revolutionary) (Baumgartner and Jones 1993).

think tank practitioners “work in...an unpredictable enterprise [and] wield a degree of power that is impossible to measure,”⁶² or that it “is impossible to establish a causal link between the activities of think-tanks and policy outcomes.”⁶³ Polanyi might ask whether think tanks are not merely

...pushing that which is falling and holding onto that which, under its own stream, is moving their way. It may then seem as if they had originated the process of social change, while actually they were merely its beneficiaries, and may even be perverting the trend to make it serve their own aims.⁶⁴

I propose that the search for a covering law explaining whether think tanks bring about or merely reflect underlying political economies is the wrong question, since structuration presupposes both processes. I do draw on quantitative analyses of funding sources, media citations, television appearances, op-ed articles,⁶⁵ perceptions of reliability and objectivity in policy circles,⁶⁶ testimony before Congress,⁶⁷ and historical ratios between policy ideas and policy results⁶⁸ to inform my analytic narratives. Such statistical data help explain when think tanks *affect* rather than *reflect* policy outputs. Key moments and trends in the historical development of think tanks have critically affected their relevance today. Textual analysis, interviews, and secondary material produce thick historical descriptions and explanations of empirical cases, not causal theories in a conventional sense.⁶⁹ Throughout the cases, I argue the coherence between think tank discourse and major policy outcomes is evidence for the capacity of relatively stable coalitions of multiple elites to preside over the reorganization of both the market and politics into two relatively stable regimes.

⁶² Ricci 1993:ix

⁶³ Stone 1996:4

⁶⁴ 1957: 28

⁶⁵ FAIR

⁶⁶ Rich and Weaver 1998

⁶⁷ Rich and Weaver 1998

⁶⁸ Domhoff 1996

⁶⁹ Bourdieu 1998; Foucault 1991, 1969

Chapters 2-5 discuss the emergence of policy institutes in the transition to and consolidation of a modern corporate liberal regime. I show how TTs facilitated cooperation between functional units in the US and global political economy by mobilizing multiple elites around ideas of technocratic governance, business-labor cooperation, and social melioration. Their rhetoric evolved in this period from a late 19th century emphasis on “ameliorating” the hardships of competitive capitalism, towards a corporate capitalism based on “efficient” social thought, to Keynesian macroeconomic and militarist notions in the New Deal and post-WWII eras.

Chapter 2 establishes corporate liberalism as a promising analytic concept for understanding the emergence and evolution of think tanks. It describes TT roles in structuring a shift from competitive *laissez-faire* to a more centralized and rationalized regime around the turn of the century (1880-1921). Upper classes and a rising professional managerial class who favored industrialization and significant social reforms drove policy-oriented social science, simultaneously responding to and creating a fundamental variation in the form and dynamic of the economy and government activity. To regulate competition and rising rates of profit between corporations, and mitigate the negative effects of industrialization these groups gradually embraced a paradigm of scientific management and systematic empirical analysis of the economy and underlying social problems.⁷⁰ The involvement of tank personnel in planning the WW I mobilization legitimized the corporate liberal ideal domestically.

Chapter 3 shows strong discursive and institutional continuities between Progressive think tanks and an expanding network of business executives, philanthropists, academics, public officials, and labor representatives who through the 1920s and 1930s sought to stabilize, rationalize, concentrate and protect the new capitalism by nurturing corporatist ideas.

⁷⁰ Progressivism embodied this thought in the US

Researchers continued to act at the intersection of public and private spheres in ways that did not appear overtly political or interest bound, shaping discourse on abiding concerns with economic crises and the effective distribution of the social product. Through decades of both stability and of widespread social unrest, tanks participated in government agencies, landmark legislation, and public advocacy. They developed Keynesian economics and adapted its potentially radical elements to a consensus framework that did not fundamentally disrupt relations of power in the American political economy. A regime consolidated around a “demand-led” industrial labor process of mass-produced consumer goods.

The cases in chapters 4 and 5 examine TT provided ideological cohesion to multiple elites in the New Deal and WW II, further institutionalizing the right wing of the Keynesian spectrum, and extrapolating it internationally. Chapter 4 shows how the Committee for Economic Development (CED) and related TTs constructed a military Keynesian consensus⁷¹ that contained the corporate liberal vision within relatively conservative channels through the crisis-ridden 1930s. These tanks had a direct role in the structuration of U.S. politics around a synthesis of corporatist and liberalizing principles. As with the earlier turn of the century conjuncture of crisis and scientific hubris, this policy network resolved crises according to the needs of concentrated interests.

Chapter 5 shows how Council on Foreign Relations, drawing on tank work dating back to the First World War, exported this vision abroad by synthesizing right wing Keynesianism with the lessons, coalitions, and economic outcomes of World War II. Its role in shaping the Bretton-Woods system (Marshall Plan, World Bank, IMF), and Cold War strategy demonstrates a growing strategic role in a corporatist restructuring of foreign policy. The Brookings Institution and Urban Institute roles in the “welfare state” represent another historical high point for the

⁷¹ Cox 1981, 1987; Gill 1993

social interventionist impulse within corporate liberalism. Continued popular and elite support for this combination of activist and *laissez-faire* federal government continued through the 1950s and 1960s, justifying its status as a “regime.”

Chapters 6-8 describe the evolution of tanks in the transition to a neoliberal regime that undermines the maximal welfare state, constrains transnational challenges to neoliberal governance, and consolidates conservative gains through the Global War on Terrorism. The chapters explain how conservative tanks constructed a series of domestic and international threats to Judeo-Christian civilization, creating a chain of equivalence between domestic culture wars and the war on terrorism. Chapter 6 establishes “neoliberalism” as a promising analytic concept for understanding the development of think tanks since the 1970s. It shows how policy entrepreneurs mobilized business and a network of key philanthropists to invest heavily in tanks, legitimized new political actors in the struggle over the role of the state, and filled the void of the rapidly collapsing Keynesian welfare state consensus. Disillusionment with the idea of a society perfectible through technocratic management made government and economic elites receptive to the argument that policy research could be *harmful* because it raised the expectations of the masses, and produced dangerously unfeasible burdens on the budget.⁷² Economic theories kept barely alive for decades in US and British tanks found unprecedented support in elite circles.⁷³ Like the late 1890s, the rhetoric of policy research institutes during this era projected a fear of democracy run amok. Unlike their 19th century forebears, the New Right tanks sloughed off the neutral rhetoric of the Progressives. A twin emphasis on political commitment and public relations replaced the veneer of neutrality that proved so useful in constructing a corporate liberal

⁷² cf. Crozier et al in the 1975 Trilateral Commission report discussed in chapter 5.

⁷³ Drawing on men such as Friedrich Hayek, Milton Friedman, and Michael Oakeshott, conservatives took up the antistatist tradition (‘classical liberalism’) that had preceded the late 19th century reforms. See Cockett 1994; Desai, 1994; Gill 1990

regime. The marketing of research on the failure of “Big Government” pushed the whole field of think tanks toward the right. Both New Right and “third way” think tanks armed governments in the U.S. and Europe armed with theoretical criticisms of bureaucratic intervention and plans for reducing the welfare state. The corporate liberal Brookings Institution embraced “deregulation” and other critiques of the Great Society programs it once championed, while the Progressive Policy Institute helped US President Bill Clinton to develop a politics that capitulated to neoliberalism while keeping a semblance of the corporate liberal compromise alive. Such “New Democrat” institutes are a crowning achievement of the conservative movement, insofar as they give conservative ideas prominence even when conservatives are not in power, and exacerbate divisions in the Democratic Party.

Chapter 7 analyzes the simultaneous proliferation of both business and social justice tanks at the transnational level through the 1990s, and compares their efforts in global governance debates over financial, investment, trade, and development policy. The cases show that tanks affiliated with the “Global Justice Movement” (GJM) appear to be more influential than ever, but are constrained by the superior capacity of transnational neoliberal tanks like the World Economic Forum, and the abiding functions of intergovernmental institutions and treaties in the world system. The sharp GJM criticism have had limited impact on prescriptions for financial and investment liberalization, and even less on trade liberalization. As a “Post-Washington consensus” takes hold, fundamental changes such as total debt cancellation, or equalized voting procedures in the WB recede from the agenda, and market piety remains intact among transnational tanks.

Finally, chapter 8 argues that the potential for GJM tanks to emerge as a new professional managerial class is constrained by “neoconservative” tanks operating in a “Global War on

Terrorism.” The influence of a foreign policy brain trust nurtured by Reagan but somewhat marginalized by Bush Sr. and Clinton is legible in the total and permanent war footing characterizing the Global War on Terrorism (GWOT). Groups like the Project for a New American Century (PNAC), Center for Security Policy (CSP), and American Enterprise Institute (AEI) have provided the administration with expert advice and personnel to conduct a hard right shift in foreign policy, further consolidating neoliberal gains in economic and social policy.

2. The Invention of American Policy Expertise, 1865-1921

Antecedents for public policy expertise, like most human practices, stretch far into human history. We see applied social knowledge in twenty-first century BC in Ur, Mesopotamia, Confucian China, classical Greece, the Middle-Ages, the Italian and English Renaissances (Vico's *New Science*; More's *Utopia*, 1516; Bacon's *New Atlantis*, 1624; Jonathan Swift),⁷⁴ the Enlightenment political philosophies (Montesquieu, Rousseau, Locke, Hobbes, Mill, Burke, Bentham, Hume), and early Modern thinkers like Comte, Saint-Simon, Pareto and Mosca.

The late 19th century empirical human sciences adopted the ambitious Enlightenment project of understanding and technically mastering society as a whole system. Increasingly professional researchers, imbued with what Rabinow calls a “missionary and didactic pathos,”⁷⁵ thought of society as an object of programmatic understanding and control in the same way that natural scientists thought of the physical world.⁷⁶ The human sciences reorganized to discover and elaborate a system of representation that would order all things on a common table, and through which Man could grasp his own being as both “an object of knowledge and as a subject that knows.”⁷⁷

⁷⁴ DeLeon 1988:14-15

⁷⁵In the French case, Paul Rabinow locates the epistemic break of “the modern” somewhat earlier, in the late 18th and early 19th century, when social technicians developed scientific, spatial, and stylistic representations in order to efficiently and productively regulate society, and justified such efforts in terms of the welfare of the population. Following Georges Canguilhem, Rabinow finds that from 1759 to 1834, “a normative class conquered the power to identify the function of social norms with its own uses and its own determination of content.” Other useful studies of this aspect of modernity include Schorske 1980, Habermas 1987, Calinescu 1987. If we think of the Modern in terms of the Enlightenment, then the history of tanks exemplifies to some degree the familiar ‘Dialectic of Enlightenment,’ described by Horkheimer and Adorno as the tendency for the emancipatory motives of social analysis to get turned into their opposite.

⁷⁶ As DeLeon points out, “the principal intellectual motif of the late nineteenth century was that social laws akin to physical and natural counterparts could be discovered and applied” (1988:17). He points to the social Darwinism of Herbert Spencer and T. H. Huxley, the pragmatic and positivist philosophies of William James and John Dewey, the dialectics of Marx, and sociology of Weber, as examples.

⁷⁷ The effort to understand society in order to reform it represents a rupture specific to the western *episteme*. See Foucault 1970:322.

Modern democracies created new demands for policy research and new opportunities for social science. From “its early origins in the modern period” social science has “been a constitutive aspect of the vast monitoring of social reproduction that is an integral feature of the state.”⁷⁸ For Gagnon social science, “as well as being an intellectual activity dedicated to the understanding of society, is also a mode of discourse that empowers and legitimates the political-economic practices of the modern state.”⁷⁹ In Europe, applied empirical research in the form of “statistics,” “police science” and “Staatswissenschaft” coincided with public awareness of acute social problems. In America, multiple elites sensed the dawn of a new era in new intense modes of capital accumulation, and drew on “social science” as a method of scholarly inquiry and social improvement. James Allen Smith notes that “attitudes toward social science, an infrastructure for graduate training and professional careers, well-organized large-scale philanthropy, and an expansive conception of the state and its functions” all shaped the expert’s role in the decades after the U.S. Civil War.⁸⁰ Smith points to the American Social Science Association (ASSA) as an early expression of these dynamics. It began in October 1865 in Boston when close to a hundred reformers (abolitionists, public health advocates, prison, asylum, orphanage, and school reformers) met at the Massachusetts State House in an enthusiastic embrace of avenues of research later known as distinct disciplines (history, political science, economics, sociology), but then considered as part of a general “Social Science.” Convinced that the scientific/technical methods that had wrought far-reaching transformations in transportation, communication, manufacturing, energy, and medicine could be applied to social and economic problems, they set up an umbrella organization for reformers, professors, and public officials devoted as its

⁷⁸ Giddens 1985:1

⁷⁹ Gagnon 1990:5

⁸⁰ Smith 1991:24

founding document says, to the discovery of “the real elements of Truth.”⁸¹ The American Association for the Promotion of Social Science (later the ASSA) mandated that social problems can be discerned and solved (ameliorated and prevented) through social science.

The ASSA faded out in genteel decline,⁸² but provided the impetus for professional social science research, and legitimized its applicability to public problems. National professional organizations such as the American Economics Association (AEA) and the American Political Science Association grew out of the ASSA, and shared the epistemological principle that an objective social reality was amenable to rational scientific analysis—that “facts,” as Emile Durkheim argued, “must be studied as things, as realities external to the individual.”⁸³

The AEA in particular, through the leadership of Richard T. Ely, encouraged professional academic economists to collaborate with government in order to aid human progress. The AEA questioned the scientific foundation of traditional laissez-faire economics and its use as a guide for policy. Borrowing from the German “historical economists” whom they studied at the Universities of Halle and Heidelberg, Ely and other “new political economists” in America rejected the notion of timeless natural economic laws, and instead held that social evolution was the product of purposeful human intervention.⁸⁴ Many social reforms of the twentieth century trace their origins to the ameliorative impulses in the German model of state planning derived from this thought.

However, it was not until relatively late in the century that leaders in politics, business, and organized labor cohered around the idea of a scientifically knowable general interest, and created innovative organizational forms at the municipal and federal level to promote such

⁸¹ cited in Haskell 1977:3

⁸² Haskell 1977

⁸³ Durkheim, *Suicide*, New York: The Free Press, 1951:37

⁸⁴ Smith 1991: 28-30

knowledge. Municipal reform organizations modeled on the National Municipal League and New York Bureau for Municipal Research forged a nexus between experts, politicians, capitalists, and labor in the 1880s and 1890s. In the first two decades of the twentieth century, these connections expanded and solidified into the forms that most people today identify as “think tanks.” A novel American institution, the philanthropic foundation, provided a stronger link between government and an emergent expert elite group of university-trained social scientists. The National Civic Federation (1900), The Russell Sage Foundation (1907), and Institute for Government Research (1916) were among the first U.S. policy groups to combine a philanthropic base, national purview, and a permanent body of researchers into self-contained entities. Formed to encourage scholarly investigation of social, economic and political issues, a comparison of these cases illustrates the discursive shift from amelioration to efficiency in public policy expertise.⁸⁵ These federally focused organizations pushed administrative reforms similar to those pushed by NML and NYBMR at the municipal level, although the reforms enacted at the federal level were not as extensive.

2.1. The gospel of scientific efficiency

The paradigm idea around which Progressive modifications to the political system revolved was *efficiency*. Samuel Haber contends that the cult of efficiency in early twentieth century America was “a secular Great Awakening” that infiltrated all levels of society.⁸⁶ The incipient ideal of efficiency in Franklin’s vision of moral virtue and charitable organizations received scientific grounding from physics and the newly discovered laws of thermodynamics in

⁸⁵ This period also saw the formation of the first foreign affairs think tanks, the Carnegie Endowment for International Peace (1910) and the Council on Foreign Relations (1921). Because foreign policy think tanks do not play a significant role until WW II, I analyze them in chapter 3.

⁸⁶ p. ix

steam engines, and became a metaphor that inspired philanthropic support for the use of experts in policymaking.

The path from thermodynamic to political efficiency was tread by Frederick Winslow Taylor's philosophy of corporate efficiency, which held that the adoption of scientific methods of management could organize work relationships more productively and harmonize the interests of labor and capital.⁸⁷ Taylor's theory integrated all of the public meanings that efficiency had at the time: hard and disciplined work, the input output ratio of thermodynamics, the relation between costs and profits in business, and the leadership of "scientific expertise."⁸⁸ In a context of violent labor confrontations (such as Ludlow, Colorado and Lowell, Massachusetts), an answer to class conflict that turned on the application of scientific principles rather than class struggle appealed to many middle-class reformers.⁸⁹ Progressive reformers sought a partnership of business and expertise, and saw the economy as a sphere of problems and solutions like any other.⁹⁰

The cases show how applying the concept efficiency to society expanded government use of social science research, and how in a short time, the idea of administrative structures of expert decision-making became common sense among government officials. As authority came to rest on appeals to the rationality of science as a method and worldview, scientifically oriented experts charged with managing public life staked their identity on nonpartisan expertise. Under the rubric of nonpartisanship, proto-tanks played a mediating role in the realignment of political power in urban and national governance, appealing to both the corporate class and to the broader

⁸⁷ Taylor 1911

⁸⁸ Haber 1964: ix-x

⁸⁹ Smith 1991:51

⁹⁰ After receiving his doctorate in history and political science from Johns Hopkins University in 1886, a young Woodrow Wilson took a leading role in developing new methods of civic management that turned on the idea of efficiency. Making a sharp distinction between legislative and administrative functions, Wilson proposed a bureaucratic sphere of policy execution independent of the democratic system, while policy formation would remain in the legislature. (1885)

public interest. The expert would act to legitimate the system that produced him by developing language to accommodate “forces outside the business community to political trends within business and professional life.”⁹¹ This incipient “political capitalism” represented the incorporation of industrial/corporate interests into the structure of government machinery.

2.1.1. Case 1: National Municipal League

The early ASSA impetus to apply social science to public affairs congealed in the 1880s and 1890s when coalitions of experts, politicians, philanthropists, and business leaders in large cities around the country sought to coordinate responses to rapid urban growth, industrialization, and immigration by reorganizing municipal governments. “Enlightened” business executives supported expert analysis in municipal reform in order to replace local decision-making institutions (wards) with a system based on the rationalization of society and the centralization of authority. The centralization of bureaucratic functions and decisions in the executive branch would aid the expert in the efficient administration of economic processes.

A seminal case was the model program produced by the National Municipal League (NML). Formed in 1897 by five lawyers, two professors of political science, a journalist, and a retired industrialist, NML researched local governments extensively in the United States and Europe for two years, and submitted a final report prescribing structural changes for city governance. Its draft corporation act called for a strong mayor, but also checks on this power via civil service regulations. More generally, they outlined an “elite realm of officials who would resist the machine and continue to rationalize the functions and organization of administrative offices.”⁹² Outgrowths and copies of the League in New York, Cleveland, Philadelphia, Jersey City (PA), Cincinnati, Milwaukee and Toledo took a lead role in formulating progressive platforms comprised of executive centralization and programs of civic improvement that

⁹¹ Weinstein 1968:3

⁹² Schiesl 1977: 77-84

performed formidably at the polls. NML and its offshoots were singularly influential in the campaign for uniform accounting budget reform in city governments via the office of a comptroller. By 1903, Chicago, New York, Boston, Providence, and Baltimore all had adopted a centralized accounting procedure in a comptroller's office, reports from departments and approval of contracts, and requisitions for supplies by the comptroller.⁹³

2.1.2. Case 2: New York Bureau of Municipal Research

The emerging professions of accounting, administration, and social work were also key participants in municipal finance reform. Impressed with the methods of accounting controls in the business system, they moved to adopt "unit cost accounting." This movement found its most cogent institutional expression in a collection of engineers, accountants, trained administrators, and social workers known as the New York Bureau of Municipal Research (NYBMR). The Bureau was the brainchild of William H. Allen, a social worker who had come to New York City in 1903 in connection with the Association for Improving the Condition of the Poor. With money from Carnegie and Rockefeller, Allen, socialist lawyer Henry Bruere, and accounting specialist Frederick Cleveland set up the organization in 1907 to apply "the disinterestedness of research, and the techniques of business management, to public affairs and civic problems."⁹⁴ The group claimed that gaps and imprecision in revenue and expenditure data "prevented effective control over expenditures and perpetuated a pattern of discretionary authority."⁹⁵ To gauge the efficiency (inputs and outputs) of government operations accurately, the NYBMR developed a budget that classified department activities and standardized their functions. The result was that department heads could spend money freely within the parameters of departmental functions, but could not divert funds to purposes designated to other departments.

⁹³ Schiesl 1977: 93-94

⁹⁴ Schiesl 1977: 112

⁹⁵ Schiesl 1977: 99-100

By 1913, the inundated NYBMR had helped create a similar operation in Philadelphia,⁹⁶ and conducted its own studies in more than fifteen municipalities.⁹⁷ Cincinnati's Bureau of Municipal Research (1909), Chicago's Bureau of Public Efficiency (1910), and the Milwaukee Bureau of Economy and Efficiency (1910),⁹⁸ each took their inspiration from New York.

The impulse to maintain efficient discipline in municipal affairs reflected a desire to preserve older, elite social values. Hays observes that municipal reform "was used to destroy the political institutions of the lower and middle classes and the political power which those institutions gave rise to."⁹⁹ Waves of European immigrants usually voted the straight party ticket and ignored obvious corruption in the machine system in exchange for the boss's favors. Middle-class groups frightened by the growing influence of immigrants and workers in the patronage system targeted national party "machines" and the "bosses" who ran them through bonds of loyalty.

The reformers expressed their dissatisfaction with this form of political representation by redefining democracy to incorporate administrative expertise as a principle. As Martin J. Schiesl writes

Most reformers realized that any serious effort to discredit the principles of popular government in a culture long accustomed to the democratic process could invite intense, if not violent, resistance from the urban masses.¹⁰⁰

The research agencies that rationalized government functions in city after city measured civic morality in efficient, scientific, professional, businesslike public administration, regulations and social welfare services. The presumption of a tight interrelationship between capitalist values and administrative methods challenged the legitimacy of mass politics in municipal affairs. Put

⁹⁶ This was funded with money from Philadelphia businessmen, who were also devoted to nonpartisan, scientific inquiry to promote efficiency through the adoption of business methods.

⁹⁷ Schiesl 1977: 117-120

⁹⁸ Established by a social democratic majority, and the first research bureau supported by the municipal government

⁹⁹ Hays 1964:168

¹⁰⁰ ¹⁰⁰ Schiesl 1977: 23

simply, reformers thought business and expertise should run cities. They preferred to see city governments as business operations removed from popular control. Their model for political reform was the corporation, with elements of the middle classes¹⁰¹ acting as a city's board of directors whose task was to eliminate party politics from local government and replace them with middle class values through structural reform.¹⁰²

However, the drive for governmental efficiency was not simply a program to insulate the power of cosmopolitan elites from democratic pressures under machine politics. The centralization of administrative authority also allowed groups more or less accurately to monitor government activities and hence hold public officials and administrators more accountable for social service provision. Where fiscal reform would control corruption, "research" would expand and improve public services.¹⁰³ The generation of budgetary knowledge would not produce smaller budget and lower taxes, but advance in the welfare of all residents. Efficiency would be defined more broadly than was not strictly equated with economy but defined more broadly to

¹⁰¹ Schiesel includes older reformers in this coalition, patrician gentry whose version of structural reform of city government relied on "good men" of moral superiority in government to replace the party system altogether, and younger mugwumps who aimed for regulated partisanship and attacked mass democracy under the banner of efficiency (p.21).

¹⁰² For Nord (1981) the reform of municipal administration in the 1890s (civil service, electoral, budget and accounting, utility regulation, mayoralty) had the effect of insulating officials and bureaucrats from partisan pressures and led to issue-based politics at the city level. Nord sees the features of a "new politics" in terms of shifts in political style and organizational realignments (the rise of issue-oriented group politics). Drawing on Buenker's (1969) argument that the Progressive Era was the product of a new yet distinctly American "group-oriented organizational society," characterized by coalitions that shifted around issues, geographies, and time, Nord argues that "[t]he urge to organize flowed through the society from top to bottom, perhaps more than in any previous era. Capitalists formed trusts, workers formed unions, professionals formed occupational associations, farmers formed alliances and co-ops, immigrants formed benevolent societies, reformers formed leagues and federations and associations of all sorts. At first most groups practiced and believed in voluntary action. But eventually, Buenker says, most turned to politics." (7) Nord highlights the extent to which the state came to be a battleground in the reorganization of the economy, but does not account for power differentials between organizing groups. He describes a pluralist version of modernism, where groups vie for control through voluntary association, in a relatively stable and balanced marketplace of ideas.

¹⁰³ Underlying the concern for the well-being of the masses was a belief that philanthropic efforts to alleviate suffering were limited (partially by inefficient municipal government) and that a system of enlightened and expert government should replace private charity. Smith notes reformers began to think "less about alleviating hardship through old-fashioned individual charity than of eliminating collective ills through sustained social research" (1991:38).

mean the maximum use of all city resources.¹⁰⁴ The NYBMR philosophy of scientific management saw specialization, planning, quantitative measurement, and standardization as the key concepts included under the heading “efficiency” that would be used to maximize output/input ratios. This ethic coincided with the modern self-image of reformers as value-free analysts applying scientific methods to unearth “hard data” in the name of a general interest.

These early TTs also inculcated an ethic of public education. Marketing its findings to the broad public was integral to fulfillment of the NYBMR mission. It took steps to publicize the budget and its connection to the well being of New York residents.¹⁰⁵ Allen said in 1908 that the bureau was “not to stop graft, not to head off the politician, and not to get good men into office, but rather to keep the public informed of what public officials are doing.”¹⁰⁶ As with the Russell Sage Foundation (see below), its use of the survey method¹⁰⁷ to generate facts regarding community services was a “crucial link between reform-minded officials and upper-middle-class elites outside local government. When party-minded personnel were unwilling to implement the proposals, the Bureau often released its findings to the public in the hope that popular pressure would bring about more competent government.” By 1911, through a series of bulletins describing economic and social conditions, the NYBMR had lobbied free medical inspection in schools, the establishment of the bureau of child hygiene, centralization of health inspection procedures, the elimination of unsanitary slaughterhouse practices, and enforcement of housing regulations.

¹⁰⁴ Schiesl 1977: 113

¹⁰⁵ It sponsored the first budget exhibit in the United States in 1908, where public expenditures and their effects were displayed. See also Nord’s discussion of the use of newspapers as a tool of publicity of urban reform issues such as environmental health and safety, air and water pollution, and public utility regulation, especially street railways.

¹⁰⁶ *City Club Bulletin 2*, April 22, 1908, quoted in Mark C. Smith 1994:176

¹⁰⁷ A term used because it evoked notions of inclusive, objective, and scientific methods.

The various bureaus of municipal research produced tons of information on budget and accounting systems and public services that articulated efficiency in terms of both sound fiscal policy as well as more and better social services. Reformers thought that fiscal reform would enhance the satisfaction of the needs of all urban residents. Civil service reform replaced nineteenth century notions of limited government and laissez-faire with a concept of public responsibility. The notion of the public interest produced by the efficiency movement would reverberate in later years as debates around welfare capitalism came to dominate political life throughout the 20th century.

The municipal reform movement was therefore not just a medium to transform public administration into a lean businesslike operation. Social efficiency was as big a concern as fiscal efficiency. The movement contained professionals dedicated to the philosophy that information experts gathered on city life directly applied to social welfare services could provide residents with new and better services.

Still, the *net effect* of efficiency reforms was to produce more elite control. In municipal reforms around the turn of the twentieth century, the tendency towards social control supersedes social amelioration.¹⁰⁸ The metaphor of efficiency functioned to assimilate and attenuate the idea of using social science to cure social ills. Citizens, Bruere claimed, would need to recognize that the complexity of modern government demanded specialized knowledge, or “professional service in behalf of citizen interests”, and that citizenship now turned on making informed decisions in the voting booth based on an evaluation of governmental efficiency.¹⁰⁹ As a component of what Ohmann calls a rising “professional managerial class” (PMC), proto-TTs tamped down the more radical elements of reform. While some reforms may have

¹⁰⁸ Christopher Lasch’s *The New Radicalism in America, 1889-1963: The Intellectual as a Social Type* (New York, 1965) was one of the earliest studies of social control as a theme in American liberalism.

¹⁰⁹ Quoted in Haber 1964:112

looked and felt more like opposition to the untrammelled workings of big business: social work, urban reform, muckraking, the regulatory legislation of the 1900s... in none of these projects did the anti-union, anti-populist PMC support working class self-organization; indeed, in retrospect, all of them tended to strengthen the rule of capital by making it less abrasive and coercive, more reasonable, more 'natural,' more hegemonic.¹¹⁰

The PMC seized on the metaphor of efficiency to manage a perceived threat to growth, property, and profits. The metaphor, which encompassed notions of executive power,¹¹¹ the separation of politics from administration, the businesslike administration of city government, and expansion of welfare services, led reformers to place authority in the hands of a small group of people drawn mostly from the middle classes. As Ohmann explains,

In going after the Tammany Halls of the big cities, reformers were, after all, seeking to replace (corrupt) working class organizations with rational management by businessmen and their PMC allies, even if their plans called for some gas-and-sewer socialism. Progressives had sympathy for workers as residents of the city, looking after them with sanitary measures and settlement houses, but no solidarity with workers at work. Their contribution in that sphere was scientific management. They saw in organized labor at least as dangerous a threat as in organized capital; they lamented, and had since before Bellamy, American society's unfortunate tendency to divide into antagonistic classes.¹¹²

2.2. The rise of national think tanks

2.2.1. Case 3: National Civic Federation

Arguments about the absorption and displacement of competitive capitalism crystallized in the New York Reform Club, the Chicago Civic Federation, the National Civic Federation (NCF), and other big city economic clubs and reform associations. In these venues, the major constituents in the corporate reconstruction of the market (railways, industry, commerce, agriculture, labor, professionals, and politicians), sought to define their roles in the new economy and adapt the law and public policy to these new roles. These groups articulated powerful ideas conducive to the transition to a large-scale economy, and incubated a new breed of multiple

¹¹⁰ Ohmann 1996: 344-5

¹¹¹ I.e. centralizing authority in the executive mayoral branch to limit boss influence

¹¹² 1996:350

elites committed to rational economic management. The NCF in particular represents the clearest articulation of the paradigm ideas for which Fordism would later provide an economic basis (scientific management, some state intervention, and integration of the working classes into an imperialist project).

Founded in 1900 by business leaders and some labor representatives, NCF was arguably the most important of the national Progressive organizations. Focused mainly on the Sherman Anti-Trust Act, NCF amalgamated prominent people in economic, political, intellectual, religious spheres to hash out policy and law reforms congruent with corporate administered markets and government regulation. The NCF conference in 1907 and the Chicago Civic Federation Conference on Trusts in 1899 both served as a platform for criticizing the Supreme Court's interpretation of the Sherman Act, and emphasized the need to accept and regulate large corporations. The Chicago conference was more diverse, including laissez-faire, populist, and Marxian opinions, and spawned a splinter group of more radically leftist opinion. The members carefully selected for the 1907 NCF conference on the other hand came precisely to *depoliticize* the trust question, presenting it as a product of *nonpartisan expertise*. They fleshed the agenda out beforehand to ensure a predetermined outcome that defined the general welfare in terms of revising the antitrust law. Despite some conflict between small-manufacturers and labor unions over union strikes and boycotts, a consensus emerged affirming an administered rather than competitive market, and the compatibility of large corporations with democracy.¹¹³ NCF sponsored workmen's compensation laws, federal price setting, and played a major role in writing the Federal Trade Commission Act of 1914.

The first NCF chair, prominent Cleveland industrialist and Republican senator Mark Hanna, described the federation's mission of cooperation between capital and labor thusly:

¹¹³ Sklar 207-212

We must get right down to the belief that life is a matter of mutual interest between labor and capital.... There will always be neutral ground where conflicting interests can meet and confer and adjust themselves—a sort of Hague tribunal, if you please, in the everyday affairs of life.¹¹⁴

Participants forged an identity opposed to “cutthroat” and “irresponsible” business competitors that did not support “cooperation” in commerce and industry, or distinguish a conservative social welfare program from socialism. They also sought cooperation with conservative labor leaders like Samuel Gompers of the American Federation of Labor (AFL) who did not question the basic structure of the economy and were content with a larger share of the economic output.¹¹⁵ The concept of “safe” unionists and the “right kind” of regulations were favorite themes of NCF leaders, and motives for their promotion of a welfare state, collective bargaining, child labor and public utility regulations, and federal partnerships with corporations. For these reasons, Weinstein identifies NCF as “the leading organization of politically conscious corporation leaders at least until the United States entered the First World War ... [which] established the principle of tripartite (business-labor-public) representation in public affairs.”¹¹⁶

Hanna expressed the principle of such a cooperative capitalism in a 1920 statement confirming the necessity of organized labor:

I believe in it because it is a demonstrated fact that where the concerns and interests of labor are entrusted to able and honest leadership, it is much easier for those who represent the employers to come into close contract with the laborer, and, by dealing with fewer persons, to accomplish results quicker and better.

The trusts have come to stay. Organized labor and organized capital are but forward steps in the great industrial evolution that is taking place....and it is our duty, those of us who represent the employers, from this time on to make up our minds that this question is one that must be heard....

There is nothing in the organization of society in this country that can afford to permit the growth of socialistic ideas. They are un-American and unnatural to us as a people....

...I received great encouragement from... [AFL President] Samuel Gompers...when he took the broad ground that in the interests of labor there was no room for the socialist or

¹¹⁴ Aqi Judis 2000:3

¹¹⁵ Weinstein 1968:40-61

¹¹⁶ 1968:3

the anarchist, no room for men who undertook to disturb the principles of our society and government. When such words come from a man leading the largest labor organization in the world...I know that...now is the time to proclaim to the American people that in the consideration of this question, which sooner or later must be forced upon us, we must consider what is for the best interest of society as well as for our material development.¹¹⁷

The original NCF purpose faded as most of its original ideas—the creation of a Federal Trade Commission, industrial accident insurance, and welfare benefits in corporations—passed into law.¹¹⁸ Through the 1920s, it still served as a meeting group between AFL leaders, executives, and academic experts, but its influence waned as its executive director and leadership lost interest in discussing policy. With AFL president Samuel Gompers, the organization condemned liberals as communists, and was irrelevant in the 1930s.¹¹⁹ Despite NCF's drift, the Wagner Act and Social Security Act (see chapter 4) were a working out of ideas concerning labor relations and social insurance initiated by NCF. The ability of others in the policy network to adapt its policy agenda to the new Keynesian consensus partly explains the growing irrelevance of NCF in the 1930s, and is evidence for the regime status of corporate liberalism.

2.2.2. Case 4: Russell Sage Foundation: The Apex of Ameliorative Expertise

With an initial endowment of \$10 million dollars, the Russell Sage Foundation did policy research in the waning Progressive Era years.¹²⁰ Like most of the other seminal organizations in the early 1900s, public education was part of its *raison d'être*. Its stated goal of applying research to social ills oriented it to public education on issues like tuberculosis, the working

¹¹⁷ Marcus A. Hanna, "Industrial Conciliation and Arbitration," *Annals of the American Academy of Political and Social Science*, vol.20 (1920), pp.21, 24-6.

¹¹⁸ cf. Weinstein 1968

¹¹⁹ Domhoff 1970:168-70

¹²⁰ Margaret Olivia Sage became the wealthiest woman in the country upon the death of her husband in 1906, and in the twelve years before her death, gave away some \$35 million to social causes (Smith 1991: 39). The support of the Russell Sage Foundation was central in the development of the Social Survey movement, which peaked from about 1906-1926. In 1912, Sage created Pittsburgh's Department of Surveys and Exhibits, which supported over two and a half thousand social surveys in cities and towns between 1912 and 1927 (Featherman and Vinovskis 2001:25).

conditions of women, health concerns, and extensive studies like Paul U. Kellogg's study of Pittsburgh industrial conditions.¹²¹

The Pittsburgh study of 1906-09 was the first major study of a burgeoning Social Survey movement, and became the prototype for most of the social research used by during the first three decades of the century.¹²² Kellogg's main method was the survey, a tool that combined research and public education to effect political change. He believed social workers could analyze social problems and work with local leaders to solve them. Convinced that publicized facts could energize social transformation, Progressive social scientists produced many surveys to record social facts and garner publicity for them as an argument for reform. In linking research, publicity, and action, the surveys resembled what we might call today investigative journalism or interest group advocacy. "These people sought," according to Ewen,

through surveys and writings...to activate a public outcry on behalf of social order and reform [and] ... accountability to the concerns of middle-class Americans, particularly their worries about 'urban problems -- labor and social welfare, municipal reform, the interests of the consumer.¹²³

Yet, the radical implications of this vision were short-lived. The gradual eclipse of the metaphor of prevention embodied in Bellamy's utopian *Looking Backward*, where social scientists saw themselves as doctors seeking to prevent and cure social ills, by the metaphor of the scientist of efficiency, whose job was the expert management of society, rearticulated the Enlightenment ideal of rationality to the needs of capital.

Ewen argues that Progressivism was at a fateful juncture in 1914, exemplified by Walter Lippmann's abandonment of his socialist hostility toward big business, and conciliation towards

¹²¹ Abelson 1996: 27-28

¹²² Chambers 1971

¹²³ Ewen 1996: 51

hierarchical social relations. A conservative quest for order began to displace the ideals of popular democracy.

For the first generation of twentieth-century reformers, the scientific gathering of empirical data -- social surveys -- had been seen as a mighty instrument of social improvement. Social surveys, they had believed would provide the public with a social agenda for the future. To Lippmann and a growing number of others, however, the social sciences appealed less in their ability to create an informed public and more in their promise to help establish social control.... Social engineers, social scientists, armed with their emerging expertise, would provide the modern state with a foundation upon which a new stability might be realized.... Accompanying a democratic current of social analysis that sought to educate the public at large, another -- more cabalistic -- tradition of social-scientific thought was emerging, one that saw the study of society as a tool by which a technocratic elite could help serve the interests of vested power.¹²⁴

Ewen's narrative mostly focuses on the emerging profession of public relations, but we find the bifurcated nature of Progressivism also in the interplay between the self-identity and function of professional reformers in the political economy:

It thought of its initiates as possessing a broad capability for development, to be specialized and deepened through a mastery of a discipline. So educated, the individual could claim certain privileges -- control over work, limited autonomy from market forces and bosses, affluence, respect -- guaranteed formally in the most successful professions, informally in the ranks of specialized management and the new government bureaucracies. In exchange, the PMC offered to 'society (in its view) expertise, efficiency, the ability to regulate and rationalize capitalist development, disinterested leadership into modernity. On another analysis, it offered to the dominant class scientific management, conversion of knowledge into profit, and moderation of open class conflict; to the working class, schooling, sanitation, better housing, city planning, social work, endless advice on how to be more like the middle class, and in all these ways a modest bulwark against capital's unlimited drive toward exploitation.¹²⁵

The formation of RSF was thus a high water mark for the social justice oriented diagnosis of social ills and solutions. Although business and philanthropy-funded research organizations continued to investigate the roots of social problems and publicize them in order to arouse an enlightened public in the cause of reform, the efficiency movement, which structured research

¹²⁴Ewen 1996:64. Beginning in WW I, Lippmann came to serve as an intellectual go-between and champion of Anglo-American elite cooperation. He was Wilson's representative to explain the Fourteen Points to the British government, and the prime mover behind Wilson's advisers at Versailles, dubbed *The Inquiry* (Van der Pijl 1998: 113).

¹²⁵ pp. 162-163

initiatives first at the city and then national level, would supersede, incorporate, and nullify the more radical vision of reform.

In the case of the efficiency movement in municipal and national reform, we see a dynamic in which dominant interests in society take the potentially radical elements and interpretations of modernity and employ them to contrary purposes. Subsequent chapters argue this dialect of Enlightenment¹²⁶ is a recurring dynamic within think tank history, and suggest that an understanding of modernity as a process by which the tools of emancipation become their opposite has some merit.

2.2.3. Case 5: The Institute for Government Research

Soon after cities began to enact fiscal reforms, the federal budget became an increasingly important focal point for reformers.¹²⁷ President Taft's Commission on Economy and Efficiency (1910), led by Frederick Cleveland of the NYBMR, issued a six-hundred page research effort in 1912—*The Need for a National Budget*—calling for an executive Budget Bureau to be used by the president to generate a comprehensive budget. Although supportive of the idea, neither Taft nor his successor Wilson were able to act on the proposal while Democrats controlled the Congress, and so experts on budgetary reform including Cleveland, banker and Taft's special assistant Charles D. Norton, and lawyer and secretary of the new Rockefeller Foundation, set out

¹²⁶ The significant difference here is that while public relations people doubted the innate ability of their fellow middle classes to exercise critical reason and increasingly took "irrationality as the touchstone for understanding human nature" (Ewen 1996:144), think tank culture remained firmly committed to rational discourse.

¹²⁷ For the first 75 years of the United States, revenue and expenditure decisions were legislative prerogatives, made in the Committee on Ways in Means in the House and the Finance Committee in the Senate. After the Civil War, the House and Senate created separate committees for taxing and spending in order to strike a balance between the need for financial expertise and the diffusion of the control of institutional resources. The House Appropriations Committee satisfied members of Congress initially, and there was a consensus to curtail the governmental spending, waste, and profiteering that had occurred during the Civil War. But in the following years the appropriations committee came under attack for exercising control over other committee's programs, so members of Congress gave spending bills concerning constituency-oriented legislation and other items including army, navy, diplomacy, post office, and Indian affairs, to substantive legislative committees. This 1885 act became a symbol of mismanagement and parochialism in Congress (Meyers 1994:52-3). The emerging pattern of budgeting was what political scientists called "iron triangles." Dissatisfaction with this pattern of interaction between heads of governmental bureaus, their clientele, and the chairpersons and ranking members of appropriations committees fomented support for the creation of an executive budget.

to establish an organization to promote the legislation. The Institute for Government Research (IGR) incorporated in 1916.¹²⁸

Like the Russell Sage Foundation, newly created philanthropic foundations supported IGR, in this case the Rockefeller Foundation.¹²⁹ Coming on the heels of Rockefeller's involvement in the massacre of striking workers in Ludlow, Colorado, IGR sought to dispel the impression of it as merely a forum to develop responses to the glaring scrutiny the family had come under. IGR deflected political controversy and charges of subterfuge by focusing on the narrow problem of efficiency in federal agencies, and creating a prestigious board of trustees intended to represent liberal, conservative, business, and academic segments of society that set the standard for corporate foundations involvement in public policy.¹³⁰

After World War I, as congressional representatives attempted to reduce spending quickly and painlessly, reformers took the lead in a movement to suppress the power of party bosses and chairs of permanent congressional committees by shifting power to a Chief Executive served by experts dedicated to the general welfare. Reformers like IGR's first president William Willoughby thought that the deep separation between executive and legislative branches was inefficient given the size and complexity of national government. They also objected to the budgetary practices of piecemeal construction and itemization, which they argued were wasteful, lacked executive discretion, and gave little attention to total spending. Supporters like Woodrow

¹²⁸ The IGR expanded and was renamed the Brookings Institution in 1927 (Thompson 1956; Saunders 1966). Critchlow (1984) looks at the relationship between the New York Bureau of Municipal Research and the Institute for Government Relations. Noting the anti-statism of Brookings' institutions did not change until after World War II and then during Kennedy-Johnson years, Critchlow disputes that Brookings was corporate liberal. I would reply that while corporate liberalism sought fit to accede to new regulatory and administrative powers for the government, it helped to contain efforts to maximize the social welfare aspects of statism, and so was a sort of anti-statism.

¹²⁹ Unlike Russell Sage, which was set up to conduct its own research, the IGR functioned as an intermediary between business elites and government.

¹³⁰ Critchlow 1984: 32-33, Smith 1991a: 11

Wilson pointed out that the form of the budget had no standard method of recording data¹³¹ and called for executive leadership as a remedy. Working closely with Wilson's successor, Warren G. Harding, IGR celebrated the long-desired passage of the Budget and Accounting Bill in 1921.

By placing budgets under the management of a single body comprised of the executive and expert advice, reformers hoped to make budget recommendations based on *scientific principles* thus developing what historian Beard called a "science of budget making."¹³² Transferring the corporate model of economic organization from Taylor to the urban and federal polity allowed bureaucratic centralization to flourish in all arenas, and provided "structural support for the diffusion of the ideology of efficiency."¹³³ Throughout the 1920s, IGR helped small and large government agencies incorporate modern business accounting methods and evaluated inefficient duplication and waste across agencies some sixty administrative monographs.¹³⁴

The policy outcomes achieved under the paradigm of efficiency marked a triumph of technocratic management over social emancipation. Though enmeshed in the politics of budget reform (the IGR lobbied long and hard for its passage, and even hired a public relations man to saturate newspapers with sympathetic stories and editorials), it maintained an explicit stance of nonpartisanship. For co-founder Jerome D. Greene, there was "no difference of opinion among good citizens as to the urgent necessity for efficiency and intelligent economy in administration."¹³⁵ Yet the first IGR director—Princeton University professor, Labor Department statistician, and member of both the U.S. Bureau of the Census and Taft's Commission on

¹³¹ William Franklin Willoughby, *The Problem of a National Budget* (New York: Appleton, 1918), p.56-7.

¹³² Beard 1917: iii

¹³³ Larson 1977: 43

¹³⁴ Smith 1991a: 13

¹³⁵ Institute for Government Research, *Prospectus*, May 1, 1915, Brookings Institution Archives, cited in Smith 1991a: 11

Economy and Efficiency William Willoughby—was outspoken in his denunciation of the “mob rule” of majority government. Furthermore, Meyers observes that budget reformers were

Not radicals; those who left their imprint upon American budgeting between the Civil War and 1920 were not opposed to American social structure or to competitive markets, nor were they proponents of income redistribution.

As Haber points out,

For those top officials who interpreted efficiency in terms of social control, this precocious image of a welfare state was not the main factor attracting them to municipal research. They looked with approval upon the [NY] Bureau [of Municipal Research] because it invariably recommended increasing the power of administrative authorities.¹³⁶

2.3. Conclusion: Class, crisis, and restructuring

The difficulty in talking about Progressivism is that so many generic explanations of the movement and its significance are possible. From “the ambition of the new middle class to fulfill its destiny by bureaucratic means” (Wiebe); the waning of old institutions of social cohesion and change in the face of industrialism (Schiesl); a broader diffusion of wealth, status, and power (see Hofstadter 1955), historians refer variously to the period 1890-1910 as

a continuation of agrarian radicalism, as an essentially urban movement led by a declining middle class, as a movement led by a rising middle class, as an efficiency movement led by professionals and bureaucrats, as a democratic movement of lower-class immigrant groups, as a conservative, upper-class movement against popular democracy, and as a class struggle over moral or cultural hegemony.¹³⁷

To these we could add delineations of an emergent “professional managerial class” by Ehrenreich and Ehrenreich (1979) and Ohmann (1996), Gouldner’s “new class,” Sklar’s “shift from proprietary- to competitive-capitalism,” Rabinow’s “middling modernism,” Weber’s “bureaucratization,” Durkheim’s “rationalization,” etc.

¹³⁶ Haber 1964: 112

¹³⁷ Nord 1981:6

While it is impossible to account for the sweep of Progressivism through a single ideology or constituency, the coherence between proto-think tank discourse and major policy outcomes suggests a process by which a new and relatively coherent ruling class came to preside over the reorganization of both the market and politics.¹³⁸ In 1880, the wealth and status of the upper classes did not mean easy admission to the machinery of urban government. The hegemony over politics “that businessmen later managed to achieve... had barely begun to take shape in 1890, with timid regulation of railroads. Before the end of the century, capitalists took little interest in the political process except as a source of giveaways and a target for bribes.”¹³⁹ By 1918, the collaborative efforts of corporate leaders, politicians, and experts achieved a consensus that rested on the ideology of efficiency.

This accomplishment was not the result simply of changing winds within disciplinary research, great thinkers, or even the preeminence of particular organizations. To understand why late nineteenth century capitalists used policy expertise to access and centralize the public sphere, we also need to understand the structural causes underlying their recognition of the need for “broad controls over their world, in order to continue to amassing wealth peacefully.”¹⁴⁰ Deep transformations in the relationship between society and the state in the transition from proprietary-competitive to corporate-administered capitalism demanded new types of expertise. Fundamentally, labor unrest and overproduction were the conditions for the emergence of a more activist crisis management role in the part of upper classes. The class strife of the 1880s and depression of the 1890s led the advanced sectors of business to the conclusion that regulation and coordination of economic activity depended on “the utilization of political outlets to attain

¹³⁸ This is consistent with G. William Domhoff’s response (1996) to Theda Skocpol and other “state autonomy” theorists. Domhoff argues that the policy-planning network is “the programmatic political party for the upper class and the corporate community” (1996: 29).

¹³⁹ Sklar 1988:57

¹⁴⁰ Perkin 1996:57

conditions of stability, predictability, and security -- to attain rationalization in the economy.”¹⁴¹ As the rate of capital accumulation outstripped the ability of consumers to consume (overproduction), the value of products grew slower than the capacity of industry to make things.¹⁴² Breakneck capital formation consolidated productive resources in the hands of very few, while worker unrest over wages and conditions threatened the legitimacy of the dominant class. Faced with increased cutthroat competition, declining profits, and labor unrest, the giant corporations and financial institutions turned to the federal government in the early 1900s to stabilize the economy in a way they could not for themselves.¹⁴³

Hofstadter (1955) shows that the strongest impetus for “the combination movement” and for the efficient rationalization of industry was the fear of anarchy and the risks of competition.

Harold Perkin concurs:

What Americans discovered in the Progressive Era was that the burgeoning free market together with industrialism and the rise of an urban civilization threatened to reduce the old social order to chaos.... Corporate capitalists came to understand that unregulated competition was wasteful, inefficient and, above all, insecure. Profitability depended on controlling the vagaries of the market and ensuring that it operated in the most predictable and effective manner. The investment of vast capital in mass production and cheap products of high quality could only be justified if sales and profits could be guaranteed, which meant bringing them under the control of a large, single, bureaucratic enterprise.¹⁴⁴

The health of capitalism demanded a more comprehensive vision on the part of executives, one centered on scientific management and public engagement. To create a modern public of consumers and transcend the previous economic order of industrial barons, multiple elites created new professions, institutional and managerial functions, and corresponding planes of values, beliefs, and ideological supports. As pragmatic technicians seeking scientific solutions to

¹⁴¹ Ohmann 1996:3

¹⁴² Ohmann 1996:51

¹⁴³ Kolko 1988

¹⁴⁴ Perkin 1996:29-30

public problems, think tankers were “specific intellectuals.”¹⁴⁵ However, they also functioned as “organic intellectuals”¹⁴⁶ of the ruling class. Business leaders and professional reformers united on the virtues of corporate power, the free market, science, and efficiency.

Through a conscious involvement in the reorganization of the marketplace and class relations, proto-think tanks helped to generate “modes of thought suited to creating the necessary governmental, legal, intellectual, and cultural conditions” for the deep transformations of economic life around the turn of the century to succeed.¹⁴⁷ In their quest to transform the legal order and larger system of political power, the corporate-reconstruction movement

proceeded in several spheres at once -- in market and property relations, in the law and jurisprudence, in party politics, in government policy and legislation, in foreign-policy making, and in scholarly and popular modes of thought. Their efforts assumed the organization forms of trade and civic associations, single-issue groups and committees, reform clubs, electoral party politics, lobbying, publications ranging from newsletters and newspapers to periodicals and books, and conferences and conventions -- in short, organizational forms usually associated with social movements.¹⁴⁸

In other words, the professional managerial class was able to organize only because of this shift from competitive to monopoly capital. Ohmann’s description encompasses the rise of the big corporations with their complex internal structure, rationalization of the labor process, turn to quasi-professional management, assumption of control over sales, and reliance on the consciousness industry.¹⁴⁹ In Ohmann’s focus on advertising¹⁵⁰, Ewen’s focus on corporate image, and my focus on public policy expertise, we see different facets of a broad crisis management strategy at the turn of the century. Sklar writes,

¹⁴⁵ Foucault (1980) refers to specific intellectuals as those who work in technical fields like medicine, psychiatry, and penal systems, and raises the possibility that resistance at this micro level is more effective than global theorizations.

¹⁴⁶ Gramsci 1971

¹⁴⁷ Sklar 1988:11

¹⁴⁸ Ohmann 1996: 15

¹⁴⁹ Ohmann 1996: 163

¹⁵⁰ The development of market research, salesmanship, product differentiation, integration, rational management, and collaborative pricing were intended to rationalize the marketplace and provide for increasing rates of profit

The movement for corporate capitalism..., [i]n effecting a reorganization of property ownership and the market, and in attaining a revision of law and of government-market relations... established the fundamental conditions of what many historians regard as the mass-culture society and also as the organizational or bureaucratic society with its concomitant rise of a professional, managerial, and technical middle class. Corporate capitalism... in renouncing statism... pacified agrarian populism, transcended proprietary capitalism, and, in the inclusive as well as the exclusive sense, contained socialism.¹⁵¹

Think tanks reoriented expertise and state action towards the mediation of occasionally explosive class conflict by both redistributing the fruits of labor and by justifying hierarchical social relations, but the latter direction “winning out.”¹⁵² By displacing the original ameliorative goals of applied social research with a paradigm of “efficiency,” they structured an emergent social-political order by deferring to a cluster of ideas surrounding the paradigm of “efficiency” as nonpolitical sources of judgment. This discursive strategy accommodated a political culture of representative government, and redefined that tradition to fit the perceived needs of a society confronting this rapid change.¹⁵³ To mitigate the negative effects of “cutthroat competition” on established interests, think tanks cultivated businesslike, nonpartisan, approaches to public administration, and developed a notion of the state as a coordinating mechanism to aid “cooperation” within a system of large economic blocs. The deployment of social science toward social welfare as well as technocratic management and control paradoxically reinforced class segmentation by softening it. The net effect was to insulate decision-making from public access.

The invention of policy expertise in the late nineteenth and early twentieth century was a strategic response to major economic and social disruptions. Progressive research and planning organizations grew from political activism by multiple elites who promoted social science as an

¹⁵¹ Sklar 1998: 441

¹⁵² Kolko’s (1976:24) data indicates that the period saw “a significantly higher economic mobility into the elite, but in a manner which in no way alters the economic and social structure of capitalism or the distribution of income and wealth.”

¹⁵³I call this rapid change “massification,” or the transition to a mass society through technological advances in productive capacity, the rail system, nationally distributed periodicals oriented to national readerships, urbanization and immigration. These changes revolutionized American economic and social life at a time when the state was relatively limited in its activity and left most social action to the market or civil society. Since state action in the U.S. was subordinate to private enterprise, think tanks arose mostly under the auspices of capital.

instrument for managing crises and class divisions in the transition to a mass American society. These groups created and advocated social scientific justification of the new economy to the wider public. They constituted a network that defined policy-focused social science at the municipal and national level through a cluster of concepts related to “efficient” administrative and economic practices.¹⁵⁴ The paradigm of efficiency thus bound together “a hierarchic but pluralistic web of class and political relations engaged in reconstructing American capitalism.”¹⁵⁵ In proto-tanks, the road towards a new social order was paved with discourse that decoupled policy expertise from ameliorative concerns, and used it for rationalization and control.

It will now be clear why the concept of corporate liberalism promises to be the best tool to analyze the emergence and subsequent evolution of think tanks. Developed by New Left historians William Appleman Williams (1959), Gabriel Kolko (1963) and James Weinstein (1968), the corporate liberal interpretation of modern American history challenged the “consensus school”¹⁵⁶ view of Progressive and New Deal policies. Instead of increasing democracy and justice, these scholars proposed that liberal reforms had enhanced the power of private corporations over government and individuals.

The concept recognizes a system of *multiple* elites, rather than a single power elite, ruling class, or collection of “opinion leaders.” As an ideal type, a corporate liberal social order

...is one whose basic units consist of officially recognized, non-competitive, role ordered occupational or functional groupings ... one with coordinating machinery designed to integrate these units into an interdependent whole and one where the state properly functions as coordinator, assistant, and midwife rather than director or regulator.¹⁵⁷

¹⁵⁴ Especially economic tools like statistics, demographics, and accounting were especially important. The paradigm ideas were efficiency, objectivity, facts, nonpartisanship, social responsibility, cooperation, science, and education.

¹⁵⁵ Sklar 1988: 35

¹⁵⁶ See Arthur Schlesinger, Richard Hofstadter, and Louis Hartz

¹⁵⁷ Ellis Hawley 1978: 312. Variations on the corporate liberal state are referred to as syndicalism, state capitalism, monopoly capitalism, liberal corporatism, interest-group liberalism, and corporate syndicalism. A typically cited

The coordination of different “corporate units,” including labor, agriculture, and industry, maintains a privileged position for the business corporation based on a view of the corporation as the natural successor of the old individual entrepreneur in the inevitable march of dominant forms of property in the modern economy.¹⁵⁸ Large organizational bodies (business, labor, agriculture, single-issue groups, public opinion embodied in elections, government agencies) are constitutive components of the modern policy process. These functional elites pursue what they view as societal interests through a strategy of communicating those interests among each other through a collaborative process. A “pattern of interpenetration and power sharing” facilitates collaboration between corporate actors and “often makes it difficult to determine where one sector leaves off and the other begins.”¹⁵⁹ Business and government sectors play the most important roles, sharing as much with one another as the constituency they represent.¹⁶⁰

The concept also captures elegantly the dual meanings of “liberalism” as either state or society centric. As we have seen in the above cases, proto-tanks promised to expand social benefits and empower of private capital. They accepted a

...growing role for positive government in both regulative and distributive functions, but by and large in a manner consistent with the greatest possible preservation of private initiative and private-property ownership as against state direction and state ownership.¹⁶¹

The usefulness of corporate liberalism as an analytic tool is thus its understanding of the interactive relations between agents (multiple elites), structures (economic transformations and

example of corporatism is the *keiretsu* system in Japan, in which the government works very closely with large businesses to enhance their competitive position in the world market.

¹⁵⁸ Sklar analyzes the “Trust Question” as “the preeminent set of issues in national politics in the years between the great depression of the 1890s and United States entry into World War 1” (1988:2). He distinguishes three variants of corporate liberal ideology according to their understanding of relations between society and the state, “natural monopolies” and the economy, and property rights and human rights (1988:36). The T. Roosevelt (left), Taft (right), and Wilson (center) variants advocated different degrees of public control of large scale enterprises, and accepted different degrees of socioeconomic inequality.

¹⁵⁹ Hogan 1986: 154; Hawley 1978: 309-320

¹⁶⁰ See Gaddis 1983, Gaddis 1986, McCormick 1981, Hogan 1986

¹⁶¹ Sklar 1988: 38-9

crises, political traditions), and discourse (paradigm ideas), and the paradoxical evolution of American capitalism as a system of planning within a fundamentally unplanned system.

In the next three chapters, we will see how the expansion and consolidation of a corporate liberal regime proceeded during periods of both crisis and stability. I show how an expanding field of tank activity kept together the network of business executives, philanthropists, academics, public officials, and labor representatives dedicated to creating a domestic regime in which capitalism could be further concentrated, stabilized, rationalized, and protected. I find strong links between tanks, landmark government planning agencies and commissions, and major legislative outcomes. Think tanks developed sophisticated social scientific ideas as a way of shaping public discourse on abiding concerns with economic crises and the efficient distribution of wealth in ways that did not appear overtly political or interest bound. The coherence between their rhetorical innovations and major policy outcomes shows a repeated adaptation of potentially radical proto-Keynesian and Keynesian economic ideas to a framework that did not fundamentally disrupt the relations of power in the American political economy. Through a “demand-led” industrial labor process of mass-produced consumer goods, this coalition consolidated this regime through periods of war, prosperous peace, and widespread social unrest.

3. The Domestic Consolidation of Corporate Liberalism, 1918-1929

Much historiography presents 1920s political culture as a laissez-faire interregnum between the interventionism of the Progressive era on the one side and the New Deal on the other. However, this ignores the role of think tanks through the decade in laying the rhetorical and institutional groundwork for New Deal recovery and reform policies. Think tanks elaborated a corporate liberal paradigm to coordinate social sectors in a way that avoided both the socialist

tendencies of regimented statism, and the competitive waste and social unrest of laissez-faire. In particular, many politicians, business leaders, social scientists¹⁶² and professionals¹⁶³ embraced a belief in strengthening federal planning through partnerships with experts in academia and business. The belief that government and industry could use economic statistics to foster national economic health and business-labor-government “cooperation” is visible in TT roles in WW I governance structures, and the numerous commissions initiated by Herbert Hoover in the 1920s.¹⁶⁴

3.1. The National Resource Council and War Industries Board

Scientific and industrial research collaboration was strongest at the National Resource Council (NRC) and the War Industries Board (WIB). NRC applied the Progressive model of efficiency to scientific research. As NRC director (and later IGR trustee) Vernon Kellogg put it, “The application of the same principles of organization which have made a success of our business and industry will make a success of our science.”¹⁶⁵ Under the threat of impending war, President Woodrow Wilson directed the National Academy of Sciences¹⁶⁶ to centralize the country’s scientific resources in 1916. With private¹⁶⁷ and federal support, the NRC acted under presidential authority to “secure the cooperation of all agencies, governmental, educational, and industrial, in which research facilities are available.”¹⁶⁸

¹⁶² Economists, psychologists, statisticians, sociologists, geographers, linguists, historians

¹⁶³ Journalists, lawyers, social workers

¹⁶⁴ Metzger 1985

¹⁶⁵ 1919:1

¹⁶⁶ The Academy was a prestigious collection of scientists that could be called on to advise the government, but did not function as a central research organization.

¹⁶⁷ As in the Progressive era, corporate businessmen often subsidized government efforts in scientific development. NRC Money came primarily from foundations and corporations, first from The Engineering Foundation (comprised of major engineering societies with support from Cleveland industrialist Ambrose Swasey), and later from the Carnegie Corporation of New York, the Rockefeller Foundation, Bell Telephone, GE, Du Pont, and GM (Eakins 1966:118-19).

¹⁶⁸ Council of National Defense 1917:2, cited in Eakins 1966:117

Wilson created the War Industries Board in 1917 to coordinate business, labor, and government in mobilizing production for the war, but comprehensive data for regulating economic processes like shipping and “manpower,” prices and production, and the allocation of raw materials was lacking. WIB tapped Progressive era institutes known for expertise in “administrative efficiency” to direct many of the ad hoc bureaus, commissions, and boards established in the mobilization for WW I. Wall Street Mogul and WIB chair Bernard Baruch recalled, “The greatest deterrent to effective action was the lack of facts.”¹⁶⁹ Baruch charged Columbia University economist and WIB Price Section chief Wesley Clair Mitchell,¹⁷⁰ Boston department store magnate Edward A. Filene, and Harvard School of Business dean Edwin F. Gay with the task of coordinating the nation’s economic research. The three spearheaded the board’s Central Bureau of Planning and Statistics in early summer 1918 to collate statistics from all government agencies into a usable form for policymakers. For a brief but intense period, they coordinated the country’s productive and scientific resources through a strict corporatist arrangement of labor, business, and government.¹⁷¹

The war victory ratified the movement for voluntary industrial trade associations to regulate competition and prices. By requiring industries to encourage workers to organize and collectively bargain, WIB set a precedent for cooperative arrangements between labor and industry later institutionalized by section 7a of the 1933 National Industrial Recovery Act of 1933 and the Wagner Act of 1935. For Baruch the experience “forced a shelving of the old laissez-faire tradition and thrust the government into a wholly new role. What was done in those

¹⁶⁹ Figures were also unavailable for employment, retail trade, credit, construction, and countless other indices. Mark C. Smith 1994: 24, 61; Dorfman 1949: 477.

¹⁷⁰ The Price Section produced research that allowed policymakers and businesspersons to plan production and inventory levels. For example Mitchell conducted an immense study of wholesale prices for over fifteen hundred commodities from 1917-1918 (Mark C. Smith 1994:25, 62).

¹⁷¹ James Allen Smith 1991:56-7

war years was never to be completely forgotten.”¹⁷² To many who served in research and planning agencies, the intensified prestige and funding for applied research methods confirmed a “cooperative” system of industry, labor, and government could avoid the “inefficiency” of competition.¹⁷³ When the war ended, researchers, administrators and businesspersons flush with victory and a faith in directing centralized industrial and scientific research functions towards intelligent social planning pressed hard for a peacetime expansion of NRC and WIB duties.¹⁷⁴

When peace came, NRC supporters argued that applying the same pure research to industry would achieve the broader goal of enhancing American competitiveness. NRC chairman George E. Hale wrote to the *New York Times* as early as 1916 that all fields of research “whether for the advancement of knowledge or for direct industrial...application [will] relate to public welfare in times of peace even more truly than to national security in the event of war”

(8). Former Secretary of State and NRC Foreign Relations Department member Elihu Root reiterated the theme in 1918:

Under the international competitions of peace...the same power of science which has so amazingly increased the productive capacity of mankind during the past century will be applied again, and the prizes of industrial and commercial leadership will fall to the nation which organizes its scientific forces most effectively.¹⁷⁵

President Wilson agreed that tight connections between government agencies, corporate heads, and scientific experts would help industrial efficiency and therefore competitiveness abroad, and sanctioned the continuation of the NRC.

WIB advocates did not have the same success as their NRC counterparts, even though Americans were increasingly defining their identity in terms of collective blocs in the political

¹⁷² Baruch 1957:308, emphasis in original

¹⁷³ Carrott 1970:321

¹⁷⁴ Wesley Mitchell reflected often on the war as a moment when social science seemed poised to become integral to a rationally planned polity; see Leuchtenberg 1964: 81-143.

¹⁷⁵ NRC, *Third Annual Report*, 1918:23, cited in Eakins 1966:120. Root’s argument was based on the pre-war observation that Germany was able to press its competitive advantages through efficiency gains brought about by applying scientific methods to industry, and the fear of a post-war trade war with Germany.

economy. The effort to incorporate the Central Bureau of Planning and Statistics into the Department of Commerce reflected a growing feeling among certain business executives and intellectuals that quantitative research could help in “organizing, balancing, and coordinating different functional groups.” Such language was common in political debate by the end of the war.¹⁷⁶ Mitchell, Gay, Baruch and others lobbied Wilson for a corporatist peacetime arrangement,¹⁷⁷ but Wilson saw extending the structure of cooperation between industry and labor beyond the war as unnecessary government interference in business, and disbanded the board along with other temporary agencies.

Wilson’s refusal to prolong WIB functions was a significant factor in the steady growth in think tank numbers and activity through the 1920s.¹⁷⁸ The growing policy network saw a scarcity of economic information and thought wartime research could and should continue during the peace. The primary interest of the major private research institutions created in the immediate aftermath of WW I¹⁷⁹ was thus in collecting statistical data on the economy that could provide policy makers with reliable information upon which to act. Acting on the assumption that technical solutions to major social problems were feasible, TTs increased the interaction between academic experts, especially in economics, and government officials.

The war planning efforts had also convinced the major foundations that social science was a non-controversial and practical investment. While “businessmen,” “institutionalist” economists, and moderate labor leaders performed most of the work done in think tanks, the

¹⁷⁶ Williams 1966:358. For Weinstein (1968) the American political economy after World War I was one in which the leaders of large corporations and banks secured “their loose hegemony over the political structure...[by] accepting, and unobtrusively leading, a new politics ... that was known then by such names as the New Nationalism and the New Freedom.”

¹⁷⁷ Weinstein 1968:233

¹⁷⁸ According to founder Mitchell (1940:20), this was a direct factor in the establishment of the National Bureau of Economic Research.

¹⁷⁹ The National Bureau of Economic Research, the Twentieth Century Foundation, and those associated with Robert S. Brookings (IGR, IE, RBGS, and BI).

presidents of foundations drove social science research through financial contributions. It is reasonable to suggest that foundations promoted particular approaches to social sciences, and that the growth and direction of think tanks in the interwar period is due in large part to the coherence between their mandates and the preferences of foundations.¹⁸⁰ Foundation heads were intellectual elites that circulated

Among the professorate, leadership of philanthropic institutions, and government service... [and facilitating] an extraordinarily high degree of common cause between the foundations, academic social science, and government...in creating a science of society able to guide the foundations and government toward better democratic social reforms and ameliorative public policies¹⁸¹

Where the Russell Sage Foundation was the main social science financier before the war, most money for social science research in universities, think tanks, and government in the interwar period came from the Carnegie Corporation and the Rockefeller Foundation.¹⁸² Carnegie Institute board chair and former Secretary of State Elihu Root urged America to learn from the power of Germany's sponsorship of social research, or perish.¹⁸³ The Laura Spelman Rockefeller Memorial Fund under Beardsley Ruml's direction became one of the first national foundations to encourage the systematic application of the social sciences towards pressing social problems, including public policy. Between 1923 and 1929, Ruml directed some \$40 million of the \$80,000,000 to research grants, far from the good works favored by the fund's namesake, John D. Rockefeller's wife.¹⁸⁴

Throughout the decade, the federal government tapped the new (and old) think tanks for projects and increased its reliance on the statistical data they produced. Tanks continued to serve as locations where multiple elites converged to discuss and develop the knowledge necessary for

¹⁸⁰ Goodwin 1998:76

¹⁸¹ Featherman and Vinovskis 2001:8.

¹⁸² Geiger 1986

¹⁸³ Grossman 1982

¹⁸⁴ Blumer 2001:32

a unified policy vision, and evaluate people suitable for government bureaucracy. The emergent agenda-setting mechanisms of Progressive years had grown by the end of the 1920s into an integrated network of several hundred people drawn from a professional managerial class who met routinely (daily, weekly, monthly, and annually) to seek a consensus based on rational and scientific knowledge. People like Wesley Mitchell, Robert S. Brookings, Herbert Hoover, Magnus Alexander, Harold Moulton, and many other executives, politicians, labor leaders, philanthropists and social scientists continued to promote the accumulation of economic facts as the basis of rational and nonpartisan reform efforts. They centralized practices like issuing studies and statements, sponsoring conferences, and performing government contract research.

Their language—consistent with Progressive forebears—reflected a distrust of partisan politics and democracy, a haughty sense that researchers in independent organizations were public servants at the center of national policy decisions, and the notion that economic expertise could be used to restructure the capitalist economic system without radically restructuring class relations. However many of the newer activists modified the idea of efficiency from its limited usage in the “efficiency and economy” movement into much broader areas of public policy. Where earlier reformers had seen efficiency in terms of administrative and managerial functions, economists in the newer think tanks began to apply efficiency in a proto-Keynesian fashion to the *whole economy*, for example through studies of national income. This dynamic would accelerate in the social ethos of the New Deal, in which the whole nation replaced urban centers as the locus of political imagination and policy experimentation.

3.2. The containment of radical political economic ideas

3.2.1. Case 6: The Brookings Institution

The organizational innovations and outcomes in policy groups funded by self-made businessman Robert S Brookings embody the struggle between institutional and neoclassical economics during the interwar years, and show how corporate liberals contained the more radical elements in their own ranks. Robert S. Brookings' role in the creation and direction of the Institute for Government Relations (IGR) was discussed in chapter one. The founding IGR grant came primarily from the Rockefellers, but Brookings himself raised the funds for the other two organizations that merged with IGR to form the Brookings Institution (BI).¹⁸⁵ Appointed by President Wilson to the Price-Fixing Committee of the WIB during World War I,¹⁸⁶ Brookings saw first hand the lack of economic data administrators used to assess sources of inefficiency in the economy, and learned there was a future in economic research. Along with other “enlightened” businesspersons like Owen Young and Gerard Swope of General Electric, Brookings wanted to increase worker participation in an economy that would remain dominated by corporations. He opposed any form of socialism but embraced the notion, liberal at the time and rejected by most industrialists in the Harding-Coolidge years, that workers should have representatives on the boards of major corporations. With other Wilsonians, he envisioned some kind of economic democracy in America and was somewhat of an internationalist on trade.

Brookings believed that objective policy research would help bring order to post-WWI capitalist America. His distrust of partisan politics and belief in the value of reform as a way to make capitalism more stable for the benefit of business and the whole nation led him to pursue post-war economic research outside of official government channels.¹⁸⁷ After becoming IGR chair in 1919, he traveled the country at age 70 to shore up its resources, and took it upon

¹⁸⁵ Saunders 1966; Eakins 1966; Critchlow 1985

¹⁸⁶ Smith 1990:57-8, Eakins 1966:170

¹⁸⁷ This trait emerged in his prewar campaign for a national budget system as an original board member of the Institute for Government Research (see chapter 1).

himself to raise startup money for two new institutes. The Institute for Economics (IE) and the Robert Brookings Graduate School of Economics and Government (RBGS) would cultivate experts who could collect and analyze objective economic data in order to improve economic policy by eliminating waste and other inefficiencies.

Brookings founded IE in 1922 with a five-year, two hundred thousand dollar commitment from the Carnegie Corporation to gather “the economic data which form the bases of national and international policies.”¹⁸⁸ IE studied inefficiencies in production and management, sharing staff and board members (especially bankers) with IGR. It produced a series of studies on tariffs relating to commodities such as sugar, wool, cattle, iron and steel.¹⁸⁹ It was also the first think tank to focus on international commerce. *Germany’s Capacity to Pay* was an analysis of the obstacle Germany’s war debt posed to the reconstruction of a stable world economy.¹⁹⁰ Exuding a feeling of excitement that came from a feeling of participating in national policy, early IE member and first chairman of the Council of Economic Advisors (see section III) Edwin G. Nourse observed that page proofs of IE’s first book on *Germany’s Capacity to Pay* were rushed to a government delegation on their return from Europe. For Nourse the Institute “lived dangerously” by analyzing hot issues in a rigorous yet timely manner.¹⁹¹

The consensus at IGR and IE that politics and policy could be separated was undermined by the third Brookings-led organization—the Robert Brookings Graduate School of Economics and Government at Washington University (St. Louis, MO). Brookings endowed RBGS in 1923 to train “efficient workers” in civil service by emphasizing practical concerns over formal

¹⁸⁸ IE, Pamphlet, Washington, D.C., 1922:5, cited in Eakins 1966:171

¹⁸⁹ Eakins, 1966:172

¹⁹⁰ Eakins 1966:171

¹⁹¹ Eakins, 1966:182

disciplinary procedures.¹⁹² He hoped the program would “teach the art of handling problems ... [and] turn out craftsmen who can make contributions toward an intelligent direction of social change.” Academic training “to impart accumulated knowledge,” was to be at the periphery of the curriculum.¹⁹³

Brookings came to see this mission as compromised by the faculty under the direction of the school’s first appointed chair, Washington University Dean Walton H. Hamilton. Along with Thorstein Veblen, John R. Commons, and Wesley Mitchell, Hamilton was a founder of “institutional” economics, a sub-field they imported from their studies of the “historical” economic school in Germany. Institutional economists challenged the laissez-faire orthodox assumption that the economic order was natural. Though they distanced themselves from Veblen’s speculative aspects and discussed his empirical failings, Hamilton¹⁹⁴ and Mitchell¹⁹⁵ took their central inspiration from his notion that the economic order was based on a set of “business” institutions (firms, markets) and “pecuniary” institutions (norms, laws) that may at times come conflict with industrial productivity. As Veblen explained,

The institution (habit of thought) of ownership or property is a conventional fact; and the logic of pecuniary thinking - that is to say, of thinking on matters of ownership - is a working out of the implications of this postulate, this concept of ownership or property. The characteristic habits of thought given by such work are habits of recourse to conventional grounds of finality or validity, to anthropomorphism, to explanations of phenomena in terms of human relation, discretion, authenticity, and choice. The final ground of certainty in inquiries on this natural-rights plane is always a ground of authenticity, of precedent, or accepted decision. ... The end of such reasoning is the interpretation of new facts in terms of accredited precedents, rather than a revision of the knowledge drawn from past experience in the matter-of-fact light of new phenomena. The endeavor is to make facts conform to law, not to make the law or general rule conform to facts. The bent so given favors the acceptance of the general, abstract, custom-made rule as something real with a reality superior to the reality of impersonal, non-conventional facts. Such training gives reach and subtlety in metaphysical argument

¹⁹² Eakins, 1966:5910-60

¹⁹³ RBGS General Announcement, 1926-1927, (Washington, D.C., 1926) p.7, AQI Eakins 1966:182

¹⁹⁴ Hamilton and Wright, 1925; Hamilton and May, 1923

¹⁹⁵ Mitchell 1927 (originally 1913)

and in what is known as the "practical" management of affairs; it gives executive or administrative efficiency, so-called, as distinguished from mechanical work. "Practical" efficiency means the ability to turn facts to account for the purposes of the accepted conventions, to give a large effect to the situation in terms of the pecuniary conventions in force.¹⁹⁶

This view that institutions and values underlay the choices of policymakers whether acknowledged or not, was in direct contrast with the consensus at IGR and IE. Furthermore, if firms, markets, laws, and norms were “instituted” rather than natural, then they could be empirically researched with methods modeled on the natural sciences. Following the dominant philosophy of science at the time,¹⁹⁷ institutionalists turned the field of economics into an inductive and quantitative science by applying Veblen’s ideas to business cycles, labor relations, utilities, monopolies and business regulation. In business cycle research especially (see below), institutionalists presaged the Keynesian notion that government intervention could modulate its activity.¹⁹⁸ These positions led Hamilton to push the RBGS curriculum towards liberal arts like history, political theory, and philosophy, rather than administrative techniques like accounting and public finance.

Brookings sought to rein in the experimental direction of the graduate school and appointed IE head Harold Moulton in 1926 to study the possibility of merging RBGS with IGR and IE. Brookings was successful in replacing the experimentalism of IE and RBGS with a narrower methodological and political outlook by merging his three organizations into the

¹⁹⁶ Veblen 1904: chapter 9

¹⁹⁷ Positivist approaches to society flourished in the 1920s as “strict induction replaced earlier efforts to specify and prove laws such as natural selection. Questions concerning the nature of reality and ultimate causality were set aside in favor of the more modest goal of comprehending the changing social environment” (Tobin 1995:545). See also Susman 1984 and Orvell 1987.

¹⁹⁸ Institutional economics was officially founded at the 1918 AEA convention where Hamilton claimed that a social-psychological focus on institutions would make economics more relevant to issues of “social control” (Hamilton 1919).

Brookings Institution in 1927.¹⁹⁹ Despite its brief existence, RBGS produced many civil servants who went to work in government.

The case illustrates a gate-keeping function that corporate wealth can have on policy expertise, namely, the ability to exclude or replace dissident experts from the main arenas of legitimate discussion. Brookings' ability to co-opt institutional economics' more philosophical and value-laden approaches by simply eliminating their funding source is similar to the dynamic seen in tanks' ability to contain the "ameliorative" goals of Progressive social research, and later, the radical impulses in Keynesian New Deal legislation. As we shall see in the next case, TT participation in Herbert Hoover's various government commissions also reflected the narrow focus on eliminating sources of economic inefficiency that framed the basic problems and relevant topics of the 1920s.

3.2.2. Case 7: National Bureau of Economic Research

As a singular force behind the federal government's use of social science in coordinating American social life, Herbert Hoover is the figure in government that best encapsulates the decade's trend towards corporate liberalism. Hoover established a reputation as an advocate for the scientific management of government during World War I, and maintained a strong faith in applied expertise and cooperative capitalism throughout his government career.²⁰⁰ Hoover's deep

¹⁹⁹ Financed with private funds from Brookings himself and the Carnegie, Rockefeller, and George Eastman foundations, the Brookings Institution staff never exceeded thirty economists and political scientists during its first twenty-five years of existence.

²⁰⁰ According to James Allen Smith (1991:68-9), "Hoover believed that an enlightened individualism, less selfish and more aware of long-term, cooperative goals, could be awakened through education, publicity, and persuasion. The academic working groups were a fundamental instrument of his vision of a harmonious, smoothly working capitalist system—a rational republic. According to Hoover, expert commissions would assess scientific information and come to an agreement on how to resolve specific problems insulated from pressure from the public. The commissions' reports would be used to shape public opinion and to mobilize support for the policies that would emerge from quiet, dispassionate deliberation. Private philanthropic foundations typically put up the money for the projects (Hoover was a shrewd and adept fund-raiser), and most of the experts conducted their research through private research institutions and universities.... Hoover relied on his commissions to mobilize the experts' intelligence and publicized the commissions' findings with the hope that voluntary cooperation could be won so the government would not have to legislate solutions. As long as the experts could fashion a consensus, he believed, the American economy would regulate itself and the scope of governmental activity would not widen."

conviction that harmony between business, government and labor could be achieved through a nonpartisan process of persuasion and *voluntary cooperation* produced a systematic effort to link social science research and industrial development during his tenure as Commerce Secretary for Harding and Coolidge (1921-1929) and then as president.²⁰¹ He moved the core staff of the WIB into his Department of Commerce and relied a great deal on the members of new and existing research institutes who shared his assumption that the accumulation of social facts would itself lead to sensible solutions. From the Conference on Unemployment during the 1921 recession to the report of the Research Committee on Social Trends report of 1933, Hoover called on think tanks and other public-minded elites in social science, government, business, and labor experts to staff over 30 committees, commissions, and conferences—often personally securing foundation money to fund the research. The organization that best illustrates the role of elite think tanks in Hooverian “voluntarism” is the National Bureau of Economic Research (NBER).

NBER formed in 1920 after WIB veterans Wesley Mitchell and Edwin F. Gay, and AT&T engineer and statistician Malcolm Rorty failed to persuade Wilson to retain wartime coordinating mechanisms. Fearing that a return to the relative anarchy of prewar economic data collection would replace the fragile wartime coordination of capital and labor, they set to work. The new Secretary of Commerce Herbert Hoover was instrumental in raising initial funds from the Carnegie Corporation of New York, the Commonwealth Fund and the Laura Spelman Rockefeller Memorial.²⁰² Members elected Mitchell NBER Research Director at the first annual

²⁰¹ His aggressive promotion of trade associations and the integration of organized labor within them as a way of rationalizing economic cartels laid the groundwork for the corporatist assumptions in the New Deal’s National Recovery Administration. With Franklin D. Roosevelt he established the American Construction Council in 1922 as a trade association to enforce a “fair practices” code on the industry. This was done under the aegis of the FTC in industries such as coal, oil, and rubber. As President (1929-1933), he pushed the states to restrict the production of oil, and established a tariff on oil imports in 1932 that resulted in a virtual cartel of the oil industry (Rothbard, 1968:167-8; 1970)

²⁰² Rorty was chiefly involved with assembling a prestigious board of trustees, and obtaining a startup fund of \$20,000 from the Commonwealth Fund. Other founding members were John Commons, Allyn Young (Harvard),

meeting in February 1920. He was its leading figure until he died in 1948. From his work on business cycles beginning in the late 1800s, to his service in WW I, through the 1920s and the Great Depression, Mitchell grew increasingly convinced that empirical, quantitative economics was *the* key to unlocking the discipline's utility. Considered the most exceptional American economist of his generation,²⁰³ Mitchell ran the organization from his office at Columbia University with a small staff, frequently contracting out to economists at major universities. His goal was "to organize the bureau's research program around questions that were, first, of primary social importance, and second, capable of the statistical resolution needed to surmount social science's internal crisis of scientific legitimacy."²⁰⁴ Focusing its early activity on aggregate data such as business cycles and long-term growth, NBER was first to develop certain methods and ideas eventually adopted by the federal government such as measurements of national income²⁰⁵ and the modulation of business cycles through government action.

Like Brookings' short-lived graduate program at Washington University, the methodological and sociological origins of NBER are traceable to the generation of political economists influenced by the German historical school of economics.²⁰⁶ Mitchell was a reformer in the tradition of the "new political economists" who had challenged laissez-faire orthodoxy and

N.I. Stone and T.S. Adams (Yale), John P. Frey (AFL editor), Elwood Mead (Bureau of Reclamation Commissioner), and J.E. Sterrett (Eakins, 1966:128ff; NBER, 1945:6-8; Alchon, 1985:ch. 4; Smith 1991:63).

²⁰³ Burns 1953:23, 51. Mitchell took from his undergraduate mentors at the University of Chicago John Dewey and Thorstein Veblen the willingness to challenge received orthodoxies. He thought the key to understanding economic systems was money and the pecuniary institutions it creates: "From the use of money is derived not only the whole set of pecuniary concepts which the theorists and his subjects employ, but also the whole countinghouse attitude toward economic activities" (Mitchell 1916:158)

²⁰⁴ Alchon 1985: 59.

²⁰⁵ NBER's first released study, Income in the United States: Its Amount and Distribution 1909-1914, sold a surprising number of copies (somewhere in the thousands). Income statistics became the bread and butter topic for NBER studies for its first twenty years. See Heaton 1952: 197.

²⁰⁶ Institutional economists like Mitchell used what they called an "inductivist" approach to analyzing business cycles. This approach was favored by the German Historical School and the American Institutionalists, but only at Mitchell's NBER was very much "inductivist" analysis of business cycles conducted. Chapter one explains how the origins of efforts to develop a rigorous statistical basis for rationally reforming industrial societies were in the German historical school.

established the American Economics Association.²⁰⁷ He often expressed beliefs to the left of his colleagues such as support for redistributing income,²⁰⁸ and chose to study business cycles out of an aversion to the suffering brought by periodic depressions, but Mitchell was loath to link prescriptions to economic studies. Perhaps when “all the facts were in” a recommendation could be made, but not until that vague and distant moment. The near fetishistic attachment to statistical facts common to empiricist economists led NBER to leave behind the values and moral judgments of the “new political economists” in favor of the scientific and value free status of statistical research. Writing to his fiancé, Mitchell asserted,

I want to *prove* things as nearly may be and proof means usually an appeal to the facts—facts recorded in the best cases in statistical form. To write books of assertion or books of shrewd observation won’t convince people who have been in the habit of asserting other things or seeing things in a different perspective. But when one can point to quantitative determinators then others must close their eyes or accept one’s results.²⁰⁹

He had come to believe that classes should not “leave others to do [their] social thinking for [them since]... dissatisfaction with the present social organization pervades all classes” and the “influence of desires upon the statement of facts and the search for causes” was bound to produce “an inharmonious end.”²¹⁰

Mitchell and company maintained their wartime connections via government-sponsored studies. Most early NBER projects were government contracts that grew out of President Harding’s Conference on Unemployment (1921-1924). Hoover chaired the Conference on Unemployment and staffed it with the same coalition of efficiency experts, executives, labor leaders, and social welfare workers common in the Progressive years. Indeed many of the same

²⁰⁷ E.g. Richard Ely, Arthur Hadley, and John R. Commons

²⁰⁸ In his introduction to Income in the United States for example, Mitchell queried whether the national income could provide an adequate life for everybody, and whether it was being distributed more or less equally (Mark C. Smith 1994:68).

²⁰⁹ Quoted in Mark C. Smith 1994:58

²¹⁰ Mitchell 1915 cited in Eakins 1966:114. Mitchell is referring in the passage to the Report of president Wilson’s Industrial Relations Commission which contained the conflicting positions of representatives from employers, labor and the general public

individuals were involved, including AALL, AFL, and AEA members, Mary Van Kleeck of the Russell Sage Foundation, and IE Director Harold G. Moulton. Mitchell, Gay, Wolman and Owen D. Young represented NBER. The Carnegie Corporation, which placed a premium on economic research, provided \$50,000 for the work.²¹¹ Hoover charged NBER with studying the subject of business cycles, a subject in which Mitchell was a pioneering thinker.

Chaired by Young, the Subcommittee on Business Cycles and Unemployment took a lead role studying the depression and evaluating ways to reduce unemployment. Its 1923 report was the most widely publicized discussion of business cycles (or “the business cycle” as journalists soon popularized the term) to date.²¹² Using the new type of data generated by NBER, the conference recommended government, business and labor work cooperatively towards a more efficient economy, and advocated proto-Keynesian policy ideas about regulating business cycles. *Business Cycles and Unemployment*²¹³ recommended that industries regulate themselves by timing their own expansion to counter balance peaks and valleys in the business cycle. Public and private construction spending and the expansion of credit by bankers should be timed in the same manner. Government should help by collecting a “common fund” of economic statistics on “production, stocks, orders, consumption, employment, and other pertinent questions....” There was also a “need for investigations by financially disinterested and impartial research organizations....” Government action—in the form of counter-inflationary credit management by the Federal Reserve System—was “a problem worthy of most careful and thorough study by bankers and associations of bankers.” A federal unemployment reserve fund “to help sustain the worker when unemployed in periods of depression, and to equalize and stabilize his purchasing

²¹¹ National Bureau of Economic Research 1923: v, xxxiv-xxxvi

²¹² Mark C. Smith 1994:76

²¹³ National Bureau of Economic Research 1923

capacity, merits consideration,” and public works spending in depressed periods was strongly endorsed.²¹⁴

The language shows their central concern was still eliminating social, economic, and political inefficiencies, only now a greater emphasis on *voluntary* cooperation between business, labor and government emerged. The commission recommendations were consistent with Hoover’s vision of an “associational state.”²¹⁵ Hoover after all did not want to use social science to rationalize society through “European-style” state planning. As Herbert Stein notes, Hoover relied more on discussion and exhortation than governmental directives to conduct economic policy.²¹⁶

Nonetheless, the recommendations did presage a growing acceptance by mainstream economists that national spending could be used to modulate business cycles, and in this sense they resemble the interventionism of the New Deal. As Eakins notes,

This was no modern program of government compensatory spending. But it did represent an extension of some rudimentary economic ideas of the late Progressive Years... It was an attempt to organize national economic information to be used by both government and industry to sustain national economic health²¹⁷

The 1930s Keynesian assumption that government is responsible for counter-cyclical spending during ebbs in the business cycle had become somewhat widely accepted by American “institutional” economists through the 1920s. Mitchell, among the institutionalists, took a firmer stance on the need for compulsory unemployment insurance than Hoover or the Unemployment Conference committees. Nevertheless, the mainstream institutionalist position was also

²¹⁴ NBER, *Business Cycles and Unemployment*, xix-xxxi

²¹⁵ The term is Ellis Hawley’s, not Hoover’s.

²¹⁶ Stein (1969) characterizes Hoover’s version of corporatism as trying “to manage the economy by talking to its vital forces on the telephone.”

²¹⁷ 1966:164-5

consistent with most businesspersons of the time, who agreed that public works expenditures were appropriate during periods of depression.

Despite the amount of government work obtained by NBER, its colleagues believed Hoover's zeal for timely analysis came into conflict with the scientific standards held out by Mitchell and others. They found the ad hoc studies compromised the nascent standards of economic research, and preferred conducting broader and more systematic studies. Its report for the Unemployment Conference finished in six months as Hoover requested but Mitchell saw the deadline as an artificial end to what should have been a more in depth study.²¹⁸

The organizational identity created by Mitchell at NBER extended the dynamic described in chapter one whereby metaphors of efficiency displace those of amelioration. NBER researchers acknowledged class conflict and sought its mediation by wise use of accurate economic data, but did not view the collection of such data as a first step towards "curing" social ills. Mitchell distanced himself from the metaphor of cure, and was dismissive of charity and social reform that did not proceed from scientific knowledge of the causal relationship between economic phenomena:

Reform by agitation or class struggle is jerky way of moving forward, uncomfortable and wasteful of energy. Are we not intelligent enough to devise a more certain method of progress...some way of carrying on the infinitely complicated processes of modern industry....²¹⁹

His modest goal was to provide a sound factual basis for the discussion of policy alternatives.

The technocratic pathos of Progressive reformers informed NBER operations, fund raising, and identity, but NBER was less exuberant than the Brookings organizations about the solutions such research could provide. NBER held that scientific knowledge and economic

²¹⁸ As chapter three demonstrates, NBER's model of long term, systematic studies would become a constitutive feature of think tanks during the period following WW II, only to be challenged by a renewed concern with timeliness in the 1970s and beyond.

²¹⁹ 1918

research in particular could have the practical use of enhancing government's capacity' to help economic productivity and distribution. Like the German Historical School, the tank's emphasis on theory and method embraced the decades-old separation of facts and values. However, unlike the new political economists who studied in Germany and drove Progressive economics, NBER refused to make specific policy recommendations. Mitchell enforced a ban on policy prescriptions in NBER reports with a stringent review process that screened out everything but the factual basis of any study,²²⁰ in part to cultivate a reputation as bias-free to attract foundation money.²²¹ The refusal to advocate solutions was also largely a function of the tentativeness with which NBER founders ascribed scientific status to economics. They thought the social sciences had simply not developed enough to offer solutions to specific problems, and could only help officials make better decisions by describing the connections between phenomena.²²² The role taken by NBER in Hoover's Committee on Recent Economic Changes, and his Committee on Recent Social Trends exemplifies the caution with which Mitchell and colleagues regarded the scientific applications and aspirations of economics.

3.2.2.1. NBER and Hoover's Committees

In response to a minor recession in 1927, Hoover persuaded the New York foundations²²³ to finance a Committee on Recent Economic Changes "to observe and describe the American economy as a whole."²²⁴ The committee published its final two-volume report, *Recent Economic Changes in the United States* in early 1929, before the stock market crash. It praised a decade of

²²⁰ The NBER executive board "had a final veto over all research topics and reports. The bureau's regulations stipulated that researchers had to submit all proposals to the board and its executive committee for approval. After receiving initial acceptance, the researcher next furnished the board with a statement of principles and methods, which had to be endorsed. Finally, each member of the executive committee had to approve the completed project before the bureau would accept and publish it." Mark C. Smith 1994:65

²²¹ Unlike the NICB, NAM, or the Chamber of Commerce, it had no direct ties to industry, and its members enjoyed respect in academic circles for rigorous studies.

²²² Smith 1991:64

²²³ Carnegie and Rockefeller

²²⁴ National Bureau of Economic Research 1920: v

apparent advances in managing the economy using statistical knowledge and cooperation between social groups. In his summary section, however, research director Mitchell moderated optimistic claims about economic growth in the period 1922-1927, and noted the continued lack of statistical data:

The problem of what happened in the short period 1922-1927, then, is to find how many wage earners were displaced in that time, how many of the displaced found new jobs promptly, and what these new jobs were. To answer these questions accurately would require far better data than are to be had. There are few branches of statistics in which the United States lags further behind the leaders than in statistics of employment (426)

Mitchell's summary emphasized the near impossible difficulty of attributing causal properties to economic facts:

So one might go on indefinitely, tracing the fashion in which each of the prosperity-producing factors in the situation has increased the activity out of which it grew, and thus promoted conditions which heightened its own efficiency. The broad facts, however, are patent. And no elaboration would lead to a convincing evaluation of what credit belongs to any single factor taken by itself. Drop out any of the developments recalled in the previous paragraph, and the process as a whole would be altered. It is just as impossible to say what high wages, large construction, skillful marketing, railroad efficiency, or abundant credit contributed to prosperity, as it is to say how much agricultural depression, technological unemployment, or the lingering troubles of Europe have diminished the prosperity which might have attained but for these drawbacks" (439)

Though modern society accepts the principle of individual responsibility, each individual gets his money income wholly by serving others, and gets his real income mainly by consuming goods other people have made. Thus everyone depends both on the buying power of other consumers and on the efficiency of other producers. And what is true of every individual is true, *mutates mutandis*, of every business enterprise. These intricate relations of interdependence tangle the skein of economic causes and effects beyond the present power of man to unravel. Every development is the net resultant of numerous causes and also the cause of numerous effects (436-437)

The stock market crash in October 1929 relegated whatever optimism existed in the report to an ironic footnote, but did not diminish the idea of rational economic policy in Hoover's estimation. He continued to enlist NBER in his projects, most notably his President's Committee on Recent Social Trends (1929-1933). Hoover established the committee shortly after becoming president

in an ambitious effort to measure scientifically a vast number of social conditions across America. Chaired by Wesley Mitchell of NBER and University of Chicago political scientist Charles Merriam, funded by the Rockefeller Foundation, and staffed by the private Social Science Research Council (SSRC),²²⁵ the committee was organized “consistent with the ideology of the associative state.”²²⁶

The report culminated Hoover’s abiding quest for facts. It reflected 1) the convergent interests of philanthropists, social scientists, and state actors in creating methodologies modeled on the natural sciences to collect data on social change, and 2) their belief that American society was an interdependent and largely self-regulating system of sectors and groups whose “stresses” associational networks of public and private institutions could assess.

In contrast to the “ameliorative” surveys modeled on the Russell-Sage Pittsburgh surveys, *Recent Social Trends in the United States*²²⁷ took a detached perspective on the totality of American society. The report reflected the ideology of both positivist American social science and the Herbert Hoover associative state, going no further than depicting a functional society composed of interdependent units linked by social processes. Research director and Chicago sociologist William F. Ogburn insisted that chapter submissions be just collections of empirical facts for policymakers to use, not recommendations of action. The belief that measuring precise facts and trends in households, towns, and institutions alone would allow rational policymakers to advance the general interest left tone of the report bereft of normative content. Many chapters

²²⁵ The SSRC incorporated in New York City in 1923 in order to build the nation’s capacity for social science research, coordinate increasingly fragmented disciplines, and encourage rigorous methodologies in these areas. Representing political science, sociology, economics, anthropology, history, psychology, and statistics, the SSRC embodied the increasingly professional social sciences in America.

²²⁶ Tobin 1995: 544

²²⁷ Mitchell 1933

were little more than lists of statistics concerning the use of railroads, spending patterns, and so on.

The crisis of the Great Depression colored the report somewhat; but the chapters did not emphasize a particularly tumultuous economy. Where *Recent Economic Changes* had emphasized “elements of...stabilization in our social structure” and was optimistic about the promise of voluntary cooperation between business, government and labor,²²⁸ the 1933 *Recent Social Trends* emphasized sources of instability, and modified the voluntarism of the earlier report. It also took issues like “technological unemployment” more seriously than before, and considered ideas like racial discrimination, housing problems, redistribution of income to increase laborers’ purchasing power, a shorter work week, unemployment insurance, national planning, government ownership, social insurance, consumer interests, and progressive tax rates.²²⁹ Nevertheless, the report remained almost silent on the subject of the depression, ignoring the most salient social fact of the time. Edwin Gay and Leo Wolmann’s “Trends in Economic Organization” forecasted, “The future will probably see a continuation of the existing strong movement toward increased stability and social security.”²³⁰

The report also revealed a still large gap between knowledge and policymaking, and a growing tension between the idea of scientific objectivity and policy relevance. Decision makers never fully utilized the immense 1,500-page collection of social conditions in the United States, mostly due to its lack of usability: the report did not offer any way of diagnosing or prescribing solutions for the crisis, or interpretations of the massive amounts of data. Mitchell’s introductory “Review of Findings” invoked vague notions about using the combined intelligence of the

²²⁸ Hoover, foreword in Committee on Recent Social Trends, *Recent Social Trends in the United States* AQI Eakins 1966:208.

²²⁹ Introduction, *Recent Social Trends*, (Mitchell 1933: xxviii-lxxv)

²³⁰ Minutes of the Committee Meetings, 15 May 1932, 165, box 25, Hunt Papers, AQI Tobin 1995: 552.

nation, social and technical innovations, and controls over social and economic life that would allow “conscious control over the interrelated changes that are going forward in such bewildering variety at such varying speeds.... The means of social control is social discovery and the wider adoption of knowledge.”²³¹ However, its only specific recommendation was for more permanent research bodies to gather yet more facts. The participants found the “primary value” of the report instead

...in the effort to interrelate the disjointed factors and elements in the social life of America in the attempt to view the situation as a whole rather than a cluster of parts.... Scientific discoveries and inventions instigate changes, first in the economy in economic organizations, and social habits...next...in organizations – schools and churches. Somewhat later, as a rule, come changes in social philosophy and behavior.²³²

Politicians pressed to take action in the face of severe economic downturn did not find that such agglomerations of facts could speak for themselves, and found little use for the study.²³³ By the time of its release in January 1933, depression had discredited the idea of “voluntary” business-labor-government cooperation, and Hoover had fallen from power.

None of the TTs launched basic criticisms of the economic system or called for structural reforms, partially because an abiding dedication to statistical data collection above other methodologies precluded such criticisms. Couched in the language of objective scientific methods, Hoover’s *Recent Social Trends* revealed a differentiated, not stratified world. Most of the leadership at BI, and the institutional economists at NBER such as Mitchell, limited themselves to making capitalism more “efficient.” Mitchell’s career is emblematic of institutionalist economists who, despite their reformist pedigree and theoretical sophistication, came to see facts and quantification as ends unto themselves, unable to provide critical or ethical judgments of the status quo. Thus, despite significant variations, similarity marks the language

²³¹ “Review of Findings,” Mitchell 1933: lx

²³² “Review of Findings,” Mitchell 1933: vii-xiv.

²³³ See McCloskey 1985, chapter on statistics.

and outlook of think tanks more than difference. None of the corporate liberal researchers advocated radically redistributive solutions. Nor did they suggest purely voluntary industrial self-regulation was the appropriate response (despite Hoover's desire to use their findings in this way). Instead, they agreed that some form of government regulation was inevitable and desirable, though the form of that intervention was debatable.

4. Think Tanks and New Deal Social and Fiscal Reforms

Before the mid-1930s, the federal role in policymaking was smaller than that of municipal and state governments. The federal state familiar to us today only emerged with the policy breakthroughs of FDR's New Deal agenda.²³⁴ Yet these major innovations were largely reworked ideas of efficient cooperation proposed by corporate liberal think tanks over the previous several decades. The New Deal thus marks a culmination rather than a radical break with previous ideas and agendas. The five cases of this chapter (the National Industrial Recovery Act, the Social Security Act, the Wagner Act, FDR's fiscal policies of 1937-8, the 1946 Employment Act) show TT success in advocating recommendations in state intervention in national planning, social insurance, collective bargaining, and counter-cyclical spending consistent with class stratification and the position of concentrated wealth. Think tanks responded to the deep crisis of the 1930s by containing potentially radical Keynesian ideas in these key policy outcomes. This represents an extension of the proto-think tank strategy of containing potentially explosive social conditions with a corporatist solution suited to a new regime of accumulation.

4.1. Structural context: crisis and new opportunities for policy research

When Roosevelt took office in 1933, the American economic system was in the midst of a deep crisis. About one-third of the work force were unemployed; begging and breadlines were common in most large cities; bank failures were accelerating, and farm incomes in the

²³⁴ This is pointed out by political scientists like Amenta and Skocpol (1989:292), Leman (1977), Skocpol and Ikenberry (1983:90).

agriculture and manufacturing sectors were falling rapidly.²³⁵ Widespread misery gave rise to mob looting of food stores, numerous protest marches, armed resistance to farm foreclosures and urban evictions, and riots,²³⁶ and support for radical solutions. Conditions clearly called for a comprehensive policy promoting recovery, and the New Deal promised just that. Constructed primarily by a political coalition dominated by liberal Democratic Party politicians and strategically far-sighted business leaders, the New Deal drew on think tank experts and a small group of several dozen economists to develop and legitimize a framework for peaceful labor-management negotiations, social insurance for the destitute and elderly.

The 1930s was thus a watershed for policy-oriented social science. New government agencies drew experts into a much more active role, swelling the federal bureaucracy with ambitious young researchers eager to join the excitement.²³⁷ New York Bureau of Municipal research co-founder Henry Bruere noted the 1930s was “the period of greatest employment for the social sciences that America had known.”²³⁸ Collins argues the proliferation and increasingly systematic use of expert knowledge by government, business, and labor through the Roosevelt years suggests, “the 1920s were perhaps the last amateur decade” of policy research.²³⁹ The deluge of emergency measures in FDR’s first 100 days alone was revolutionary in its demand for social scientists to help regulate business, agriculture, financial institutions and public works. By

²³⁵ Piven and Cloward 1977

²³⁶ Ibid.

²³⁷ FDR’s “Brains Trust,” assembled to help guide his election campaign, symbolized the new role of policy expertise in public affairs, and Roosevelt’s openness to experimental ideas. The group was set up by Samuel Rosenman, a lawyer, judge, and advisor to FDR when he was New York’s governor. He recruited criminal justice specialist Raymond Moley from Columbia University, who brought colleagues Rexford Tugwell (agricultural expert) and Adolf A. Berle (corporate law and finance) to form the core of the group. The group was short lived but its high visibility symbolized for journalists and the public a growing power for experts in administration.

²³⁸ Bruer 1940: 5-22

²³⁹ Collins 1981:201

1938 there would be some 7,800 social scientists employed by the federal state, over 5,000 of them economists.²⁴⁰

In the initial New Deal legislative rush Roosevelt contracted think tanks to do things like create procedures for collecting economic statistics for the Commerce Department (NBER developed a federal system to measure national income) and study the Federal Emergency Relief Administration, Works Progress Administration, National Recovery Administration, and National Labor Relations Board programs (Russell Sage Foundation). Roosevelt supplemented Hoover's deep commitment to scientific fact-finding, which seemed to hamper action by demanding evidence and deliberation before doing, with an openness to experimental methods and a demand for results. All major think tanks (except vehemently critical ones)²⁴¹ tightened their connections with government and universities in the period, and helped to create consensus on broad reforms such as further regulating and rationalizing the economy, institutionalizing the role of labor in political life, and expanding the welfare functions of government. The integration of policy analysis led to a qualitative increase in state action, embodied in the Keynesianism of the late New Deal.

Images of cooperation and experimentation in the rhetoric surrounding the recovery programs of the early New Deal justified a new role for the federal government in a largely antistatist political culture. FDR called on people to put aside their selfish individualism in the name of cross class solidarity and cooperation, and promised the government would "roll up its sleeves" and act boldly to unify the nation during the emergency.²⁴²

²⁴⁰ Smith 1991:79

²⁴¹ This exception is explained by a longer trend of disassociation with the state and its assumptions on the part of business organizations like the NAM, Chamber of Commerce, and NICB, dealt with later in this section.

²⁴² James Holt 1975

This early New Deal rhetoric evolved into a reformist form after 1935, becoming simultaneously more conflict oriented, class conscious *and* individualistic. The class conflict strand was mostly a response to ideological pressure from the right beginning in 1934. Hoping to counter the influence of increasingly vocal conservatives in Congress and both parties, New Dealers claimed that the welfare state promoted traditional American values of avoiding anarchy, curbing the privileges of “economic royalists” and “economic autocrats,” and providing economic relief so citizens could exercise their freedom and rights.²⁴³ The role of think tanks in shaping landmark New Deal social legislation—the Wagner Act of 1935 and Social Security Act of 1935—are representative cases of a complex dynamic in which an individualist rhetoric superseded the paradigm idea of collective solidarity as an appropriate response to competitive individualism. Reformers justified policies in terms of their contribution to individual liberty. To deflect rightist attacks New Dealers appropriated the word “liberal” from the American political tradition to legitimate new state prerogatives.

4.2. Ratifying corporate liberalism: collective bargaining and social insurance

4.2.1. Case 8: National Industrial Recovery Act

The National Industrial Recovery Act (NIRA) and its administrative arm, the National Recovery Administration (NRA) ratified corporate liberal ideas, institutions, individuals and accomplishments. It embodied a political economy in which rhetorical appeals to a society based on cooperation and scientific efficiency justified government support for major corporations.²⁴⁴

²⁴³ Holt

²⁴⁴ Graham 1976: chapter 1; Leuchtenberg 1964; Hawley 1966

The business leaders who endorsed FDR in the election of 1932 embraced a form of state capitalism more centralized than the coordination espoused by Hoover.²⁴⁵ Interested in using government to stabilize and rationalize the economic system, business placed a good deal of trust in FDR during the first hundred days of his administration, and played a primary role in designing the NIRA. The act did not afford labor even a symbolic seat on the NRA directing board (as had the War Industries Board). United Mine Workers president John L. Lewis and other labor leaders played a limited role formulating NIRA collective bargaining provisions. However, the primary researchers and drafters were tank executives like laissez-faire Brookings economist Harold G. Moulton,²⁴⁶ NICB president Virgil D. Jordan, NAM and Remington Rand president James H. Rand, NBER co-founder and AT&T electrical engineer and statistician Malcolm C. Rorty, and members of the Chamber of Commerce.

NIRA established the NRA in 1933 to combat what it identified as the main causes of the depression: cutthroat competition, overproduction, and low prices. NRA suspended the Sherman and Clayton antitrust acts to gather owners in each business sector to be “code authorities” that would establish fair “competition” by setting minimum prices and wages, and maximum hours and productive output. The NRA made previously voluntary codes of practice enforceable by law, and encouraged the creation of new codes, but tended to rely on self-regulation by large firms, which ended up writing most of the codes themselves and imposing them on smaller competitors.

The modicum of trust between business and FDR during his first hundred days quickly dissipated. Smaller businesses and labor unions claimed exclusion by the domination of code writing by industrial behemoths. Big business support diminished when NRA imposed codes

²⁴⁵ Rothbard 1972

²⁴⁶ Critchlow 1981:9

failed to increase profit levels in many industries.²⁴⁷ The labor organizing instruments sanctioned by Section 7a of NIRA, which required that businesses permit employees the right to “organize and bargain collectively through representatives of their own choosing....”²⁴⁸ opened a major rift between the corporate community and FDR (especially after the arrival of the militant Congress of Industrial Organizations).²⁴⁹ The provision generated hope and an explosion of union membership across the working class. This new level of organization worried business leaders who had witnessed a relatively docile labor movement in the 1920s. Weak enforcement mechanisms allowed employers to bypass new unions by ignoring collective bargaining rulings by the National Labor Board collective bargaining rulings, or simply refusing to appear before the board. Militant strikes and factory takeovers proliferated in 1934.²⁵⁰

In addition to these new social pressures, continuing misery formed the context within which think tanks and other experts developed collective bargaining and social security legislation. The early New Deal emergency measures seemed to have little effect on people’s conditions, as the country witnessed

shabby men leaning against walls and lamp-posts, and standing on street corners singly or in twos or threes, pathetic, silent, middle-aged men in torn, frayed overcoats or even without overcoats, broken shoes on their feet.²⁵¹

These conditions resulted in a wave of industrial chaos verging on a class war across America.

Employers and local governments responded to frequent and massive strikes with increasingly

²⁴⁷ Kolko 1976: 130.

²⁴⁸ Quoted in Greenberg 1985:109

²⁴⁹ Greenberg 1985:103

²⁵⁰ The Supreme Court struck down the NRA, but less formal controls like single-industry planning, and government support through subsidies, tariffs, loans, and lax enforcement of antitrust laws, allowed corporations the same oligopolies without the government oversight of the NRA. An implicit consensus on the same basic ideas replaced the explicit corporatism of the NRA. See Hawley 1966

²⁵¹ Adamic 1938: 268, describing Lowell, Massachusetts in 1930

violent crackdowns, which were met blow for blow by the strikers.²⁵² By the end of 1934 the hostility and violence had reached the point where Secretary of State Cordell Hull publicly fretted over the possibility of a crippling national strike.²⁵³

4.2.2. Case 9: The Wagner Act consolidation of AALL and NCF efforts

The Wagner Act stemmed industrial turmoil by making employer compliance by section 7a compulsory, thereby bringing labor power into greater balance with business. New York Senator Robert Wagner led the legislation to define unfair labor practices, protect the “closed shop,” legitimate the right of laborers to organize into unions, and establish the National Labor Relations Board (NLRB) with enforcement power over its decisions.

As with NIRA, the rhetorical and sociological continuity between this innovative New Deal policy and an earlier generation of think tanks is remarkable. The Wagner Act was at one level a product of brave and bloody sacrifice on the part of American workers in the face of open and brutal hostility from much of the business class. But it was also the culmination of corporate liberal tendencies in American politics stretching back thirty years. This element of business had been operating in public affairs through proto-think tanks like the National Civic Federation (NCF) and its offshoot the American Association for Labor Legislation (AALL) since the turn of the century, and was familiar with collective bargaining from their War Industry Board experience. They preferred corporatist policies of industrial cooperation to competitive capitalism, viewed labor organization and involvement as key to securing peace and stability in labor relations, and had long advocated collective bargaining and welfare functions as a way to prevent wildcat strikes, standardize labor contracts, and create an identity for labor leaders rooted in peaceful responsibility.

²⁵² Another way employers bypassed collective bargaining was to create easily controllable company unions, a practice sanctioned by FDR’s settlement of the General Motors auto strike. See Bernstein 1971: 218-31.

²⁵³ Greenberg 1985:109

Their ready-made analysis was adopted by New Dealers as a palliative to potentially revolutionary sentiments. In retrospect it is reasonable to say that the law achieved the industrial peace it aimed for, leading to standardized national contracts enforced by unions, bargaining instead of wildcat strikes, and a conservative union leadership with a “responsible” and “statesmanlike” identity. The Act institutionalized labor’s position within a corporatist system in which labor would adapt to the system and be satisfied with their portion of the economic pie.

4.2.3. Case 10: AALL, TCF, BAC and the Social Security Act

Social pressures for federal social security matched the popular agitation for reforms in labor-management relations. Several movements for economic redistribution were strong. Louisiana’s Huey Long threatened FDR’s Democratic Party leadership behind a “share our wealth” platform of free homesteads and education, affordable foods, limits on fortunes, and a \$5,000 guaranteed annual income. “Radio priest” Father Coughlin used his program to engender support for currency inflation, guaranteed wages, and nationalized banking and natural resources. And California physician Francis Townsend led the largest and most influential movement, seeking a \$200 per month pension for citizens over 60, conditioned on their not working (to open jobs for others) and spending the money within 30 days (to stimulate recovery).²⁵⁴

In this context of misery and agitation, a ready-made agenda of social insurance filled the policy void, and became the Social Security Act of 1935. The idea of social insurance had been percolating in think tanks and various academic departments for years. Brookings Institution economist Isador Lubin, for example, advocated the idea as a member of Robert Wagner’s staff and after 1934 as a close administration advisor. Its continuity with progressive forebears is most clearly evidenced by its consistency with earlier attempts by business elites, primarily in the

²⁵⁴ Greenberg 1985:105-6

AALL,²⁵⁵ to legislate social insurance in the Progressive era. The AALL “created and sustained the organized social insurance movement in the United States” before the New Deal, working through the 1920s on its core issues of workmen’s compensation, worker safety legislation, and occupational diseases.²⁵⁶ It was a prime mover in the first state unemployment compensation law in Wisconsin in 1932, which became the prototype for the federal plans brought forth by New Dealers like Francis Perkins, Brandeis, E.A. Filene, and Henry Dennison. As Grace Abbot observed, “The [social] insurance crowd has swooped down on [the administration] with a program all ready as to what to do to-day, tomorrow, and the day after.”²⁵⁷

In addition to providing well-formulated policy ideas, think tanks provided a continuity of interpersonal networks to staff and advocate social security. To head the legislative planning group of his President’s Commission on Economic Security (CES), Roosevelt selected University of Wisconsin economist and AALL officer Edwin Witte. Witte consulted AALL, NBER, Brookings, and TCF²⁵⁸ associates in preparing a preliminary report to the Administration.²⁵⁹ After the preliminary outline was done, Roosevelt selected 23 men from a list submitted by Witte and Arthur Altmeyer of the Department of Labor to form an Advisory

²⁵⁵ Recall from chapter one that the AALL was an offshoot of the NCF that was more sympathetic to labor . Its motto was “Social Justice is the Best Insurance Against Labor Unrest” (Greenberg 1985: 107).

²⁵⁶ Lubove 1968:29

²⁵⁷ In Rodgers 1998:439

²⁵⁸ TCF did not itself become involved in social security legislation until five months after the Social Security Act was passed, in large measure because the President’s CES, comprised almost entirely of corporate liberals drawn from policy research organizations, including two trustees from TCF, obviated the need for its involvement. When the bill was passed, many committee members thought the payment levels ultimately approved by Congress were too low, and would fail to stem the appeal of the more extensive alternative approaches to social insurance like the Townsend crusade. In this context, TCF set to work developing and defending moderate changes to the Act. TCF recommended an increase in the number of people covered and the amount of payments disbursed, especially to the poorer states. It also urged that the system shift from contributory (payroll deductions) financing to a system based on progressive taxation. These changes, it was thought, would guarantee each citizen a basic retirement income along the lines of the more established welfare states of Europe. See TCF, *More Security for Old Age*, New York, 1937, cited in Eakins 1966:256-8

²⁵⁹ These were Walton Hamilton, Adolph Berle, Louis Brandeis, Isador Lubin, and John B. Andrews.

Council²⁶⁰ which began by appointing its own committee on Old Age Security in January 1936. John B. Andrews of the AALL chaired the group, which included former members of CES. Early leaflets released by the committee acknowledged its debt to progressive forebears, indicating the idea of social insurance was “not a new idea,” and that “even the small and so-called ‘backward’” European nations had it. One pamphlet was titled *We Pride Ourselves on Being Progressive but in Social Security Legislation We are at Least 25 Years Behind the Times*.²⁶¹

Operating through projects and grants with a particular focus on consumer spending, credit, and product distribution, the TCF was arguably the most liberal of the private research organizations established after WW I.²⁶² Boston department store owner Edward A. Filene founded the TCF in 1919, and soon after received additional support from another Boston executive, Henry S. Dennison. Filene dominated TCF (along with John H. Fahey²⁶³ and Henry S. Dennison²⁶⁴) until his death in 1937. A social progressive of the late Progressive Era, Filene had been a member of the AALL. As quoted in a *New York Times* article in 1937, “I am for capitalism, but not for capitalism of the present order. I believe it must adjust itself to changed conditions.” Businessmen should stop thinking in terms of an “age of scarcity” and acknowledge

²⁶⁰ The group had representatives from employers, labor officials, farmers, and social workers (Eakins 1966:251-54).

²⁶¹ U.S. Committee on Economic Security, *What Is Social Insurance?* (Washington, D.C., 1935); U.S. Committee on Economic Security, *Social Security at Home and Abroad* (Washington, D.C., 1935) AQI Rodgers 1998:482.

²⁶² Its most ambitious project was carried out through grants to the Credit Union National Extension Bureau, created by Filene and Dennison in 1921 to promote credit unions around the nation.²⁶² Its largest disbursement until 1935 was to the Credit Union National Extension Bureau, established by Filene and Dennison in 1921 to promote credit unions throughout the states. TCF’s first research publication was also geared to the credit union movement as a means to allow Americans to consume the products of modern industry. “Only in recent years,” wrote its author, “has it been recognized that consumption must be financed by the extension of reasonable credits” (Evans Clark, *Financing the Consumer*, New York, 1930, p.2-5).

²⁶³ A newspaper publisher who helped organize the Chamber of Commerce and International Chamber of Commerce with Filene, Fahey was also on Hoover’s Inter-American High Commission, and chairman of the Federal Home Loan Bank Board and the Home Owner’s Loan Corporation during the New Deal (Eakins 1966:226).

²⁶⁴ Dennison became a TCF trustee in 1922, served on the Business Advisory and Planning Council of the Commerce Department beginning in 1933, the National Labor Board, NRA, and National Resources Planning Board (Eakins 1966:226).

that the productive capacity of the nation could lead to an “age of plenty” if “waste, not only in materials, but in management, men, technique, and distribution” were addressed.”²⁶⁵

Its language reflected the voluntarism of the 1920s, as well as the concern to eliminate waste and inefficiency. TCF studied the problem of efficiency in distribution (transportation, merchandising, advertising), and called for voluntary cooperation on the part of business and consumers, and new regulative responsibilities for government such as product testing and consumer information agencies.

Like Hoover’s committees, TCF program of research and recommendations reflected the contemporary consensus of balance and stability, and anticipated New Deal legislation. Its work on labor legislation anticipated the Wagner Act, and its positions cohered tightly with the Social Security Act. In three of its debt studies (1933, 1937, 1938), the researchers appointed by the Fund accepted the same counter-cyclical policy in emergencies that the Roosevelt Administration proposed. The Securities Exchange Act of 1934 regulating the stock market also embodied the recommendations of a Fund study on the issue²⁶⁶ that had been widely circulated in a “concerted effort” to influence Congress. Despite some differences, TCF officials called the Act a “worthy substitute” for their recommendations.²⁶⁷

TCF came into its own during the 1930s as it quickly adapted to the changing demands on policy research flowing from New Deal projects.²⁶⁸ Its shift away from the voluntarism it advocated in the early 1930s indicates that the organization was evolving with the New Deal requirements for government intervention. In response to the Great Depression, the Fund halted its disbursement of funds to outside organizations in 1934, and changed into “an institute

²⁶⁵ *New York Times*, September 26, 1937 p.12 (Eakins 1966:229).

²⁶⁶ Twentieth Century Fund 1935, *The Security Markets*, New York.

²⁶⁷ Twentieth Century Fund 1933 *Annual Report*, p.12

²⁶⁸ Eakins 1966:225-56

devoted to economic research.”²⁶⁹ Filene himself was one of FDR’s staunchest supporters, and often invoked the ameliorative metaphors of illness and cure associated with the social reformers of a previous era in defining his own efforts. TCF would lead “a great practical movement in scientific social therapeutics” to diagnose and treat the ailments of the “social organism.”²⁷⁰ The Fund considered itself “completely free of any special political or commercial interest,” and as “in a strategic position to [suggest policies]... in the general interest of the public.”²⁷¹ To avoid the taint of bias, the Fund appointed committees of experts and interest group leaders for policy research and recommendations much like the groups initiated by Herbert Hoover.

Other “forward thinking” businessmen who helped frame the social insurance debate—Gerard Swope (intellectual father of the NRA), Walter Teagle, Marion Folsom, and Henry Harriman—made their institutional home during the New Deal in a think tank that developed *within* the Department of Commerce, and served as a formal link between the business community and the administration. The Business Advisory Committee (BAC) was the brainchild of Secretary of Commerce Daniel Roper, who, at the May 1933 Chamber of Commerce Convention, suggested a “President’s council of business” to provide the administration with “the most experienced...advice as to proper ways of stimulating and reviving” the economy.²⁷² The forty-one original members were drawn overwhelmingly from the largest banks and corporations, including CEOs from General Electric (Swope), Standard Oil of New Jersey (Teagle), U.S. Steel (Myron Taylor), AT&T (Walter Gifford), Sears Roebuck (Robert Wood), and General Motors (Alfred Sloan).²⁷³

²⁶⁹ TCF *Annual Report*, 1938:7.

²⁷⁰ E.A. Filene, “President’s Address” (March 17, 1932) p.3, in files of the Twentieth Century Fund (cited in Smith 1991:85).

²⁷¹ TCF *Annual Report*, 1934:7

²⁷² Daniel Roper, *Fifty Years of Public Life* (Durham, N.C.:1941), AQI Collins 1978: 371

²⁷³ Collins 1981:58

BAC strongly advocated a social security system (as well as cooperative national planning and industry regulation through the NRA), going much further than the Chamber of Commerce or NAM in criticizing laissez faire political economy and acknowledging the need for reform. Four BAC members participated in the advisory committee that helped draft the social security bill, and its members were selected to staff the NRA Industrial Advisory Board on a rotating basis. (BAC influence reached new heights when war replaced depression as the primary concern of the government, see section III below).²⁷⁴

The willingness of BAC and other think tanks to embrace social insurance legislation while contesting particular features was a shrewd rhetorical adaptation to the immense popularity of New Deal policies. In granting minimal unemployment and old age benefits, social security broke took the edge off calls for more radical solutions. The relatively conservative substance of the law belies its reputation as a “radical” break with past assumptions about the welfare functions of the state. After all, policymakers had a number of transatlantic models to choose from, including compulsory, contributory systems (delineated in 1880s Germany); state subsidized mutual assistance organizations (common in France, Belgium, and Scandinavia); and universal minimum health and income benefits (debated in Britain eventually enacted in New Zealand). The U.S. approach to social insurance, financed through payroll taxes rather than taxes on upper-incomes (a possibility debated in the administration), featured a flat tax rate above which no income taxes were taken, and excluded property and securities income from being taxed. Unlike transatlantic models, general tax funds did not supplement New Deal social insurance, as each person’s benefits were pegged to their individual earnings in a discrete

²⁷⁴ The initial enthusiasm within the BAC dampened as members began to perceive that the organization was being exploited by FDR as a public relations mechanism to portray business support for his policies, which were coming under vehement criticism from the national Chamber of Commerce by 1935. FDR’s continued promotion of Keynesian deficit spending through 1938 widened the gulf between the BAC and the administration (Collins 1978:372-4).

account. These features make it one of the more regressive social insurance systems in the Western world.²⁷⁵

4.3. Business opposition to the New Deal

The Brookings Institution (BI), National Industrial Conference Board (NICB), National Association of Manufacturers (NAM), and Chamber of Commerce (CC) at this stage represented an orthodox laissez-faire perspective that saw the contract between firm and worker as an inviolable contract, and government regulation and collective bargaining as antithetical to the American ethos. As the effects of corporate concentration became more evident during the Depression, this wing lost influence. These cases show how tank influence depends on both structural economic conditions, and the degree to which one's research coheres with the positions emanating from legislative, executive, and judicial officials at a given time. They also demonstrate a key function of think tanks is to keep ideas "alive" through difficult times. The free market ideology espoused by these organizations did not die with the New Deal. Rather, it was kept in reserve, to be rearticulated when conditions allowed. In addition, the disjunction between these groups and the New Dealers does not mean their ideas were irrelevant. They still constituted an outer limit that framed the policy debates of the era, and in a functional division of labor, allowed corporate liberals tanks like BAC to appear more moderate.

4.3.1. Case 11: Brookings Institution

Despite its active preparation of reports and legislative proposals for Congress,²⁷⁶ the Brookings Institution did not have near the influence of NBER or TCF during this period primarily because its first president, Harold G. Moulton, did not support the New Deal. A laissez-faire economist trained at the University of Chicago, Moulton was unwilling to accept the

²⁷⁵ Richards 1994; Greenberg 1985

²⁷⁶ It published close to 50 books and pamphlets relating to the depression and efforts to deal with it, while studies on international trade issues declined to around 12 (Eakins, 1966:214).

Keynesianism that so many economists came to consider basic for economic stabilization, and he set the tone for the work conducted by researchers at the institution. The stock market crash of 1929 and Great Depression convinced Robert S. Brookings that the institute he founded should focus more on questions of economic inequality and how “the right to aggregate capital through incorporation” has “placed capital in a position where it practically dominates labor.”²⁷⁷ The day-to-day operations of the institute remained in the hands of Harold Moulton. Moulton had to win the annual approval of the board members at the annual Washington, D.C. board meeting, but such approval was largely a formality,²⁷⁸ suggesting a degree of individual and institutional autonomy from funding sources.

Moulton’s deep aversion to Keynesian economics overwhelmed his initial support of Roosevelt’s NRA (which he helped to draft), and he used his position to drive all New Deal sympathizers from the institute.²⁷⁹ BI staff helped draft some initial recovery legislation but ultimately refused to accept the price-setting provisions in NIRA. BI members who were willing to adopt a more liberal approach in order to engage government work found that they were welcomed into the administration, and resigned their posts at the think tank.²⁸⁰

4.3.2. Case 12: The National Industrial Conference Board

Even though Brookings became a sanctuary for conservatives under Moulton, it did not have as reactionary a reputation or response to the Roosevelt administration as the National Industrial Conference Board. A brief history of NICB will show why. Founded with the backing of several trade associations to research prices, work hours, and other statistics, NICB intended to collect and present facts about conditions relevant to the development of industry. Its website documents that

²⁷⁷ Critchlow, 1985:60

²⁷⁸ Critchlow 1985:61

²⁷⁹ Critchlow 1985:105-34

²⁸⁰ Smith 1991:79

The Conference Board was born out of a crisis in industry in 1916. Declining public confidence in business and rising labor unrest had become severe threats to economic growth and stability. A group of concerned business leaders, representing a variety of major industries, concluded that the time had arrived for an entirely new type of organization. Not another trade association. Not a propaganda machine. But a respected, not-for-profit, nonpartisan organization that would bring leaders together to find solutions to common problems and objectively examine major issues having an impact on business and society.²⁸¹

Less officially, NICB was a forum for its businessmen members to discuss and fashion a response to a perceived bias towards labor in the Wilson administration. Its backers and members sought to stem the impact of what they perceived as a threateningly powerful and growing labor movement, as evidenced in Woodrow Wilson's Industrial Relations Report of 1915. The original chairman Magnus Alexander expressed the "business outsider" identity of most members (reanimated by 1970s free market think tanks) who felt that relative to labor, the business community had been "largely inarticulate" on industrial concerns and needed to produce its own research.²⁸² An engineer and Assistant to the President of General Electric, Alexander embodied the sense at NICB that the emotional urge for humanitarian reform must not overshadow the rational approach to social problems. Wilson's acceptance of all NICB employer representative nominees to the War Labor Board is evidence that its defensive posture was somewhat effective.²⁸³

Its rhetoric seemed to most narrowly partisan and right wing after WW I, but notable members like Alexander and Virgil Jordan were active in the policy elite through the 1920s, and found agreement with the other research organizations on voluntary cooperation and scientific management as a middle way between laissez faire and class struggle. When Virgil Jordan became NICB President upon the death of Magnus Alexander in 1932, he continued to support

²⁸¹ <http://www.conference-board.org/whoweare/about.cfm#history>

²⁸² 1927, cited in Eakins 1966

²⁸³ Eakins 1966:111

voluntarism and even some early New Deal policies like the NRA, but like Moulton at Brookings, began to see the accelerating new Deal as direct government control of production and trade. He disparaged it as a “Monarchist, Marxist, Stalinist, Fascist, Nazi” type of “statism,”²⁸⁴ And reviled the

parasitic job-holders, dilettante drawing-room dictators, studio radicals, underappreciated professors, disappointed academicians, lazy ‘liberals,’ and other familiar fauna of the social jungle, along with the commercial revolutionists, professional provocateurs, saboteurs, wreckers and riot rousers” who were manipulating the “stream of aggressive mass emotion.”²⁸⁵

Like Moulton at BI, Jordan exerted strong control over the organization, and his antipathy towards liberal academics and the New Deal was reflected in the organization’s research staff and output. NICB drew heavily on corporate (rather than academic) statisticians and economists to perform its basic work. Jordan organized a number of conferences through the 1930s focused on statistics, business, economics, labor, and Keynes. The NICB orientation against government control is apparent in the conference reports emphasizing the cost of government and the number of people supported by government.²⁸⁶

4.3.3. Case 13: The NAM and Chamber of Commerce

The National Association of Manufacturers (NAM) incorporated in 1896 to promote overseas markets for American products. Generally directed by medium sized businesses, the DuPont clan (General Motors, DuPont Corporation, and U.S. Rubber) took over NAM in 1934 and employed it as a platform to launch attacks on the New Deal.²⁸⁷ The Chamber of Commerce (CC) was less obviously representative of raw business interests than NAM,²⁸⁸ and initially supported New Deal proposals, but businessmen opposed to such policies took over in 1935,

²⁸⁴ Eakins 1966:36

²⁸⁵ NICB 24th *Annual Report*, 1940: 17-18.

²⁸⁶ Eakins 1966:225.

²⁸⁷ Burch 1983

²⁸⁸ Wiebe (1962:35-36) surmises this may be due to the specific character of Boston progressives. Department store magnate Edward Filene and other progressive Boston businessmen founded the Chamber in 1912.

after which its relevance was limited to participation in the formation of the Council of Economic Advisors in 1946. Both CC and NAM had headquarters in Washington and wide-ranging memberships.

In addition to the political flavor and combative image of the anti-New Deal organizations, the fact that their ideology conflicted with the corporate liberal impulse toward research at the time is a major reason for their marginalization in the policy debates of the 1930s. NAM and CC fulfilled their mandate mostly through discussion and lobbying, recalling my distinction in chapter one between organizations whose primary modality is discussion,²⁸⁹ and those that emphasize research.²⁹⁰ Each added economists to their Washington staffs only belatedly (CC founding member Filene in fact resigned over the organization's lack of research capacity). NAM and CC lobbied government through the 1920s and 1930s, operating through issue-oriented. However, as the federal bureaucracy mushroomed through the 1930s, interest groups that did not induct researchers, analysts, and public relations experts into their ranks were left behind in the drive to engage intellectual debates in Washington.

4.4. Modulating the business cycle

4.4.1. Case 14: NBER and peacetime deficit spending

Before the Great Depression, the thought of using peacetime deficits as a macroeconomic management tool did not occur to political leaders. U.S. fiscal policy had always been to borrow in time of war, and run surpluses in peace to pay off war debt. FDR continued in this tradition of a balanced budget. He campaigned on Hoover's fiscal irresponsibility in 1932,²⁹¹ slashed

²⁸⁹ NCF, CCF, NAM

²⁹⁰ NBMR, RSF, TCF, IGR, NBER, IE, BER

²⁹¹ On March 10, 1933, six days after his inauguration, FDR implored Congress to reduce government deficits: "With the utmost seriousness I point out to the Congress the profound effect of this fact upon our national economy. It has contributed to the recent collapse of our banking structure. It has accentuated the stagnation of the economic life of our people. It has added to the ranks of the unemployed. Our government's house is not in order and for many

soldier's bonuses and government salaries with the Economy Act of March 1933,²⁹² cut funds to many of the relief agencies that had helped him gain support from low-income groups in the polarized 1936 election,²⁹³ and initiated additional spending cuts in 1937 that appeared to move the budget near balance. It was not until 1938 when the growing acceptance of Keynesian theory in both the economic profession and the administration coincided with an unexpected economic shock that the U.S. discarded the principle of peacetime budget surpluses. The resulting policy shift institutionalized new component of corporate liberal governance—the idea that large deficits could help moderate the business cycle in time of recession.

Many of the mechanisms by which government rationalizes, regulates, stabilizes the modern economy were instituted in the New Deal (e.g. economic forecasting, labor negotiations, codes of business practice). During the New Deal the government assumed responsibility for gathering and publishing national income statistics, often borrowing NBER economists for the task.²⁹⁴

The Great Depression prompted much research into the causes and diagnosis of the business cycle. NBER housed the leading business cycle researchers in Wesley Mitchell, Arthur Burns and others who studied hundreds of statistical series in inquiring into the causes and diagnosis of the business cycle. They measured series that move in the same direction as aggregate economic activity (GDP) such as consumption, industrial production, and employment, as well as those that were “counter-cyclical” such as unemployment and bankruptcies, and those that appeared to be unrelated to the cycle, such as real interest rates. The

reasons no effective action has been taken to restore it to order,” from *Public Papers and Addresses of Franklin D. Roosevelt II* (New York: Russell and Russell) p.175, Samuel I. Rosenman ed.

²⁹² Rodgers 1998:417

²⁹³ Roosevelt cut appropriations to the PWA, WPA, CCC, Farm Credit Administration, and the Federal Housing Authority. See Blum 1959: 263-83

²⁹⁴ Duncan and Shelton 1978

New Deal reinforced the identity of researchers as national public servants. Institutional economists were heavily involved in almost all parts of the New Deal administration,²⁹⁵ innovating in public utility legislation, unemployment insurance, worker's compensation, and Social Security.

Despite this level of influence, institutional economists' role as heterodox critics of neoclassical orthodoxy was eclipsed by the Keynesian or "fiscal" revolution. John Maynard Keynes' 1936 *General Theory of Employment, Interest and Money* was the era's most influential study of the business cycle. Keynesians incorporated institutionalists' concerns with empirical testing and new econometric techniques, aggregate performance, national income, capacity utilization, and unemployment, into mainstream economics. The ability of Keynesian economics to make such empirical claims *as well as* offer more interventionist planning ideas, made it irresistible to policy makers confronted by the depression. The usefulness of the theory was discovered as the austerity required by the government's traditional commitment to balanced budgets became politically untenable.²⁹⁶

Keynes' concern with employment was a shift away from classical theory's focus on optimum resource allocation, and the long-standing identification of thrift with virtue. He rejected the conventional wisdom that unemployment resulted primarily from wage rigidity,²⁹⁷ arguing instead that aggregate demand²⁹⁸ was the most important factor. In showing how an aggressive use of fiscal policy would work as a tool for recovery instead of merely relief, the publication of the *General Theory* encouraged a growing number of people to consider deficit spending as a positive tool, not an occasionally necessary evil. By the late 1930s,

²⁹⁵ Barber 1996

²⁹⁶ Hall 1989

²⁹⁷ I.e. workers' refusal to accept lower wages

²⁹⁸ Aggregate demand is the aggregate income of the total economy.

The notion that maintenance of aggregate national spending and demand might be the most important task of governance came into the...economic debate as a dazzling simplification of social politics. One need not do everything all at once, in the furiously eclectic manner of the early New Deal. One need not worry overly about which goods were in or outside the market, or even where, in this profoundly mixed system, such a line might be drawn. One crucial thing was needed: to keep one's eye on aggregate investment and demand²⁹⁹

An unprecedented drop in production, income, and employment from September 1937 to June 1938 led to a ferocious internal debate between Secretary Henry Morgenthau, who wanted to stay the course of fiscal cuts, and a small group of administration economists who used Keynes' new theory to analyze the recession and propose deficit spending as the solution. The new economists³⁰⁰ argued that previous cuts in government spending and the new Social Security taxes accounted for recent inflation. Concerned with the upcoming fall election, FDR was swayed when the Keynesians, in consultation with Beardsley Ruml, presented him with a thorough case for increased spending. To combat the unexpected recession and fears of runaway inflation, he decided in 1938 to set in motion what he later termed a "compensatory fiscal policy" that included provisions for public housing, a transcontinental highway, and renewed appropriations for agencies targeted in the previous year's budget cuts.³⁰¹ With the enactment of planned deficits, Keynesian fiscal programs were reconciled with the social reforms of the New Deal. As the 1930s ended, and the crisis years began to recede, the ideas of consensus and balance achieved an even greater hegemony in economic policy. The Keynesian revolution had begun, forming the basis for extensive government intervention to stabilize the environment for corporate development in the post-WW II political economy (see chapter 5).

²⁹⁹ Rodgers 1998:499

³⁰⁰ Early advocates of planned deficits, the so-called "New Economists"—Lauchlin Currie, Marriner Eccles, Leon Henderson, Aubrey Williams, and Harry Hopkins—were young Keynesians focused on objective economic conditions.

³⁰¹ Critchlow 1981:13-15

4.5. Employment policy

Most historians agree the New Deal collective bargaining, social insurance, relief, and agricultural and corporate subsidy programs were insufficient to achieve the economic prosperity and social harmony it sought by its advocates, and that it was the Second World War that ended the Depression and cast America into a dominant geopolitical role:

Between 1939 and 1944, the peak of the war effort, the real value of the nations output rose over 70 percent. Still more remarkably, private product expanded by over a half at the same time that the value of the government's output more than trebled and its share of total output rose from slightly more than 10 percent in 1939 to between a fifth and a quarter in 1944.... And suddenly there was no unemployment problem. By 1942 the rate was 4.7 percent, but in 1943 it was 1.9 percent and in the succeeding year a wartime low of 1.2 percent³⁰²

The lesson was apparent to elites and public, and throughout the war they considered economic conversion in peace to be the most pressing postwar issue. The main question was how to maintain near full employment and avoid a return to the 1930s depression after twelve million veterans returned home, and \$250 million per day war spending halted. Conservative and corporate liberal think tanks answered that question by shifting the mainstream planning debate toward a "right" Keynesianism that accepted the language of "compensatory spending" to approach "full employment" and high national income, but in practice tilted towards unemployment over inflation, stability over redistribution, and demand stimulus in the form of tax reductions and military expenditures over social spending.

This section addresses the failure of "left" Keynesian policy researchers to expand the New Deal through the National Resources Planning Board (NRPB), and the defeat of the proposed Full Employment Act of 1945, and passage of the 1946 Employment Act. The Committee for Economic Development (CED) role in the Employment Act of 1946 is the culmination and clearest case of a political strategy to institutionalize the right wing of the

³⁰² Lekachman 1969: 149-50

Keynesian spectrum. A paradigm of business-government-labor “cooperation” legitimized a Keynesian militarist model of domestic “full employment.” CED was able to accommodate the consensus view that government could and should engage in some form of planning to avert economic dislocations in peacetime, while diluting the institutionalization of this idea in the state apparatus. This finally *blunted* radical elements of the New Deal by absorbing Keynesian economic ideas within a framework that did not fundamentally disrupt the relations of power in the American political economy. The rhetoric of policy researchers in these ambitious proposals highlights the ideological and institutional limits within which think tanks finally defined an elite consensus on the issue of postwar domestic economy.

4.5.1. Case 15: The National Resources Planning Board

The short life of the National Resources Planning Board (NRPB) represents another high point and limit case for more radical Keynesian ideas in government. Young Keynesian economists were “fairly numerous” at the Treasury Department and spread throughout the special wartime agencies (Office of Price Administration, War Production Board).³⁰³ Many left or “social” Keynesians, led by Harvard economist Alvin Hansen, joined the new National Resources Planning Board (NRPB) in 1942. In 1943 they proposed the boldest planning proposal to date, calling for “cradle to grave” social security through a national health insurance system, full employment through an extensive public works project, and the extension of Social Security to the disabled, dependent, and farm and domestic workers. Based on the 1942 Beveridge Plan that was the basis for the British welfare state, the proposals reflected the conceptual revolution

³⁰³ Lekachman 1969:152. From 1939-1946 there was a “great influx” of Keynesians into new and influential government agencies that served “as the institutional base for Keynesian economic policies” (Collins 1981:12). Keynesians also joined Agriculture, SEC, and National Housing Agency. See Jones 1972:45 and Stein 1969: 166-97.

occurring around Keynesian macroeconomics.³⁰⁴ Supporters at the *Nation* magazine thought the promise of eliminating the boom-and-bust of the business cycle with a full employment/production economy subsidized by public investment in emergency/permanent works programs represented “an abrupt break from the defeatist thinking that held us in economic thralldom through the thirties.”³⁰⁵

Congressional Republicans targeted the board as a menace to people’s liberty and the American way of life, cutting all appropriations for the NRPB in 1943. Electoral politics had been shifting rightwards with Republicans gains beginning in 1938 (by 1946 Republicans would control the House and Senate).³⁰⁶ The extinction of NRPB limited the impact of “left” Keynesian ideas on federal governance, but could not tarnish the awesome productive power fostered by the planned wartime economy. The sudden economic recovery combined with the Allied military victory was stark evidence for the success of a larger and more rationalized government. The belief that state spending in the form of huge military expenditures had prevented depression and vaulted the U.S. position in the global system legitimated the notion that government could and should direct the economy. This belief hardened the nation’s resolve to maintain high postwar employment when peace came. As the defeat of fascism neared in 1944, the problem of sustaining domestic employment and production assumed urgency. Keynesian economics gave planners a neat theory of how they could use government expenditure and revenue decisions to approach full employment.

³⁰⁴ “Social Security: What We Have and What’s Proposed,” *Newsweek*, March 22, 1943, p.28; Olsen 1983; Amenta and Skocpol 1988

³⁰⁵ “A New Bill of Rights,” *Nation* 156 (1943):401-2

³⁰⁶ Critchlow 1981:19

4.5.2. Case 16: CED and the Employment Act of 1946

A sweeping proposal for economic conversion to peace emerged on January 22, 1945 when Senator James Murray (D-Montana) introduced S.380—the Full Employment Act. The act mandated the president to submit a budget that assured full employment in the following fiscal year. The central debate over the bill in research organizations was over the proper role of government. The bill’s defeat was ensured by a conservative effort to excoriate Keynesian ideas. NAM and CC engaged in a vigorous public relations campaign to oppose the bill once it passed the Senate and debate in the House had begun in autumn 1945.³⁰⁷ In addition to testifying in the House hearings on the bill, NAM widely distributed its views through a large mailing list that included its own membership of 16,000, editorialists and columnists across the nation, radio speeches, public meetings, news, cartoons, advertising, and movies.³⁰⁸

One such NAM release, executed in concert with Donaldson Brown of General Motors Corporation³⁰⁹ and Los Angeles Chamber of Commerce legislative reporter J.C. Ingbreetsen, excoriated the sections of S.380, claiming variously that the bill

Means Government Controls...Destroys Private Enterprise...Will Increase the Powers of the Executive...Legalizes a Compensatory Fiscal Policy...Leads to Socialism...Is Unworkable, Impractical, and Promises Too Much.³¹⁰

The arguments enabled Republicans and Southern Democrats to block the bill. Staunchly conservative policy groups were able to convince Congress and the electorate that S. 380 was a totalitarian bill based on dangerous economic theories that would destroy free enterprise.

A more moderate position emerged from a new think tank, the Committee for Economic Development (CED). Its role in turning the 1945 *Full Employment Act* into the Employment Act

³⁰⁷ Lekachman 1969:167.

³⁰⁸ Bailey 1950:135.

³⁰⁹ GM was one of NAM’s largest contributors at the time, and Brown sat on the NAM board of directors.

³¹⁰ A Compilation in Expert Form of Statements and Expressions of Views Exposing Inherent Fallacies and Contradictions of the So-called “Full Employment Bill,” quoted in Bailey 1950:137-8.

of 1946 reveals the success of “enlightened” business leaders in exploiting rhetorical ambiguity to mediate the translation of Keynesian ideas into state policy.³¹¹

Thick sociological continuities between the CED, Progressive era groups like the NCF and AALL, Hoover’s commissions, Roosevelt’s NRA, and conservative Keynesians in BAC demonstrate the force behind CED was *same network* that served in the mobilization for World War I, took part in Hoover’s Unemployment and Social Trends conferences, and nurtured corporate liberalism through the 1930s.³¹² And like its predecessors, CED’s advocacy of a crucial government role in maintaining a free enterprise system in which the corporation was the paramount actor drew criticism from the right and the left.³¹³

CED emerged under the auspices of the Business Advisory Council (BAC)³¹⁴ for the expressed purpose of stabilizing the postwar economy by bringing together executives and economic experts to discuss methods to pursue high employment. BAC had been thinking about a “post-armament” economy before America’s entry into the war. Eastman Kodak treasurer Marion Folsom led its Committee on Economic Policy in 1941 to conceive a postwar economy that preserved the private enterprise system. BAC chairman R.R. Deupree remarked in January 1942,

The challenge which business will face when this war is over cannot be met by a laissez-faire philosophy or by uncontrolled forces of supply and demand. Intelligent planning,

³¹¹ Domhoff 1990:Ch.7

³¹² Weinstein 1968

³¹³ Chartered just days after the NRPB was de-funded by Congress, the CED was initially praised by liberals as enlightened business for its promise “to promote and aid planning for high level employment and production by commerce and industry in the postwar period” (*The New Republic*, July 26, 1943, p.104). As its postwar planning programs were developed, however, liberal criticism increased. Oscar Gass in *The New Republic* referred to CED’s “Postwar federal tax program for high employment” as “an Intelligent Rich Man’s Guide to Profits and Prosperity” (October 16, 1944, p.418).

³¹⁴ We saw earlier in this chapter how BAC provided formal links between progressive business leaders and the Commerce Department. Because of their experience in working closely with the federal government, BAC personnel were tapped to staff many of the top positions in mobilization agencies such as the War Production Board. Donald Nelson and William Batt, chairman and vice-chairman of the War Production Board respectively, were both recruited from the Council (Collins 1978:376).

faith in the future and courage will be needed to carry us through the reconstruction period.³¹⁵

An April 1942 BAC report unveiled the idea for an “Institute of Business Enterprise” that would encourage businesses to collect data on projected postwar demand and employment patterns, and “attempt to formulate a suggested overall program for business and industry.” When Commerce Secretary Jesse Jones began to solicit business involvement in postwar planning, he sought BAC input first. After a number of meetings with the Commerce Department through the summer of 1942, CED legally incorporated on September 3, 1942.

CED constituted a wholly different type of group than the business lobbies (CC, NICB, NAM) that pursued the laissez-faire agenda of their broad-based memberships through traditional lobbying and propaganda techniques because its *structure* and *ideology* reflected the corporate liberal segment of big business. *Structurally*, CED divided into a Field Development Division designed to promote plant-by-plant planning through local and regional committees, and a Research Division authorized to make policy recommendations through a Research and Policy Committee. The Research Division was headed by University of Chicago vice president William Benton and Studebaker Motors president and University of Chicago trustee Paul Hoffman.³¹⁶ The Research and Policy Committee was staffed *entirely* by businessmen who received advice from a Research Advisory Board of six distinguished economists and a political scientist, a cadre of hired researchers led by University of Chicago economist Theodore Yntema, and outside researchers hired for particular projects. Proto-Keynesians Ralph Flanders³¹⁷ and

³¹⁵ “Remarks of Jesse Jones and R.R. Deupree, BAC, January 30, 1942,” in Collins 1978:386.

³¹⁶ Benton and Hoffman had created a think tank of their own at Chicago in 1941, the American Policy Commission. Both were interested in closing “the gap between knowledge and policy,” and formed the short-lived American Policy Commission along with political scientist Harold Lasswell in 1941. Their project was interrupted by the attack on Pearl Harbor (Collins 1981:73).

³¹⁷ Disappointed with BAC’s refusal to countenance deficit spending, Flanders joined other BAC charter members in 1935 to develop an analysis of economic crises rooted in the latest economic tools. Their work culminated in 1938 with the publication of *Toward Full Employment* (Dennison, Henry S., et al. New York: Whitlesey House). The manuscript was prepared with help from a young John Kenneth Galbraith at Harvard, and incorporated cutting edge

Beardsley Ruml were selected as chair and vice-chair. Ruml came to be known as the committee's "idea man."³¹⁸ CED believed more fervently in expertise than most of its peers in business, and perceived a lack of suitable expertise in groups like NAM and CC. CED would instead influence public policy by engaging sophisticated economic arguments and defining alternative solutions. Unlike NAM, the CED did not initiate contact with legislators, preferring to testify only when called upon, which was often enough to be decisive.³¹⁹

Like NCF and Brookings, the CED *ideology* defined a "common good" in the application of expertise to modern social problems, and appealed to scientific objectivity to *depoliticize* the definition of problems and solutions in society by turning them into technical questions. It eschewed class conflict, and strove for a middle way between pure statism and pure laissez-faire. The basic CED philosophy was articulated by its Research Division vice-chairman William Benton, who wrote in *Fortune Magazine* that American capitalism,

When it functions properly, permits the maximum freedom to the individual consistent with the common good. It supports and reinforces political liberty and provides the greatest opportunities for the development of all men and the attainment of their individual as well as their common aspirations³²⁰

Studebaker executive and first CED president Paul Hoffman elaborated the interventionist perspective of the organization:

Private business has little to do with maintaining high levels of employment, and...there is little that local government can do. It follows, therefore, that the government must take certain steps if we are to achieve high levels of employment³²¹

economic ideas such as the multiplier concept. Their prescriptions were basically Keynesian in their call for a compensatory fiscal policy (i.e. government deficit spending during depressions to shift money from savings to consumption (Collins 1981:63-7).

³¹⁸ Collins 1978:388-9.

³¹⁹ Bailey 1950:156,165-6.

³²⁰ Benton, "The Economics of a Free Society: A Declaration of American Economic Policy," *Fortune* October 1943, p.162.

³²¹ "CED, Joint Meeting of the Research Committee and Research Advisory Board, April 7-8, 1945," Box 131, Flanders MSS, in Collins 1981:86.

The ideology implied fiscal and monetary recommendations that called for greater state intervention than did Hoover and other advocates of the associative state, but did not suggest full government creation of industry cartels a la Gerard Swope and the New Deal's NRA.

CED's central role in formulating postwar economic re-conversion plans, skillfully reviewed in Bailey's *Congress Makes a Law*, was as a venue to adapt the business community to the idea of "compensatory fiscal policy" (FDR's term), and the idea of mitigating the business cycle by spending money even during a budget deficit. The new paradigm idea marked a narrow but qualitatively new level of government responsibility.

The issue erupted in a proposed employment bill that was substantially different from the Full Employment bill shot down by Republicans. The CED version incorporated some sort of economic planning mechanism in the Executive and legislature, and provided for a moderate public works program. This compromise passed as the Employment Act of 1946.³²² It marked qualitatively new levels of government responsibility, since compensatory policies were not explicitly forbidden and for the first time it was assumed to be "the continuing policy and responsibility of the Federal Government to use all practicable means...to promote maximum employment, production, and purchasing power."³²³

With no hint of an enforceable "right to a job" and explicit references to *short-run* Keynesian compensatory spending devices effectively expurgated, the law signaled a weaker commitment to federal macroeconomic management than the original *Full* Employment Act. Instead of concerning itself with reform measures like social insurance, for example, the act relied on "automatic stabilizers," and restricted government action to the narrower responsibility of seeking full employment through mandated spending in deflationary periods (macroeconomic

³²² Cf. Bailey 1950

³²³ Employment Act of 1946, in Collins 1981:13.

management). In other words, the left Keynesianism represented by Alvin Hansen and the NRPB had been superseded by a right or “commercial” Keynesianism, which focused macro planning on the relatively narrow concern of interest rates, rather than public works and spending adjustments.

The law also established the Council of Economic Advisors (CEA), a formal advisory body of economic experts in a new executive office, however the terms defining CEA role left broad room for interpretation.³²⁴ CEA would collect economic and business information, and advise the President in preparing an economic report and recommend

...national economic policies to foster and promote free competitive enterprise, to avoid economic fluctuations, or to diminish the effects thereof, and to maintain employment, production, and purchasing power.³²⁵

Eleven of the Council’s first thirteen CEA chairs came from the think tank field, six from the CED.³²⁶ Spending decisions in these years suggest that these people believed *economic stability was achievable without significantly increasing spending in the (civilian) public sector*. Fred Block (1977) details the dramatic increase in military spending during the postwar period.³²⁷ Since the U.S. devoted most monies to huge federal outlays for a Cold War apparatus, it is safe to say “defense” was seen by business as more legitimate expenditure than social programs. The preference for stimulus in the form of military outlays justifies applying the term “military Keynesian” to the postwar regime.

CED participation in the full employment debate shows how the paradigm of political and economic cooperation between functional groups in the U.S. was rooted in a deep belief that

³²⁴ CEA activities under Arthur Burns and Walter W. Heller (in the Eisenhower and Kennedy administrations respectively) attest to the ability of the office to push such policies. The long term impact of the Act and the debate surrounding it has been that no President or Congress will stay in office that permits unemployment to persist at too high a level for too long, or combats a recession by fiscal austerity and raising taxes (Lekachman 1966:175; Collins 1981:14).

³²⁵ Bailey 1950:229-231.

³²⁶ Domhoff 1987:195-96

capitalism and democracy are intertwined aspects of a social order congruent with human nature. CED co-opted the new economic thought by accepting the idea of government spending in deficit in order to stabilize the economy, but repudiating a more liberal Keynesianism embodied in the failed NRPB and Full Employment Act. CED preserved a concentrated political economy by transcending the negative reputation of business fostered by groups like the NAM, and set up a domestic system ready made for extrapolation to the international sphere.

4.6. Conclusion

The paradigm ideas and policy outcomes of the interwar period reflect the complexity, adaptability, and conservatism of the think tank field. The field kept corporatist ideas alive in the 1920s, and in response to widespread social unrest in the 1930s enacted those ideas through an accommodation of the Keynesian fiscal revolution in economic planning. As Hoover's rhetoric of a "new era" of nearly effortless affluence lost its material purchase, politicians in need of quick measures dusted off these ready-made ideas and used the political window of crisis to enact them. Policymakers re-conceptualized the 1920s vision of state and society as an interdependent system of associational networks by defining social problems in ways that legitimated a role for the federal state as a medium to redress harms to subordinate groups, broker competing interest groups, and stabilize the business cycle.

Most Americans rallied to support the president's steps to stem the most serious depression in U.S. history. Given the rising popularity of sweeping reforms, Roosevelt probably could have taken the country in any question he wanted. That FDR chose to restore the health of the corporate system rather than replace it, that income and wealth disparities were nearly as bad in 1939 as 1933, and that giant corporations controlled more of the economy at the end of the decade than at the beginning suggests New Deal innovations were a relatively conservative

response to systemic crisis. Williams characterizes the New Deal as “overlooking, if not encouraging, combinations, and as pressing for cooperation, efficiency, and a species of government regulation that often eliminated competition.”³²⁸

Instead of providing recovery, the New Deal promoted the rationalization of the existing syndicalist political economy based on the large corporation [and brought] the main functional and syndicalist elements of the political economy into a rough kind of legal and practical balance.³²⁹

As with Progressive reforms, programs preserved the long-term stability of the private property system through welfare benefits. As FDR said to the Democratic state convention in Syracuse, New York in 1936,

The true conservative seeks to protect this system of private property and free enterprise by correcting such injustices and inequalities as arise from it. The most serious threat to our institutions comes from those who refuse to face the need for change. Liberalism becomes the protection for the far-sighted conservative.³³⁰

In policy outcomes where government assumed responsibility for ensuring the whole national economy operates effectively TTs were able to articulate concepts of government responsibility in ways that protected concentrated capital accumulation by blunting the most radical aspects of reform.

While Keynesian theory was used by some to counter the main arguments in favor of wealth inequality, policy outcomes generally functioned to conserve corporate capitalism by charting a middle way between “do-nothing” laissez faire and socialist interference in the free decision of what and how much to produce. Discretionary spending through public works, public housing, urban renewal, and national resource development offered a degree of programmatic

³²⁸ Williams 1966:261

³²⁹ Williams 1966:440. The Supreme Court, beginning in April 1937, began to uphold policies like the Wagner Act and other policies of the New Deal, essentially legalizing “a system created by the large corporations and the Progressive Movement” (p.448). With its decisions, the Court gave the legal authority to ideas and definitions of the public welfare that had emerged within policy institutes.

³³⁰ Rosenman, vol 5 p.389 AQI Greenberg 1985:95

planning through the New Deal, but fiscal policy was set up to rely more on “automatic stabilizers” (and military spending come WW II) than federal planning to promote economic stability.

In a nation characterized by a deep-seated belief in the free market system, the new economics was a viable alternative to direct economic controls, as automatic stabilizers would function as the “invisible hand” of a previous century. As instituted in America, Keynesianism was in large part stripped of its reformist elements by corporate liberal members of the business community acting through organizational forms capable of translating their political ideology into coherent policies. Business-backed think tanks represented a range of opinion, and generally supported Roosevelt, but were uncomfortable with Keynesians’ revolutionary-democratic tendency. In the end, they managed to deflect the domestic reforms of the New Deal towards a corporate liberal paradigm by turning potentially radical economic ideas into a relatively sedate monetary tool buttressed by military outlays. The counter cyclical economic policy of 1937-38 and Employment Act of 1946 culminated this dynamic as working class unrest was constrained within a Fordist mode of accumulation.

The apparent relationship between corporate liberal ideas and the monopoly benefits sought by the corporate leadership from 1920-1938 provides empirical support for a “power elite”³³¹ or “national upper class”³³² comprised of big business and those they chose to admit to the state apparatus. The businesspersons and experts who served in government and think tanks were familiar with and often drawn from the upper class and corporate community. Referring to such informal relationships during WW I, Brookings wrote, “One could not enter this club without meeting someone who had something to tell, and in the smoking rooms after dinner, [the

³³¹ Mills; Domhoff; Dye

³³² Domhoff

war] offered a never ending source for discussion.”³³³ As corporate leaders were becoming familiar with experts, experts were educating themselves about the needs of business, and in many cases adapting themselves to those needs.³³⁴ The research and policy recommendations that emerged were the result of coalitions between these groups, and policy experts overall supported reforms that stabilized the interests of wealth and big business.

However, the activity of research institutions through these decades is not *reducible* to the economic interests or corporate ideology of their founders and financiers. Think tank personnel were not simply big business lackeys. They also supported a degree of growth in a redistributive welfare state, labor power, and civil rights. Furthermore, the motives and actions of professional social scientists that ran the organizations sometimes proceeded in directions counter to their sponsors. Robert Brookings, for example, came to be very critical of the government system in his later years, while the Brookings Institution scholars moderated their opposition to the New Deal over time.³³⁵

One cannot therefore understand the domestic corporate liberal policy regime as solely the result of unified capitalists acting in concert with government to enact a state capitalist system, since state capitalism never came about. Labor unrest and significant ideological differences among think tanks worked against the imposition of a singular business government. Think tanks and the academic economists, executives, and others active in the policy network defined social insurance and counter-cyclical spending in variegated ways. In addition, the language of cooperative capitalism remained strong in certain policy networks, the *laissez-faire*

³³³ Critchlow 1985:15

³³⁴ Today this reciprocal relationship is deeply institutionalized. Tank seminars, often populated by corporate heads, provide informal policy training for the corporate community. When politicians discuss appointments with their financial backers, the backers will routinely support those experts they met in seminars. In addition, having the status as a researcher in a think tank legitimated one’s qualification for government service in the eyes of the public.

³³⁵ Critchlow 1985:42

ideology propagated in think tanks throughout the 1930s served as a reservoir of arguments and evidence for a beneficent free market available for use by certain business sectors and the public. The Brookings Institution, for example, articulated a conservative stance on these issues and would soon work closely with conservative elements in Congress such as the House Committee on Un-American Activities. Its president Harold Moulton even discouraged Brookings officers from collaborating with the Committee for Economic Development, which along with the TCF was much less fearful of planning or hostile to labor. TCF even collaborated with labor on their projects.

The rhetoric of experimentalism pervasive among both social researchers and politicians, especially in the early years of the New Deal, also belies the notion of an imposed and singular capitalist solution. In the 1930s, for example, people like Isador Lubin of Brookings, George Soule from NBER and Robert S. Lynd from TCF were open to whatever solutions would help plan the most effective solutions to current problems. The ethos transcended the “just the facts approach” used by many policy research advocates to bypass questions of competing values and political differences. Approaches became more flexible and diverse as experts were drawn deeper into advisory roles. It is more correct to say therefore that the domestic regime resulted from a relatively coherent coalition of multiple elites, including an ascendant expert class.

Tanks adapted to severe working class and agrarian protest, helping restructure America around a new mode of accumulation. The Great Crash of 1929 and the continuing 1930s crisis began a period in which a new “Fordist”³³⁶ mode of accumulation based on labor- and capital-intensive production, exemplified in the automobile industry. This marked the full emergence of a domestic industrial system that heralded a new era.³³⁷ Until the New Deal, the U.S. remained

³³⁶ Gramsci 1971

³³⁷ Ferguson 1984:55ff

more or less a liberal, as opposed to corporate liberal state. Think tanks helped transform the New Deal from its early state monopolist (corporatist) orientation into a synthesis of corporatist and (classical) liberal principles. The WW II experience reinforced this synthesis, and the nascent, experimental, ad hoc Keynesianism of the New Deal became the full-blown Keynesian Militarist consensus around the pursuit of high growth as a way of balancing business and labor interests. The extrapolation of this synthesis to Western Europe and Japan through the post-WW II accords in a Cold War context is the subject of the next chapter.

5. The Keynesian Military System, 1940-1973

I am sure that the power of vested interests is vastly exaggerated compared with the gradual encroachment of ideas. The ideas of economists and political philosophers, both when they are right and when they are wrong, are more powerful than is commonly understood. Indeed, the world is ruled by little else.

--John Maynard Keynes³³⁸

Tyrannies may require a large amount of living space. But freedom requires and will require far greater living space than Tyranny

--*Time* editor and CFR member Henry Luce³³⁹

The hundreds of academics who flocked to Washington during the 1930s economic crisis increased greatly in number and activity due to the mobilization and post conflict planning for World War II.³⁴⁰ As in World War I, new agencies employed experts in economics, survey research, social and applied psychology, history, and anthropology in large numbers to develop new technology and research tools, and organize production, and direct the deployment of military and civilian personnel. External funding for the social and behavioral sciences, scientific and medical research also ratcheted up.³⁴¹ The demand for authoritative policy prescriptions increased the prestige of policy-oriented research and accelerated faith in technocratic control across social sectors. Think tanks were able to capitalize on the newfound opportunities with

³³⁸ 1936 p.383

³³⁹ Luce wrote these words in *Life* magazine, February 17, 1941. Luce described the early postwar as the beginning of the "American century." He lobbied for American entry into the war and an enlarged international role. He convened a Roundtable discussion group under the auspices of his *Fortune* magazine that urged U.S. leadership in postwar planning, reflecting the same basic perspective of secretive CFR study groups in the State Department.

³⁴⁰ One Civil Service Commission expert estimated there was a doubling of social scientists in the federal government to some sixteen thousand within the first six months of the war (Mark C. Smith 1994:255). They served in the State Department, Office of War Information, War Production Board, Office of Strategic Services, Bureau of Naval Personnel, Office of Production Management, War Production Board, National Defense Advisory Commission, Office of Price Administration, Supply Priorities and Allocation Board, and dozens of others (Reagan 1969; Lyons 1969:80-123).

³⁴¹ Federal support for scientific research and development was overseen by the new Office of Scientific Research and Development, and grew from around \$100 million in 1940 to approximately \$1.5 billion in 1945. See Reagan 1969: 320.

ready-made concepts and new institutional arrangements that did not seem overtly political or narrowly interested.

The CED and the Council on Foreign Relations (CFR) role in designing a U.S.-led global system to expand trade and investment, represents the extrapolation of the U.S. domestic corporate liberal model abroad. Paradigms of “bipartisan” and “expert” foreign policy and balancing national autonomy with the global market³⁴² legitimized doctrines of “free trade” and soviet “containment”. Think tanks capitalized a long-term investment in an international project by supplying the initiative and personnel for new “policy planning” initiatives in the State and Treasury Departments. Working in concert with other policy institutes, the White House, AFL-CIO leaders, the Rockefeller foundation and multinational firms fostered 1) direct foreign investment in war torn countries, 2) a framework of international regulations for trade and the negotiated removal of trade barriers, and 3) a Cold War strategy of Soviet containment and an ambitiously increasing European military support through NATO.

CFR worked during the WW II period to create the conditions for new coalitions within and between the U.S. and other capitalist democracies. Through study and discussion groups, book length monographs, publications in its journal *Foreign Affairs*, formal and informal work for government, and revolving door of government appointments, CFR postwar planning strengthened transnational capitalists’ ability to promote their long-term interests. The publications and internal communications of CFR and its affiliated propaganda arms, including the Non-Partisan Committee, the Committee to Defend America, and the Committee for the Marshall Plan, had a strong belief that an international system based on a free market would create peace and prosperity, preserve democratic institutions in Europe, and prevent the spread of communism.

³⁴² “Embedded liberalism,” Ruggie

5.1. Preparing the ground: Internationalist tanks through the interwar period

To reconstruct TT roles in the Cold War era, it will be helpful understand how CFR kept internationalist ideals alive through the relatively “isolationist” interwar period. The fact that it took several decades for the CFR vision came to fruition suggests a long-term investment in internationalist consciousness among business and government elites took time to mature. CFR’s willingness to invest in a long-term process is reflects both its substantive aversion to short-term thinking in interstate relations, and its practical methods for persuading people.

World War I and the subsequent peace talks stimulated investment bankers and other internationally minded elites to promote liberal internationalist ideas through private organizations like CFR and affiliated British think tanks. The failure of the 1919 Paris Peace Conference at Versailles forced internationalists into nonstate venues like CFR and affiliated think tanks, laying the groundwork for a post-WW II U.S.-British policy regime.

The kernel of this regime was an exclusive dinner club begun on 10 June 1918 at the invitation of popular Republican lawyer, T. Roosevelt’s secretary of state, and first president of the Carnegie Endowment for International Peace, Elihu Root. Dubbed the Council on Foreign Relations, the club comprised a group of bankers, lawyers, business and government leaders, academics and journalists in the New York area, who favored the League of Nations as a framework to secure international trade and treaties. A 1919 CFR handbook says the group decided to convene monthly dinners at the Metropolitan Club

...to discuss the most interesting and vital subjects concerned with the United States and its relations with the rest of the world. The object of the Council on Foreign Relations is to afford a continuous conference on foreign affairs, bringing together at each meeting international thinkers so that in the course of a year several hundred expert minds in finance, industry, education, statecraft and science will have been brought to bear on international problems. It is a board of Initiation – a Board of Invention. It plans to cooperate with the Government and all existing agencies and to bring them all into constructive accord.³⁴³

³⁴³ 1919 CFR handbook, in Shoup and Minter 1977:15, and Schulzinger, *The Wise Men* p.5

Around the same time, members of the American³⁴⁴ and British delegations to the peace talks grew frustrated at the inability of participants to transcend isolationist traditions agitating in their own countries.³⁴⁵ They felt the shortsighted nationalism at future peace conferences and the League of Nations could be solved with international institutes where experts could communicate across national boundaries, and cultivate public opinion in their own countries around conceptions of a “universal interest.” Some 30 members of the American and British delegations met at the Hotel Majestic to conceive an “Institute for International Affairs.”³⁴⁶

British Colonial Officer Lionel Curtis argued that

National policy ought to be shaped by a conception of the interest of society at large; for it was in the advancement of that universal interest that the particular interest of the several nations would alone be found. It [is] of all importance, therefore, to cultivate public opinion in the various countries of the world which [keeps] the general interest in view.³⁴⁷

Curtis urged expert delegates to

Create institutes like the Royal Geographic Society, with libraries where the members would study international affairs. The results of their studies could be put in the form of papers for discussion by the members. This would keep officials and publicists in touch with each other. Officials might often have to abstain from discussion of the papers, but there was no reason why they could not listen to them. More important still, the institutes would form centers where they could converse on these subjects.³⁴⁸

Organizations on both sides of the Atlantic were established towards this end, however the possibility of a joint Anglo-American think tank languished with travel and communication difficulties (American participants were scattered about east coast cities), as well as tepid congressional and public support in America for European involvement (as evidenced by the

³⁴⁴ Woodrow Wilson’s handpicked experts at the conference were known as *The Inquiry*.

³⁴⁵ Such tendencies were stronger in Western Europe due to the felt need for national protectionism after the war’s devastation and the prevalent working class.

³⁴⁶ Dockrill 1980

³⁴⁷ “Minutes of Meeting at Hotel Majestic, May 30, 1919,” cited in Dockrill 1980

³⁴⁸ Ibid

Senate's refusal to pass the Paris Treaty).³⁴⁹ The concept of such an institute revived, however, when the CFR dinner club offered to merge with the American branch of the Institute of International Affairs in late summer 1920. CFR shared the lofty goals of the Institute, and had much more and solid financial support. Its money did not however ensure prestige or influence, and by the summer of 1920 its roughly 150 members agreed that interest in future dinners was languishing.

Members proposed a merger with the expert-laden American Institute, which received the offer with wariness. Despite the clear financial deficits it faced (it held almost no funds except for the \$10 annual dues from its 21 members), its experts were skeptical of the ability of CFR bankers and businessmen to encompass a sufficiently broad range of thought. Hamilton Fish Armstrong, who would later edit CFR's flagship *Foreign Affairs* publication, voted *against* the merger, feeling the Council members were on a "far too 'sound financial basis' to care much about facts in conflict with their usual outlook."³⁵⁰ However, after the Council initiated several changes, including a more palatable dues system and a broader membership including representatives from media, law, publishing, and academia, American Institute members decided that joining the refashioned CFR was superior to abandoning their venture altogether, and voted to do so. By its incorporation on 29 July 1921 CFR consisted of

650 members, 400 from New York and 250 from the rest of the country... the Council's roster read like a Who's Who of American business and professional men. Partners from J.P. Morgan and Company mingled with Ivy League professors, international lawyers with syndicated columnists, State Department officials with Clergymen.³⁵¹

Invitations to join CFR usually followed an individual's achievement in business, executive branch, academia, and elsewhere. The original 1921 Council merged with the American Institute

³⁴⁹ Soup and Minter 19777: ch.1

³⁵⁰ Armstrong letter to Shepardson, December 6, 1920, Armstrong Papers, box 57, quoted in Wala 1994: 8.

³⁵¹ Divine 1967. Edwin F. Gay, whose role in the WIB, founding of NBER, and Hoover commissions is described in chapter two, was tapped to be Secretary.

largely because members recognized their membership lacked the necessary scholarly and government expertise to be anything more than wealthy men interested in foreign affairs. But while academics, journalists, editors, and other functional elites added to the Council's prestige, businessmen (including directors of commercial banks, eminent law firm and insurance company partners, and members of other business oriented think tanks like CED) still maintained the largest representation at about 30 percent. Council members also included a number of Rockefeller, Ford, and Carnegie Corporation trustees, journalists and editors of major newspapers, magazines, and eventually television networks. Many had affiliations with Brookings, CEIP, TCF, Woodrow Wilson Foundation, and the Foreign Policy Association. This overlapping membership shows a high level of interlocks between organizations, and lends support to the corporatist approach to studying policymaking.

By 1945, the Council had only two labor leaders: David Dubinsky and Robert J. Watt of the AFL. Most in CFR regarded organized labor as a nuisance, but recognized its growing power after WW II and its key role in the attempt to ground American foreign policy in functional elite support. The Council Board of Directors decided in May 1946 to invite additional conservative union leaders. Few accepted the offer. Isaiah Bowman considered the effort "a waste of time... Our Labor leaders are not yet sufficiently mature to engage in an objective and cooperative study with other groups."³⁵²

Some CFR members acceded to powerful posts in the 1920s, notably Stimson who became Coolidge's secretary of state, but CFR had fairly *weak ties* to government through the 1920s as recent memories of war, debt, taxation and inflation pushed Harding and Coolidge away from Wilsonian internationalism. Still, public attention and estimation of CFR grew

³⁵² Bowman to Arthur W. Page, 20 march 1947, Bowman Papers, cited in Wala 1994:231

considerably through the decade as the organization invited a number of foreign dignitaries and American politicians to speak at membership meetings and other programs.³⁵³

CFR began to cultivate a relationship with FDR late in the decade, publishing his “Our Foreign Policy: A Democratic View” in *Foreign Affairs*, and launching its headquarters in 1929 next door to the new Governor’s house on East 45th Street in New York. Numerous Council members would eventually serve under President Roosevelt, including Secretary of State Edward Stettinius, Assistant Secretary of State Sumner Welles, War Secretary Henry Stimson, Norman H. Davis (CFR president, 1936-1944) and James P. Warburg of the “brains trust.”³⁵⁴ Both Roosevelt and CFR would draw on this long standing relationship during the crisis of WW II.

The crisis of the Great Depression spawned CFR discussion groups and articles in *Foreign Affairs* by Edwin F. Gay,³⁵⁵ Percy W. Bidwell,³⁵⁶ and Walter Lippmann.³⁵⁷ None agreed precisely on the causes of the Depression (for Gay it was WW I, for Bidwell a “tariff orgy,” for Lippmann Great Britain’s economic nationalism), but all *converged on the solution of unfettered international trade*. CFR generally refrained from explicit legislative positions, but worked hard for internationalist measures like the Export-Import Bank of 1933 and the Reciprocal Trade Act of 1934.³⁵⁸

5.1.1. Anglo-American ties

CFR became the model for similar think tanks across the Atlantic (as well as later organizations like the Trilateral Commission) devoted to constructing a general interest in international capital expansion, first by functioning as a clearinghouse for policy ideas and leading elites towards a rhetorical coherence, translating ideas into broad messages and policy,

³⁵³ A notable CFR event, not repeated in its extravagance, was a speech by WW I French prime minister Georges Clemenceau to a packed Metropolitan Opera House on 21 November 1922.

³⁵⁴ Perloff 1988:54-60

³⁵⁵ “The Great Depression,” *Foreign Affairs* 10:4 (1932)

³⁵⁶ “Trade, Tariffs, and Depression,” *Foreign Affairs* 10:2 (1931)

³⁵⁷ “10 years, Retrospect and Prospect,” *Foreign Affairs* 11:1 (1932)

³⁵⁸ Shoup and Minter 1977

and incubating future policymakers. CFR developed transnational ties with similar planning groups in Western Europe. The Allies, primarily Britain and the U.S., confronted the Axis projection of a rival “Grand Area” by forming a “special relationship” that constituted a core to which other western states would adjust. Capital-intensive American firms with real or hoped for stakes in Western European markets such as Standard Oil, GM, GE, ITT, Pan American Airlines, Westinghouse, General Mills, Bristol-Myers, Hilton Hotels, and Chase National Bank, *acted through* CFR and CED to establish the preconditions for a rapid influx of loans and foreign direct investment into Western Europe without competing with private capital. These investors, who had *already established* foreign trade and foreign direct investment, and were therefore less concerned about conditioning U.S. and multilateral loan guarantees on lowered tariff barriers than national firms with only domestic production, formed a bloc dedicated to expanding trade and investment in Western Europe.³⁵⁹

Carroll Quigley has documented in detail the parallel and often interlocked projects of British and American internationalist think tanks.³⁶⁰ Van der Pijl (1998) argues similarly that aspiring bourgeoisie in countries like France and Germany integrated into the hegemonic Anglo-American capitalist core through informal elastic networks fostered private planning groups like the Rhodes-Milner group and CFR in a process of transnational class formation.³⁶¹ Quigley states that

Milner shifted the emphasis from family connection to ideological conflict. The former had become less useful with the rise of a class society based on economic conflicts and with the extension of democracy.... Milner had an idea...that...had two

³⁵⁹ Gill 1990:47

³⁶⁰ Quigley 1981, originally 1949

³⁶¹ Van der Pijl 1998. Planning groups mediate between the core capitalist (“Lockean Heartland”) states and contender “Hobbesian” state-society complexes. In both corporate liberal (CFR and Rhodes-Milner) and neoliberal (MPS and AEI) tanks we witness the sediment of Anglo-American networks. Indeed, while it is not a central theme in this dissertation, the ebb and flow of tanks does coincide with the needs the Anglo-American system.

parts: that the extension and integration of the Empire and the development of social welfare was essential to the continued existence of the British way of life.³⁶²

This analysis lends evidence to my claim that the ideological consciousness of the field is not “new” or specific to the 1970s conservative organizations, but stitched into very fabric of think tank history.

5.1.2. *Foreign Affairs: The ideology of “expertise” and “bipartisanship”*

The main CFR goal was to develop and advocate a foreign policy consensus by disseminating information and analysis to a select audience of influential people in media, business and finance, politics, and academic fields. To achieve that goal it published handbooks, monographs and a quarterly foreign policy journal called *Foreign Affairs*, initiated numerous discussion and study groups, and public relations organizations.

Like most think tanks, CFR maintains its nonpartisan status by remaining silent on current US policies. It claims in all of its communications that it “takes no stand, expressed or implied, on American foreign policy.” This practice does not preclude significant efforts to influence elite and public perceptions and opinions. CFR attempts to broaden consensus beyond the group itself to the “interested public”—which included the foreign policy establishment, national opinion leaders, and internationalists and their affiliated organizations—primarily through the journal *Foreign Affairs*.

The idea to publish a quarterly journal came from that stalwart of the think tank network, Edwin F. Gay. *New York Evening Post* Europe correspondent Hamilton Fish Armstrong was the first editor.³⁶³ *Foreign Affairs* printed its first issue in 1922. The editors wrote the magazine does not

³⁶² Quigley 1981: 29

³⁶³ Wala 1994: 15-16

...represent any consensus of belief...but we hold that...Foreign Affairs can do more to guide American opinion by a broad hospitality to divergent ideas than it can by identifying itself with one school.³⁶⁴

The lead article by Elihu Root, “A Requisite for the Success of Popular Diplomacy,” elucidated the paradigm idea of nonpartisan “expertise” that would become a standard rhetorical appeal in all CFR practice. Root argued that WW I had inaugurated an internationalist era in which U.S. citizens needed to be *educated* about their new position and responsibilities: “The control of foreign relations by democracies creates a new and pressing demand for popular education in international affairs.”³⁶⁵ As part of their “ordinary education”, citizens should have access to “correct information” about

their own rights,... the duties to respect the rights of others,...what has happened and is happening in international affairs, and... the effects upon national life of the things that are done or refused as between nations; so that the people themselves will have the means to test misinformation and appeals to prejudice and passion based on error.³⁶⁶

The first issue also established its long-standing advocacy of “bipartisanship” in foreign policy as a method for securing elite and popular support for international engagement. CFR Democrats saw Wilson’s decision to include Elihu Root as the only Republican in the delegation to the Peace Conference as a significant factor in the failure to win Congressional approval for the League of Nations, and corrected this mistake by inviting eminent Republicans like Henry L. Stimson for membership.

Foreign Affairs thus fused the idea of “expert” policy research with “bipartisan” foreign policy. Expertise would transcend short term commercial and nation state interests, as well as partisan differences between Democrats and Republicans. However the avoidance of “error” through bipartisan, reasoned, pragmatic analysis guided by elite experts was not unbiased or

³⁶⁴ *Foreign Affairs* 1:1, 1922

³⁶⁵ Root 1922:1

³⁶⁶ Root 1922:5

otherwise non-ideological. It is true that over its 75 years, the quarterly has contained a significant diversity of authorship, but the journal set boundaries circumscribing “unprejudiced,” “dispassionate,” “rational” thought, by limiting the variety of ideas to an acceptable range of basic tenets:

- The U.S., as the most powerful nation, should become more active internationally
- The U.S. should increase trade with all nations
- The U.S. should secure access to raw material and markets worldwide

Since these fundamental premises were beyond debate, they constitute an ideology. Indeed CFR’s main concern is commanding heights of the world economy by thinking of ways to integrate Western capitalist states and to eliminate rival dominant world power blocs like Germany in the 1930s and 1940s, the Soviets, or challenges from blocs of developing countries. In the same way that NCF provided the venue for a labor-capital détente around the turn of the century, and AALL did the same for social security legislation, CFR developed a blueprint for a postwar regime. CFR primarily functioned as an “ideological apparatus” where ideas on global change could be theorized and disseminated.

The suggestion that CFR contains an ideology goes against the grain of contemporary interpretations of think tanks as only recently ideological. One of my basic points, however, is to show that, insofar as ideological positions are discernable throughout the history of think tanks, the more ideologically explicit *rhetoric* of the recent wave of think tanks is “merely rhetorical.” CFR ideology is in fact defined *through* a rhetoric of disinterestedness.

Foreign Affairs accumulated a large and influential readership over the years, with some 17,000 subscribers by 1945. Its reputation for expertise and reasoned argument was and is highly regarded by multiple elite sectors and “interested” elements in the population. The rhetorical impact of this status is to convince senators and representatives that “experts” are convinced of

the soundness of CFR analysis. The high minded ideals that suffused its pages however were based on a notion of public opinion management found in other, less “rational” CFR propaganda activities.

5.1.3. Managing public consent

CFR and similar groups³⁶⁷ restricted their notion of relevant opinion to a paternalist group of elites with the responsibility to educate and sway the population. They believed that it was more important to educate this *limited* audience of elites in business and finance, prestigious academics, and enlightened officials, than it was to rely on the mood of the public in determining foreign policy. This was consistent with Walter Lippmann’s concept of public opinion as a manageable social fact.³⁶⁸ Only such high-minded elites working for the peoples’ own good, and the good of the world could ascertain the “true” general interest.

To participate in public opinion management techniques in a way that did not threaten its reputation as an organization of disinterested experts, CFR introduced a *division of labor* in the policy network, essentially “farming out” advocacy functions by serving as a recruiting base and organizational framework for nominally independent organizations.

One innovation in the realm of public opinion management was the creation over four years of 12 regional branches starting in 1938. These “Committees on Foreign Relations” offered business, academic, and other “men who occupy positions of leadership in their communities”³⁶⁹ to both spread internationalist ideas amongst reluctant regions (especially the Midwest), serve as “listening posts” to gauge opinion among people “interested” in foreign affairs, and convince

³⁶⁷ The Foreign Policy Association, the Woodrow Wilson Foundation, the League of Nations Association, the Carnegie Endowment for International Peace

³⁶⁸ Lippmann attended many CFR meetings and study groups and published articles in *Foreign Affairs* until around 1937 (Wala 1994: 27 n28).

³⁶⁹ CFR *Report on Membership Policy and New Procedures for Admission*, 1954, in Wala 1994:47

Congress members that CFR positions had a “grassroots” constituency.³⁷⁰ Comprised ostensibly of “ad hoc” collections of interested citizens, they were actually created under State Department and CFR auspices. As a putatively independent organization urging the need for particular policies and pressing the Congress and public to adopt those policies, the committees allowed CFR to follow their mandate to remain neutral on U.S. policies.

Another institutional innovation were outfits established and run by prominent CFR members such as Clark Eichelberger in 1939 to gin up Congressional and popular support for the forceful projection of American power. The Non-Partisan Committee (NPC), the Fight for Freedom group (FFF), and the Committee to Defend America (CDA) were sold as spontaneous “citizens groups” intended to sound out public opinion and influence government, but were *carefully planned* outfits that interlocked tightly with CFR and the Roosevelt administration.

NPC started with 260 prominent citizens who worked through leaflets, telegrams to newspaper and magazine editors, radio broadcasts, and other media outlets “for the special purpose of educating and mobilizing public opinion throughout the country.”³⁷¹ Reaching its goal of repealing the arms embargo section of the Neutrality Law in October 1939, NPC disbanded.

The same group established and ran CDA in a similar pattern, inviting notable citizens like Harvard president James Conant to conduct press conferences, provide interviews, and speak on nationwide radio on the dangers of Nazi victory and importance of assisting Britain. Playwright and former pacifist Robert Sherwood, who would later be Roosevelt’s speech writer, created the famous “Stop Hitler Now” advertisement for publication in eighteen newspapers circulating over seven million copies on 10 June 1940. The ad secured additional donations for

³⁷⁰ For example on the question of postwar Germany, the Council polled local chapters and found support for “demilitarization,” “democratic institutions,” “denazification, perhaps at the expense of delaying the revival of the German economy.” See Joseph Barber, ed., *American Policy Towards Germany* (New York, 1947), pp.14-15

³⁷¹ William Allen White to James T. Shotwell (Columbia University president), 29 September 1939, Eichelberger Papers, box 103, cited in Wala 1994:174

CDA, and a ringing endorsement from President Roosevelt, who displayed it on his desk at a June 11 press meeting. FDR said it was “a good thing that Bill White was able to get such messages across for the education of the American people.”³⁷²

From 1939 to 1941, the groups gradually became more interventionist, some urging belligerence. Their message became redundant on 7 December 1941. Japan’s attack on Pearl Harbor aroused the public more than PR efforts ever could. Still, it is probably safe to say groups interlocking with CFR and the administration laid the groundwork for American entry into the war. The U.S., as Thomas Lamont wrote to Eichelberger,

...went to war because war was made upon her and because she came to the belated realization that Germany intended to conquer all Europe and Japan all Asia, and between them to squeeze the Americas into their own economic pattern. It was just as simple as that. That is what we are fighting for today.³⁷³

NPC and CDA also served as models and recruiting grounds for subsequent CFR operations, including its War and Peace Studies (WPS) groups and the Committee for the Marshall Plan (CMP, see *Selling the Marshall Plan* below). Six CMP members worked in WPS, two in the CED, four on the President’s Committee on Foreign aid (directed by Averell Harriman), thirteen belonged to the NPA, four were CEIP trustees, and three were Twentieth Century Fund members.³⁷⁴

The presence and participation of a large number of CFR and other tank members in these propaganda organizations indicates the policy network introduced a division of labor into their activities, rather than functioning truly separately from them. As Wala notes,

Membership, internal structure, and financial and organizational planning of the above-mentioned setups displayed such remarkable parallels that one must refer to a unified undertaking. Although the Council did not directly support these groups,

³⁷² cited in Wala 1994: 176

³⁷³ Lamont to Eichelberger, 17 January 1943, Lamont Papers, box 19, cited in Wala 1994:180

³⁷⁴ CMP, *A Statement of Purpose*, p.4-14, cited in Wala 1994:209

proponents such as Clark Eichelberger, Henry Stimson, Robert Patterson, and Dean Acheson could at least count on the support of most Council members and rely on a pool of notables—in the form of the Council membership—as likely activists and donors.

The propaganda practices of the think tank field was extensive in the buildup to war and, as we will see below, in the selling of the postwar reconstruction plan. Nevertheless, these activities represent a more indirect form of influence than the direct participation in policy planning and design CFR enjoyed during the war years through its War and Peace Studies Project (WPS).

5.2. CFR War and Peace Studies Project

Before America's entry into WW II, when the outcome was less than clear and communism was not a primary concern, CFR helped frame the basic assumptions of U.S. foreign policy around the extension of U.S. capitalism and military power. Through its War and Peace Studies Project (1939-1945), it worked closely with the White House and State Department to develop ideas for a time when the war ended and European powers would negotiate a peace.³⁷⁵

Two conditions fostering a CFR role in the extension of US power were state demand and preexisting policy networks. The State Department did not possess the funds and personnel to investigate the war's impact on US interests. A world war is obviously an international crisis, so it is not surprising that “an administration well aware of its own limitations in long-term planning”³⁷⁶ would be responsive to offers for administrative help. CFR already had close ties with Secretary of State Cordell Hull (CFR president Normal Davis was his good friend),

³⁷⁵ Other groups such as the Twentieth Century Fund, the CED, and National Planning Association advanced arguments similar to CFR, and the Brookings Institution, at the request of Senator Vandenberg, played a central role in drawing up plans for the administration of European Recovery Program funds, but none took the leadership role CFR did. See David W. Eakins (1969: 143-172, 165-66).

³⁷⁶ Wala, p.223

Undersecretary Welles, and Leo Pasvolsky, and maintained the long term relationship with FDR mentioned above.³⁷⁷

Besides being a repository of ideas, CFR was a recruiting pool for high-level positions in government. John J. McCloy, CFR director, Wall Street lawyer, former chair of Chase Manhattan, Ford Foundation trustee, and assistant secretary to Secretary of War Stimson noted, the Department of War tapped CFR “whenever... [it]...needed a man”.³⁷⁸ The quote smacks of rhetorical excess, but recruitment of Council members by the executive branch of the U.S. government at this time is striking. Wala cites a 1945 Council publication in Jacob Viner’s papers to establish that

More than two hundred of its members served in the State Department, OSS [Office of Strategic Studies, predecessor to the CIA], Office of War Information, United Nations Relief and Rehabilitation Administration, War Production Board, Office of Emergency Management, and similar organizations during the war.

Further, Rockefeller foundation head Willits later commented,

The important thing in this is the series of steps from the initial growth of young men through research to the committee discussing research and political problems (in CFR) on through the policy committees of the State Dept. to active officials in government.³⁷⁹

In this case, the *lack* of state research capacities does not seem to have produced a lack of state autonomy, since the state was fully able to *commission* the research it needed.

The existence of a *ready-made* policy network made state capacity building more effective. The idea for direct CFR collaboration with the State Department hatched shortly after

³⁷⁷ Pasvolsky worked for the Brookings Institution from 1923 to 1935 and received a Ph.D. in international economics there in 1936. He started as a special assistant to Hull in 1936 and became a council member in 1938 (Domhoff 1990:119-20). He headed the original State Department Division of Special research in 1941, which “was organized along the same structural lines as the Council groups, and the latter’s research secretaries were integrated into the work of the Division of Special Research” (Wala 1994:34).

³⁷⁸ AQI Kraft 1958:67. The full quote is, “Whenever we needed a man we thumbed through the roll of Council members and put through a call to New York.”

³⁷⁹ 9 November 1943, quoted in Wala 1994:37

Hitler invaded Poland in August 1939, at a meeting between *Foreign Affairs* editor Hamilton Fish Armstrong, his successor as CFR executive director Walter H. Mallory, and geographer and Johns Hopkins University president Isaiah Bowman. They agreed on the need to prepare early for any possibility.

CFR viewed Hitler's rise to power with great dismay, and the 1938 Munich Agreement incorporating the Sudeten part of Czechoslovakia into Germany as an affront to the principles of international law and national self-determination.³⁸⁰ When *Foreign Affairs* editor Armstrong went to Europe in 1933 to assess the situation, he met fellow CFR member and American consul general in Germany George S. Messersmith, who, according to Armstrong,

...could hardly restrain himself when he talked about the nazis, biting his cigar in two pieces and tossing them away in disgust as he catalogued his difficulties in trying to protect American citizens from molestation.³⁸¹

In addition to these motives, members did not believe the U.S. could be self-sufficient without the markets and raw materials from overseas, and therefore had to enter the war and organize a global postwar order.³⁸² CFR thus inventoried America's interest in a "grand area" of influence, or as Shoup and Minter put it,

the political military, territorial and economic requirements of the United States in its potential leadership of the non-German world area including the United Kingdom itself as well as the Western Hemisphere and Far East.³⁸³

On 10 September 1939, Armstrong called Assistant Secretary of State and longtime CFR member George Messersmith to tell him of the idea to set up study groups to provide the administration (especially the State Department) with medium- and long-term foreign policy concepts and background information. Two days later, Mallory and Armstrong met with

³⁸⁰ Armstrong 1938

³⁸¹ Armstrong 1971:530

³⁸² This argument draws on the more detailed accounts of Laurence Shoup (1974, 1975, 1977); Shoup and Minter (1977) and Domhoff (1990).

³⁸³ Shoup and Minter 1977:128

Messersmith at his house to offer Council study groups as expert assistants. They agreed that officials in the State Department mired in daily responsibilities could not envision a strategic approach to U.S. foreign policy.³⁸⁴ With the blessing of Secretary of State Hull and \$44,500 from the Rockefeller Foundation, the project officially known as “Studies of American Interests in the War and the Peace” was born on December 6.³⁸⁵

A December 1939 Council Memorandum indicates the purpose of WPS groups was to

...engage in a continuous study of the courses of the war, to ascertain how the hostilities affect the United States and to elaborate concrete proposals designed to safeguard American interests in the settlement which will be undertaken when hostilities cease.³⁸⁶

The project’s five groups, totaling around 100 elites representing functional sectors, were Economic, Financial, Security and Armaments, Territorial, and Future World Organization. The first two soon collapsed into an Economic and Financial Group, the Future World Organization became the Political Group, and a Peace Aims Group started in 1941. Each group met every week in New York to explore the basis for the postwar international order, and sent a research secretary to Washington to report to the administration and return with further instructions.³⁸⁷ Collectively they submitted 682 nonpublic papers to State and the President, and held 362 private meetings between 1940 and 1945 that explored “the political, military, territorial and economic requirements of the United States in its potential leadership of the non-German world area including the United Kingdom itself as well as the western Hemisphere and Far East.”³⁸⁸

³⁸⁴ Notter 1949; CFR 1946; Kraft 1958.

³⁸⁵ The startup amount of \$44,500 was less than Armstrong’s estimated \$100,000. Foundation director Joseph Willits saw Bowman’s proposal to create maps as unnecessary. After Bowman and Mallory couldn’t find other donors, they accepted the foundation offer (Wala 1994:32). The foundation supported the five-year project with around \$300,000 (Shoup and Minter 1977:119, 160).

³⁸⁶ Council Memorandum, December 1939, AQI Shoup 1974:65-66

³⁸⁷ Shoup 1974:68; Domhoff 1990:117

³⁸⁸ Shoup and Minter 1977: 128

WPS represented the culmination of a long-term investment in an internationalist project, including both ideological supports and institutional affiliations with policymakers. The study groups invented precious few new concepts, tending to recycle and revamp the ready-made ideas percolating at CFR for two decades, but institutional innovations in consultation and consensus-building procedures let CFR capitalize on America's new position in the global economy. By structuring a preexisting project into a consensus national interest in the exercise of American power across all areas and issues in global affairs and foreign policy, CFR assured America stood astride the world like a "colossus," and had the responsibility to encompass the entire world and the wide scope of political and economic issues.

5.2.1. Case 17: WPS and the Bretton Woods system

In concert with British counterparts, WPS conceived the two global financial institutions established at the 1944 Bretton Woods Conference in New Hampshire—the World Bank to aid postwar reconstruction and development, and International Monetary Fund to "stabilize currencies" and international exchange rates. The WPS Economic and Financial Group concentrated on world trade. Six months into the war, before U.S. entry, the Economic and Financial Group contributed the first memorandum to the State Department, "The Impact of War Upon Foreign Trade of the United States," whose discussions included the necessity of economic reconstruction after the war.³⁸⁹ Subsequent memoranda from the group's reporters Alvin Hansen and Jacob Viner outlined a blueprint should Germany overrun Great Britain or, more likely, if the Allies won the war in Europe. Both plans rested on *unrestricted U.S. access* to British and French colonies, and German holdings. The Armaments Group looked to long term foreign policy issues such as the policing responsibilities of Allied troops should they come to occupy Germany.

³⁸⁹ Memoranda E-B 1, 1 March 10, 1940, CFR WPS, CFR Archive, Harold Pratt House, New York, cited in Wala 1994:38

The group drafted a document during the war that distinguished three types of firms according to their potential support of aggressively expanding foreign investment opportunities through bilateral and multilateral lending. Capital-intensive firms characterized by foreign direct investment would be supportive and willing to tolerate tariff barriers if European bilateral trade agreements were broken down. Export-dependent U.S. firms with few foreign direct investments would be more concerned about dramatic trade barrier reductions. Business nationalists would be opposed to foreign lending programs due to the firms' relative dependence on the U.S. market and in some cases, less developed markets in Latin America and Asia.³⁹⁰

The group presented the idea for the two institutions in a series of memos to the President and State Department from 1941-42, and actively promoted after the Bretton Woods conference in *Foreign Affairs*. CFR and CED both worked closely with the State Department to draft the rudiments of the system.³⁹¹ The group advocated a *corporatist* arrangement between capital-intensive firms, high-level policymakers, and labor unions in the U.S. and Europe. Conscious that the third group of firms would be set on protecting their access to the U.S. market and would oppose foreign aid packages for competing businesses in Western Europe, CFR and CED framed aid packages as *explicitly anticommunist*. (The use of national security rhetoric to secure support for the other key postwar institutions—the Marshall Plan, NATO, and UN—is detailed below).

The key intellectual basis of the new global political economy was a *synthesis* of open international trade expansion and national corporatist commitments to full employment and

³⁹⁰ CFR, *Studies of American Interests in the War and the Peace, Economic and Financial Series*, E-B, 67:1-2, AQI Cox and Skidmore-Hess 1999:43.

³⁹¹ The key economists in this group included two former AEA presidents: University of Chicago international economist Jacob Viner, who advised government and policy groups during World War I and the CFR through the 1930s, and Harvard Keynesian Alvin H. Hansen, who held advisory positions in the State Department, Federal Reserve, and NRPB among others. Proto-Keynesian Lauchlin Currie, who had worked at the Fed and been FDR's administrative assistant since 1939, was considered the group's presidential liaison. New York corporation lawyer Benjamin V. Cohen, who helped to draft the New Deal's SEC and Public Utilities Holding Company Acts (Domhoff 1990:118-119).

stability. This synthesis, termed by John Ruggie “embedded liberalism,”³⁹² is the international version of domestic corporate liberalism. The postwar regime reserved for nation states a significant degree of autonomy in the regulation of domestic labor and industries. As Ikenberry shows in relation to the GATT (General Agreement on Tariffs and Trade), a key rhetorical strategy in the debate was to shift discussions from the contentious issue of trade, to monetary issues, on which there was an emergent consensus within Keynesian economics.³⁹³ A Keynesian-inspired international economics thus held together an Anglo-American coalition on a postwar settlement.

Some international commercial and investment banks feared that too easily obtained IMF loans would be inflationary. They also objected to the lack of U.S. veto power over loans and the broad terms of lending.³⁹⁴ CED acted to quell those fears by laying out a plan to reduce the IMF mandate to short-term loans targeted at specific balance-of-payments deficits.

Its March 1946 founding gave the IMF the power to condition its loans on the adjustment of recipient countries’ economic policies to pay the loans back. Keynes opposed conditionality in drawing rights on the Fund because it could prevent a national government from pursuing expansionary measures for full employment. The unusual circumstances of the Cold War and European Recovery, however, delayed the Fund’s operation along these neoliberal lines for three decades. Opportunities for policy entrepreneurs to transition to a fully liberalized international trade regime did not occur until the Keynesian crisis of the 1970s. “Structural adjustment policies” began only in the 1980s and accelerated in the 1990s (see ch.4). The original IMF thus represents a kernel of neoliberalism within the shell of corporate liberalism.

³⁹² Ruggie 1983

³⁹³ See Ikenberry 1992

³⁹⁴ See Block 1977.

5.3. Victory and Cold War opportunities for think tanks

The U.S. emerged from war more dominant than ever in the global system. America's new global position propelled CFR to its status as the most influential bridge between internationalist elites and the federal government. The enhanced legitimacy and funding of social and scientific policy research, bolstered by a society with "the political will and capability to assert dominance in world affairs,"³⁹⁵ allowed elites to think in broad terms of structuring the international system—including the domestic policies of other countries. CFR activities would be undertaken, in the words of its executive director Walter Mallory, in the name of

...just and lasting peace....The mere enumeration of the crucial questions which must be answered by the United States in the next few years makes it evident that those with special knowledge and experience should continue to help in any way they can to get private expert judgment built into political policy. The Council in peace and in war must provide facilities for stimulating such work and for making it available to those who formulate our national program of foreign relations."³⁹⁶

Rockefeller disbursements for WPS ended with the war, prompting members to meet in Princeton, New Jersey in the fall of 1945 to discuss its reorientation. The beginning of the Cold War relationship between the U.S. and Soviet Union was of overarching significance, especially in relation to Germany. As the Cold War took shape, and it became clear that the Soviet Union was not amenable to liberal overtures, CFR members influence by the liberal approach to the Soviet Union during the FDR years receded in significance, as both CFR and the Truman administration shifted towards a Cold War stance.

The central question was how a U.S.-led system for increased world trade could assimilate the USSR into international politics. Some CFR members wanted to pull back the "iron curtain" of economic, intellectual, and social restrictions imposed by the USSR, without provoking it.

³⁹⁵ Peschek 1987:41

³⁹⁶ Walter H. Mallory, *CFR Report of the Executive Director, 1944-1945*, p.9, cited in Wala 1994.

Given its role in the war years, it is surprising that CFR did not quickly capitalize on the opportunity to help determine American-Soviet relations. Internal conflict in the Study Group on American-Russian Relations produced confused results on the ways to reach and preserve peace. Was the USSR possessed of considerable goodwill towards other nations that, despite the significant difference in social and economic organization, could become the basis of a “*modus vivendi*”? Or was this a naïve hope divorced from the real intentions of the Soviets which may include military aggression, and for which the U.S. must prepare? The Council was ambivalent, alternatively theorizing USSR progress towards liberal democracy, and recalcitrance towards integration with the West. A consensus that could be submitted to policymakers was not reached, and the group’s final report reflected the deep (though civil) disagreements within.³⁹⁷

A consensus would eventually be articulated in one of the most famous *Foreign Affairs* article ever, George Kennan’s “The Sources of Soviet Conduct,” provided a national security justification for the Marshall Plan and the lynchpin for American Cold War strategy (The lead essay in the same *Foreign Affairs* issue had Hamilton Fish Armstrong urging aid to Europe). The article, published anonymously under the byline of “Mr. X,” in July 1947, was based on Kennan’s famous 1946 “long telegram” and a January 1947 speech to the Soviet-U.S. group at CFR.

Kennan was a member of the American embassy in Moscow. Following Stalin’s confrontational Radio Moscow speech on 9 February 1946, in which he declared the USSR under encirclement by hostile and heavily armed capitalist enemies, the State Department asked Kennan to analyze Soviet politics. His 22 February 1946 “long telegram” warned of the threat posed by the USSR:

³⁹⁷ Wala 1994:58-71

In summary, we have here a political force committed fanatically to the belief that with the US there can be no permanent *modus vivendi*, that it is desirable and necessary that the internal harmony of our society be disrupted, our traditional way of life be destroyed, the international authority of our state be broken, if Soviet power is to be secure³⁹⁸

Washington elites understood the telegram to signal that a trend away from the accommodation of the Roosevelt years was afoot. Followed several days later by Churchill's famous "Iron Curtain" speech at Fulton, Missouri on 5 March 1946, it served to legitimize and accelerate a firmer stance towards the Soviet Union.

This firmer stance also showed in Kennan's 7 January 1947 speech to the CFR Soviet-U.S. study group, "The Soviet Way of Thought and Its Effects on Foreign Policy," where he outlined "(1) 'ideology,' (2) Russian traditions and national habits of thought, and (3) internal circumstances of Soviet power" as the main factors underlying the fanatical attitudes in the USSR. Marxist-Leninism provided the linguistic framework for political action, and domestic politics conditioned the tendency to identify encroaching enemies everywhere in order to maintain regime credibility, but traditional habits of thought were the most important and underestimated factors in Soviet foreign policy. His analysis held that irrational psychological causes underlay much Soviet behavior, and the U.S. should seek to "contain" rather than engage communism. Despite his depiction of a fanatic and neurotic regime, Kennan posited that

Other Russian traits of character [make]...it perfectly possible for the U.S. and other countries to contain Russian power, if it [is]...done courteously and in a non-provocative way, long enough so that there might come about internal changes in Russia³⁹⁹

The lecture led Armstrong to solicit Kennan for an article contribution to the CFR quarterly, and to the publication of one of the most important documents in the Cold War, "Sources of Soviet Conduct," in the July 1947 *Foreign Affairs*. Published under the pseudonym "X" to conceal

³⁹⁸ Kennan 1967:557

³⁹⁹ cited in Wala 1994:80

Kennan's government position, its authorship quickly became an open secret, and it stood as more or less an official statement.⁴⁰⁰

The article generated considerable discussion and enthusiasm, especially in those who already doubted the goodwill of the Soviet Union. The widely popular *Life* and *Reader's Digest* magazines reproduced long excerpts, and Walter Lippmann's negative response in a number of his "Today and Tomorrow" columns in the New York *Herald Tribune* also provided free publicity for the article.⁴⁰¹

In an immediate context of Truman's vague commitment to lend military aid to "free peoples who are resisting attempted subjugation by armed minorities or outside pressure,"⁴⁰² and a similarly ambivalent plan for European reconstruction that did not explicitly exclude the Soviet Union, the article was interpreted as the first clear articulation of a policy toward the USSR, and basis of the American strategy of a limited "cold" war. The point is not that the article itself *made* policy and that therefore the Council directed American foreign policy. After all the Truman administration had been moving towards Kennan's approach all along. Its real importance was to broadcast and legitimize the ideas for a larger public.

When Dean Acheson's successor as under secretary of state, Robert Lovett, asked Walter Mallory to assemble CFR members to outline potential foreign policy strategies, the scope of US political interests were defined globally. US objectives were primarily to prevent the extension of Soviet influence through Europe. This put Germany as a top priority, and required expanded military responsibilities for America, including the defense of Greece, Turkey and the rest of Europe, the occupation of Germany and Japan, the strategic positioning of US military bases to

⁴⁰⁰ Several days after its publication, Arthur Krock reported in the 8 July 1947 *New York Times* that the article was written by an official. Kennan was himself apparently loose with the information.

⁴⁰¹ Kennan 1967:356

⁴⁰² Truman 1947

ensure access to the USSR, the continued influence of Britain and America in the oil rich Near Eastern sphere, and the supply of United Nations forces. Lovett recounted later that he “came away from this session with the firm conviction that it would be our principle task at State to awaken the nation to the dangers of Communist aggression.”⁴⁰³

5.3.1. Case 18: CED, CFR and the Marshall Plan

CFR and CED hatched the actual massive package of U.S. economic assistance to Western Europe known as the Marshall Plan, or economic recovery program (ERP). CFR first conceived the political and economic reconstruction of Europe while Allied troops were still engaged in fighting. As part of its reorganization for the postwar period, CFR created a “Western European Affairs” study group chaired by former OSS chief in Germany, Allen W. Dulles, to continue the work of the “Economic and Political Reconstruction” group. At close to one hundred members, the “Western European Affairs” regional study group was notably large by Council standards.⁴⁰⁴ Following the end of the war in May 1945, Council members were virtually unanimous in their analysis of the dire economic straits in Europe. The war left many industrial plants ruined. Domestic and international markets had totally broken down. The collapse of coalmining, severe weather conditions in winter and spring 1947 devastated the food supply and led to people freezing and starving to death. The CFR consensus that recovery required American help was inscribed in two *Foreign Affairs* articles: Allen W. Dulles’ April 1947 article, and former secretary of war Henry Stimson’s “The Challenge to Americans” in the fall issue, which cautioned that “close on the heels of victory loomed a new world crisis.”⁴⁰⁵

Complementing Dulles’ group was one led by lawyer Charles Spofford with David Rockefeller as secretary, the “Reconstruction of Western Europe.” The questions posed by the

⁴⁰³ Kraft 1968:2

⁴⁰⁴ CFR, *Annual Report, 1945-1946*, 12-15

⁴⁰⁵ Stimson 1947:5-14

Council reveals the dialectic between foreign aid and U.S. interests that animated the whole postwar regime: “What are the causes of the slow progress...toward political stability and better housing conditions? What American policies can help most? How can these policies be framed so as to safeguard and advance the interest of the United States.”⁴⁰⁶ A revived European economy was considered essential to national well being.

President Harry Truman appointed a Committee on Foreign Aid in July 1947 to lay out the plan. The chair was Secretary of Commerce Averill Harriman, a CFR member who had also chaired BAC from 1937-1939. Of the remaining 27 members, five were businessmen and trustees of the CED, six were CED academic advisors, six were CFR members, and one was Brookings Institution president Harold G. Moulton. CFR’s 1948 annual report claimed that prior to Marshall’s public address, the organization helped to

Explain the needs for the Marshall Plan and indicated some of the problems it would present for American foreign policy. Moreover, a number of members of the...group, through their connections with...governmental bodies were in constant touch with the course of events.⁴⁰⁷

The plan was publicly announced by Truman’s Secretary of State General George Marshall at a 1947 Harvard commencement speech. In the speech Marshall called for all European nations to state their needs, and promised U.S. support conditioned on “the emergence of political and social conditions in which free institutions can exist.”⁴⁰⁸ Marshall’s language was general enough to secure the support of most national organizations. Conservative (NAM, CC) and corporate liberal (CED) think tanks favored the proposal.⁴⁰⁹ Only a few business magazines

⁴⁰⁶ CFR, *Annual Report, 1946-1947*, 15

⁴⁰⁷ CFR *Annual Report* 1948, AQI Shoup and Minter 1977:35. Shoup and Minter point to the 1946-1947 CFR “Reconstruction in Western Europe” study group.

⁴⁰⁸ Quoted in Wala 1994:115. Straying from the usual tank techniques, the speech itself not well publicized. This was most likely because the original plan offered to include the USSR in the aid package—a move thought to absolve U.S. responsibility for the partition of Germany and Europe, but that was sure to anger Republicans and jeopardize congressional passage.

⁴⁰⁹ CED’s position is encapsulated in Paul G. Hoffman’s (1948) Senate testimony in its *Hearings on the United States Assistance to European Economic Recovery*, pp.848-49.

focused on the narrow interests of particular industries, and with serious doubts about government efficiency, opposed the program on the grounds that the American economy should take precedence. Most business leaders shared with *Business Week* the belief that “industry in this country can no longer prosper with the non-Communist world suffering post-war paralysis.”⁴¹⁰ The major agricultural associations, National Grange and the American Farm Bureau, favored the plan. Labor organizations—the CIO and more conservative AFL—approved, while Progressive Citizens of America and the American Labor Party, following Henry Wallace, warned the plan would partition Europe and risk a third world war.

5.3.1.1. Selling the Marshall Plan

CFR spawned a number of committees and propaganda groups that, in concert with like-minded columnists and politicians, were ultimately successful in passing the Economic Recovery Plan (ERP). Shortly after the announcement of the Truman Doctrine, CFR established a “Propaganda and Foreign Policy” study group to consider the contest of ideas between the US and USSR. Renamed “Public Opinion and Foreign Policy” to avoid the perception the group was conducting propaganda rather than studying it, the group set out to improve the government’s public relations work on the Marshall Plan.

CFR created another group in December 1947 to study the “political problems which must be solved concurrently with the operation of the Marshall Plan,”⁴¹¹ including whether non-democratic countries should receive aid and UN protection in the event of an aggression. The group concluded the value of economic aid packages extended beyond the purely humanitarian into efforts at gaining Western influence within the Soviet sphere. This meant that the UN would defend attacks on even non-democratic countries, and the US would do so should the UN

⁴¹⁰ *Business Week*, 1 November 1947, 9. On business interests in formulating the Marshall Plan see Michael Hogan 1987; Eakins 1969:143ff; Cox and Skidmore-Hess 1999

⁴¹¹ Armstrong to Joseph Barnes, 22 December 1947, cited in Wala 1994:163

machinery take too long to mobilize. The final product of the group was a restatement of the principles initiated in the Truman Doctrine and Marshall's Harvard speech.⁴¹²

The most explicit and passionate CFR effort to shape opinion during the early Cold War was the Committee for the Marshall Plan (CMP). At the urging of the State Department, CFR established CMP to sell the ERP to a skeptical Congress (especially the Senate Committee on Foreign Relations and the House Committee on Foreign Affairs, which began ERP hearings in 1948), opinion leaders (newspaper editors, journalists, columnists), and a reluctant general public. Assistant secretary of state for public affairs and original CED member William Benton recognized that isolationist tendencies in the country and the high cost of aid to Europe meant the Marshall Plan would require promotional efforts. But that the State Department faced certain barriers in making the case. It was illegal to use public money "for the purpose of influencing Congress." To avoid accusations of propagandizing, Benton said the task would "fall on everyone who takes an intelligent interest in foreign affairs," preferably an independent organization of eminent citizens that would generate public support yet be responsive to State Department needs.⁴¹³

This initiative found its organizational form in the Committee for the Marshall Plan (CMP). CMP had a near identical structure and function as those bodies created in the drive to enter the war, NPC and CDA. Funded by members and supporters,⁴¹⁴ CMP operated on \$162,000 in contributions from 7,500 people in the five months of its existence. The original executive committee, which convened at the Harvard Club in New York on 30 October 1947,

⁴¹² Wala 1994:164

⁴¹³ Benton to Laird Bell, 12 August 1947, Records of the Assistant Secretary of state for Public Affairs, box 12, National Archives, Record Group 59, Washington, D.C., cited in Wala 1994:182-3

⁴¹⁴ Notable nonmember supporters included John D. Rockefeller III and Paul G. Hoffman

was made of almost all CFR men educated at elite institutions and sharing a cosmopolitan outlook. CMP chapters led by prominent citizens sprouted up and down the East Coast.⁴¹⁵

At the first gathering Eichelberger proposed a membership of functional sectors in the form of a general committee made of “representatives of large occupational sections of the population such as farm, labor, business, etc., etc.”⁴¹⁶ A roughly equal number of Democrats and Republicans participated. The general membership comprised fifty-five percent business, seven percent NGO, six percent labor officials, eight percent academic, nine percent media, seven percent lawyer, and five percent former and present government officials at all levels. Union participants like James B. Carey and Philip Murray of the CIO, George Meany and William Green of the AFL, and David Dubinsky of International Ladies Garment Workers Union constituted the conservative faction of organized labor, which thought the Marshall Plan improved labor’s bargaining power by guaranteeing high consumer demand and low unemployment. Their participation helped foster the image of universal Americans support for foreign aid.⁴¹⁷

CMP used multiple media outlets to spread its message. It engaged in radio programming, put together a Speaker’s Bureau to speak to women’s, merchant, religious and other public affairs organizations, and supplied and briefed witnesses for congressional hearings on the issue.⁴¹⁸ The most pervasive form of CMP influence was a publication system of brochures, pamphlets, and leaflets to sway elite and popular audiences. Devised by its propaganda committee, CMP publications totaled some 1,250,000 copies in a very short period,

⁴¹⁵ These included Clark Eichelberger, recently appointed CEIP president and “Public Opinion and Foreign Policy” study group member Alger Hiss, Secretary of Commerce Averell Harriman, Chase National Bank chairman of the board Winthrop W. Aldrich, historian and former State Department advisor Herbert Feis, former New York governor and first UN Relief and Rehabilitation Administration Herbert H. Lehman, and Henry Stimson.

⁴¹⁶ Memorandum, Clark Eichelberger, 30 October 1947, CMP, quoted in Wala 1994:194

⁴¹⁷ Wala 1994:209-11

⁴¹⁸ Twenty-six CMP members testified before the relevant committees, including Dulles and Eichelberger (Wala 1994:205-7)

and attracted constant media and congressional attention.⁴¹⁹ Often taking the form of a rebuttal, listing and dispelling common objections to the ERP, they emphasized the political (anticommunist), economic and humanitarian advantages to be gained in aiding Europe.

CMP reprinted and distributed to citizens and internationalist organizations 200,000 copies of Stimson's *Foreign Affairs* article, and managed to have large portions reprinted in a simply-worded, sixteen-page *Washington Post* insert containing numerous cartoons and charts. The title page displayed a large picture of Secretary of State Stimson as "This Generation's Chance for Peace." The article headings included "Our Mutual Interest Dictated Marshall Plan" and "15 Billion is a Small Ante for Such Stakes, Year's Armament Can Triple That." One cartoon titled "Open Door" depicted a construction fence with "Help Wanted for the Reconstruction of Europe" written on it; the open door of the fence was labeled "Marshall Plan," and through the door heavy machinery was visible.⁴²⁰ The clear message was that the plan represented an "open door" for European (including Eastern) countries to participate in the international system and thus avoid the ambit of Soviet rule. Of *Washington Post* publisher Philip L. Graham, Charles W. Jackson of Truman's executive office said, "You have done a swell job. In fact, I believe the November 23, supplement is the outstanding contribution to our educational job on the European Recovery Program."⁴²¹ Subsequent CMP publications would essentially repeat Stimson's arguments in different formats, focusing on humanitarian, anticommunist, economic, and "peace and prosperity" benefits. Stimson's fall 1947 *Foreign Affairs* article supplied the slogan appearing on all CMP publications: "I am confident that if the issues are clearly presented, the American people will give the right answer."

⁴¹⁹ The CMP founding got front page coverage from the 16 November 1947 *New York Times*, and its actions or members received sixty or so mentions during the organization's brief existence (Wala 1994:212).

⁴²⁰ *Washington Post*, 23 November 1947, sec. 7, 1-16.

⁴²¹ Jackson to Graham, 21 November 1947, Charles W. Jackson Files, Harry S. Truman Papers, box 9, Truman Library, cited in Wala 1994:196

Alger Hiss' CMP contribution, "What about the Marshall Plan," was published in the November 16 *New York Times* and rebutted five arguments against the plan:

Won't American aid to Europe be pouring money down the rat hole? ...Isn't Europe's trouble simply that the Europeans don't want to work? ... Can we afford to give more billions to Europe without wrecking our economy? ...Can't we get along without Europe anyway? ...Why should we support socialist governments?⁴²²

From the political point of view, getting along without Europe would mean the jettisoning of our finest and potentially strongest allies [and]... expose 270,000,000 people and the world's second-greatest industrial complex to absorption in the vast area dominated by communist ideology and by Soviet interests.⁴²³

Another CMP leaflet, *4 Essentials of a European Recovery Program*, was based on a 22 December 1947 CMP press release, and stated bluntly that "European recovery is necessary for our own security and prosperity... The reward we seek from our aid program is prosperity, peace, and security; that is enough."⁴²⁴

All CMP publications, whether written for elite or mass audiences, garnered political support for the Marshall Plan with essentially the same arguments, but those written for elites (editors, pundits, etc.) tended to play up the anti-Soviet implications of the plan, whereas those targeted to the broad public downplayed it. This was a rhetorical adaptation to public opinion polls revealing most people had significant apathy toward foreign issues, while elites shared a growing consensus that the communist threat to Europe and the globe should be a primary focus of American policy.

Less than half of Americans were aware of the Marshall plan even a month after its announcement.⁴²⁵ CMP therefore emphasized the humanitarian and economic benefits to general readerships. This, and the colloquial language employed by CMP in its direct appeals to the average person, is well illustrated by its publication *The Marshall Plan is Up to You*. Branded an

⁴²² Hiss 1947: sec.6 p.7

⁴²³ Hiss 1947: sec.6 p.4-7

⁴²⁴ CMP (New York, no date), cited in Wala 1994:197-8

⁴²⁵ Wala 1994:189

“over-the-fence-chat,” the booklet claims to “explode” certain “myths” about ERP. After describing the ERP and quoting Henry Stimson and Harry Truman, the authors state “we cannot long maintain our high standards of living and national security with Europe reduced to an economic void.” Further, the ERP “is not going to make suckers out of us.... It’s not going to produce disastrous inflation in this country.... It is not American imperialism.... It is not aimed against Russia.” Readers are also encouraged to “talk” among peers and get involved in local CMP subcommittees, for

like atomic energy, conversation has a chain reaction.... Prominent people can open doors; they can also smother a program by procrastination and domineering.... Use glamour if you can get it; don’t let it use you.... If we all do it, we can make tomorrow’s history full of hope, freedom and happiness. If we don’t, chances are there won’t be any history for anyone.⁴²⁶

CMP efforts towards the public were not highly successful. No more than 45 percent of the American population ever lent support, but following public opinion was not as crucial a consideration for CMP as managing it through elite organs. Like the CFR in general, CMP operated as if the most important audiences were those who could exert influence at local or national levels—so called “opinion leaders.” As State Department adviser Benjamin V. Cohen stated of the work at CMP, “Our foreign policy should represent not the polling of an uninformed public opinion, but the best thought that an informed public opinion will accept.”⁴²⁷

With these views predominant, elite opinion polls, especially those gauging the foreign policy establishment of internationalist groups and individuals, carried more weight. CFR members saw the plan as an opportunity to catalyze an emergent internationalism that foregrounded American power in world affairs. In the context of a new Cold War, the plan was viewed as “political economy in the literal sense of the term,” as George F. Kennan had defined American aid to

⁴²⁶ CMP, *The Marshall Plan is Up to You* (New York, n.d.), p.4-5, 7, 9-12, cited in Wala 1994.

⁴²⁷ Cohen, “Am I My Brother’s Keeper?, Address delivered at Hotel Commodore, New York, NY,” 12 November 1947, Americans for Democratic Action Papers, Series V, no. 122, State Historical Society of Wisconsin, cited in Wala 1994:213.

Europe in a letter to Acheson on 23 May 1947.⁴²⁸ Should economic collapse befall Europe, communist parties tied to Moscow would eventually take root in France and Italy, after which a “domino effect” would make it difficult for other Western European nations to resist similar fates.

Surveys conducted by the Council through its Committees on Foreign Relations showing that elite audiences more aware of Marshall’s plan were more likely to support it if they could be convinced it helped contain communism.⁴²⁹ The committee polls showed 95 percent support for a long-term aid program as a bulwark against communism.⁴³⁰ The perspective is well summed by Allen W. Dulles, who wrote that the plan “is based on our view of the requirements of American security...this is the only peaceful course now open to us which may answer the communist challenge to our way of life and our national security.”⁴³¹ At a speech to Brown University on 16 June 1947 Dulles said

It is by restoring the economic life of a country, and by this alone, that we can meet the threat of dictatorship from a Fascist Right or a Communist Left.... [Aiding] those countries with free institutions... [helps the] common cause of democracy and peace.... We would thus confront Communism, not with arms or atomic bombs, but with a restored economic life for the men and women of Western Europe.⁴³²

The anti-Soviet justification for the Marshall Plan was apparently employed in large part because it *worked* on the targeted audience of policy elites. CFR member and World Bank president John McCloy later recalled, “People sat up and listened when the Soviet threat was mentioned.” The explicit anticommunism in Truman’s March 1947 speech asserting a doctrine of American support for democracies against aggression targeted Republican majorities in both Congressional

⁴²⁸ Cited in Wala 1994:91n1

⁴²⁹ “The Principle,” Joseph Barber (ed.) 1948:4

⁴³⁰ Barber 1948:4-5

⁴³¹ In Wala 1993:16

⁴³² Dulles, “Address to the Annual Meeting of the Associated Alumni of Brown University, 179th Annual Commencement, June 16, 1947.

houses.⁴³³ World Bank executive director Pierre Mendes-France observed that Communist electoral victories in France were rendering “a great service. Because we have a ‘Communist danger,’ the Americans are making a tremendous effort to help us. We must keep up this indispensable Communist scare.”⁴³⁴ Adding to fears that Europe might slip into the Soviet sphere was a CIA warning since September 1945 that communist party influence throughout Europe was growing.⁴³⁵ CMP therefore emphasized the Soviet containment aspect to knowledgeable readers, such as congressional delegates who visited Europe to observe the dire conditions firsthand in September and October 1947.

5.3.2. Case 19: The United Nations

The founding of the United Nations may be the clearest case of direct CFR influence in its long struggle to fulfill an internationalist ideology. The architecture of postwar interstate relations grew from Anglo-American consultations. Churchill and Roosevelt prepared a vague outline in the form of the Atlantic Charter at the Atlantic Conference in August 1941, but left it to CFR and a new State Department planning agency to fill in the details. In September 1940 the CFR Political Group, headed by Whitney Shepardson, pushed for a “decisive defeat of the Axis aggressors as rapidly as possible [and an]...effective system of international security.”⁴³⁶ Such a system would entail

The development of world order designed to promote economic progress, social justice and cultural freedom for all national groups, races and classes willing to accept their proper responsibilities as members of the world community.⁴³⁷

The CFR group complemented new planning functions developed in the State Department after the surprise Japanese attack on Pearl Harbor. Headed by Secretary of State Hull, the 1941

⁴³³ Isaacson and Evan Thomas 1986: 289, 397

⁴³⁴ AQI Mee 1984:234

⁴³⁵ See Barnes 1981

⁴³⁶ “Burma Road,” P-B, 27 September 1940, CFR WPS, CFR Archive, Harold Pratt House, New York, cited in Wala 1994:42

⁴³⁷ “Basic American Interests: Preliminary Draft,” P-B 23, 10 July 1941, CFR archives cited in Wala 1994:42

Advisory Committee on Postwar Foreign Policy invited WPS rapporteurs to participate in the discussions, which concentrated on CFR's long struggle to create a successor to the League of Nations.⁴³⁸ In a manner reminiscent of the sphere of influence system under British imperialism, members of the Advisory Committee's Subcommittee on International Organization evaluated the military and economic status of nations to determine their role in the body. They all agreed the unchallenged U.S. position in the world meant it should exercise more power in the body. They also resolved conflict over whether states should be automatically admitted to the UN in favor of Bowman's suggestion that only "qualified states and dominions" be considered.⁴³⁹

All CFR study groups focused on the United Nations after 1942. The postwar planning was a "second chance" that could not be missed.⁴⁴⁰ A small group of CFR members convened in January 1943 by Hull drafted the original blueprint for the United Nations. Dubbed the Informal Agenda Group, Leo Pasvolsky, Isaiah Bowman, Sumner Welles, Norman Davis and Myron Taylor submitted the plan to FDR on June 15, 1944, after consulting with CFR-affiliated attorneys on its constitutionality. The President publicly announced his approval that same day. WPS members filled the U.S. delegation to both the preparatory conference at Dumbarton Oaks and the 1945 UN founding conference in San Francisco, including the Secretary-General of the conference and secret Soviet agent Alger Hiss.⁴⁴¹

5.3.3. Case 20: NATO

The tight link between the Marshall Plan and the NATO alliance was embodied in a study group that CFR established to monitor the administration of the Marshall Plan through the Economic Cooperation Administration (ECA). Chaired by Dwight D. Eisenhower and funded with \$55,000 by the Rockefeller Foundation, the "Aid to Europe" study group evaluated the day-

⁴³⁸ CFR 1946: 6-7

⁴³⁹ Eichelberger 1977: 202

⁴⁴⁰ Divine 1967

⁴⁴¹ Shoup and Minter 1977:169-71

to-day concerns of the ECA, including economic and military factors contributing to European economic independence. Eisenhower, however, steered the group away from economic concerns toward political and military matters, in part due to his trouble understanding technical economic issues, in part because the Soviet blockade of Berlin beginning 19 June 1948 shifted attention to security issues. Eisenhower felt the Marshall Plan and NATO were both needed for “democracy in the enterprise system,” and even outlined a domino theory of Western Europe:

If Western Europe goes, Africa is in danger, then South America. Much of Asia is already lost or in jeopardy...[Economic recovery of Western Europe would] strengthen the war potential of these countries against an overt military attack, and simultaneously...keep their economies strong enough so that they may not be susceptible to communist infiltration from within.

The Council consensus was to counter Soviet communism through the Marshall Plan and NATO: one would prevent communism from within (especially in France and Italy where communist electoral strengths were greatest), and the other from without.⁴⁴² The group’s memorandum to the President was practically a call for a general mobilization. This perspective gradually displaced the more accommodating attitudes within CFR, and the American government as a whole. The old CFR internationalist ideals, dating to the wake of WW I, which held that mediated discussion could secure peace and prosperity, was *transformed* in accordance with the new global position of the US after WW II. The idea that a “second chance” for the original Council ideas might be had with the defeat of naked inhumane aggression seemed to slip away, as American troops were soon engaged abroad, and a Cold War with potentially catastrophic Armageddon as its final act was set in motion.

The key test for the study group was the North Korean incursion into South Korea beginning 11 December 1950. Eisenhower, Averell Harriman (then special presidential assistant) and other CFR members drafted a letter alarming Truman of the “critical danger” faced by the

⁴⁴² Wala 1994:125-39; Eisenhower quoted on p.132-33 from two “Studies on Aid to Europe” memoranda.

U.S. and other free countries: “if our potential enemies choose to attack us in our present posture we face disastrous consequences... [and]... run the risk of global war.” It was argued the situation necessitated the buildup of “powerful military forces” limited only

...by the productive capacity of a free economy....Do all things that will produce the strength necessary to carry us through the tensions of an indefinite future, without war if possible, but prepared to wage it effectively if it thrust upon us.⁴⁴³

The argument forged a consensus between internationalist supporters of BWS and nationalist opposition to the system by both increasing economic aid to Europe and extending U.S. military objectives into Asia. On the question of whether rearming Europe would hamper its economic rehabilitation, Eisenhower was confident Europe could safely rearm, and that this was essential to deter Soviet aggression.

5.4. The stability of the corporate liberal regime

5.4.1. Case 21: RAND and Urban Institute

The increase in the federal government’s need for applied social science created opportunities for a new type of research organization financed mainly with government contracts.⁴⁴⁴ Two think tanks represent the institutionalization of military and Keynesian paradigm ideas characteristic of the corporate liberal regime.

The Research and Development (RAND) Corporation (1948) grew out of the Douglas Aircraft Company’s work on radar, the proximity fuse, and the atomic bomb during the war.⁴⁴⁵ Its role in shaping Cold War America includes developing new basing ideas for the Strategic Air

⁴⁴³ Henry B. Wriston, “Eisenhower Study Group Letter,” AQI Wala 1994:137-8

⁴⁴⁴ Weaver, 1989

⁴⁴⁵ Starting in 1946 as an adjunct to Douglas in an effort to continue such projects, RAND became independent in 1948. See Bruce L.R. Smith 1966, and Fred Kaplan 1983.

Command, and supporting the notion of a winnable nuclear war and a tremendous buildup of nuclear bombs and delivery systems.⁴⁴⁶

The social equivalent of RAND was the Urban Institute. Financed in 1968 by the Department of Housing and Urban Development, Department of Health, Education and Welfare, Office of Economic Opportunity, Ford Foundation, and Department of Labor, Urban was to provide government agencies with data and recommendations concerning the rising problems in American cities, its research in housing, policing, welfare, transportation, and municipal fiscal policy.⁴⁴⁷ Urban represents efforts in the U.S. and European states to link social science to coalitions seeking to implement broad reforms and social planning. The Great Society programs drew on “problem-oriented” social science by the Brookings Institution and Urban Institute to bolster policy implementation and evaluation in new urban, regional, educational, energy, and environmental fields.

5.4.2. Regime stability

In the decades after World War II, think tanks applied Keynesian lessons drawn from the Great Depression and two World Wars, premised on the idea that industrial cooperation and labor compromise could coordinate productivity, profits, and wages while reducing poverty and unemployment. They participated in the liberalizing of the international system and the empowering business and labor in powerful nation states some capacity to limit the growing power of internationally mobile capital by compromising with one another to contain struggles for economic redistribution within nationally advantageous channels.

The legitimacy of the postwar paradigm was due in large part to the relatively durable prosperity it appeared to produce. Across states in the U.S.-led western alliance, gross national

⁴⁴⁶ Theorists Herman Kahn and Albert Wohlstetter promoted this idea. Wohlstetter publicized his views widely in CFR's *Foreign Affairs*, “The Delicate Balance of Terror,” (January 1959): 211-234

⁴⁴⁷ Dickson 1971:221-235

products permitted the allocation of benefits to diverse social sectors, from the unfortunate to the highly successful. Led by U.S. exports and direct foreign investment in the non-Soviet sphere, a period of rapid economic expansion in Western capitalist countries absorbed excess American production, allowed war industries to continue indefinitely under a defense moniker, moderated the business cycle, tripled US family income (1950 -1970).

The prosperity founded modern welfare states and reduced European interest in socialism. As Donald Winch (1969:349) notes, Keynesian policies were “an effective weapon for use against the Marxists on the one hand and the defenders of old style capitalism on the other; a real third alternative, the absence of which before the *General Theory* had driven many into the Communist camp.”⁴⁴⁸

Eisenhower’s inability/unwillingness to dismantle the interventionist state, and the defection of business leaders to the Democratic Party in the face of Barry Goldwater’s failed anti-New Deal welfare state campaign of 1964, provide additional evidence for regime stability. The “end of ideology” social thought that trusted trained technicians to run the social and economic system smoothly captures the depth of corporate liberalism’s hegemonic status.⁴⁴⁹

In America, the compromise solidified into political and industrial relations channels resting on non-collectivist welfare policies. The more radical liberalism, embodied in the old NRPB, could never defeat conservatives head-on during the postwar period. In the struggle to define what industrial cooperation and labor compromise meant, liberal Democrats managed to seize upon the upbeat climate of national expansion and international U.S. hegemony to push reformist measures that benefited suburban, middle class, and rich classes as much or more than working class and poor people. Indeed, perhaps the only radical think tank to develop in this era,

⁴⁴⁹Introduced by sociologist Edward Shils, popularized by Daniel Bell, Daniel Boorstin and Arthur Schlesinger, the concept received its greatest political legitimacy from John F. Kennedy.

the Institute for Policy Studies, has never been able to approach the level of influence of its intellectual forebears at NRPB. Described by investigative journalist I.F. Stone as “an institute for the rest of us,” the relative marginalization of IPS is further evidence for the stability of the corporate liberal regime. Its policy successes, to the extent that one can attribute them, have come from its interaction with transnational social movements focused mostly on issues of trade and development. Its lasting influence on the TT field, however, may be the way in which it came to be a *bete noir* to conservatives, and a model for the brand avowedly ideological policy activism that conservatives would later perfect.

5.4.3. Case 22: The Institute for Policy Studies

The Institute for Policy Studies (IPS) began in 1963 when two young Kennedy administration staffers, Marcus Raskin and Richard Barnet, disaffected with a lack of bold truth telling in the administration, decided to leave government set up an institute to “speak truth to power” in a way that they believed could only be done from outside the halls of authority. The IPS on-line historical archive states that the institute was formed by men who

...had come to Washington believing that the American governing process was mostly responsive to public pressure and public needs...[but]...found that the government was chiefly responsive to institutional interests that were divorced from public need. They wondered whether the major institutions of American life had not become inimical to the life and safety of the public.⁴⁵⁰

IPS delved immediately into the anti-Vietnam War movement, environmental issues, civil rights, and education. In a tumultuous era when right wing paranoia saw enemies and KGB operatives everywhere trying to bring down the U.S. government, IPS’ antiwar activities led the FBI to wiretap its phone lines, and landed Barnet on Nixon’s famous “enemies list.” The outspoken idealism of IPS impressed conservative activists. As much as they reviled the apparent influence of the Brookings Institution in the Kennedy and Johnson administrations, and sought to develop

⁴⁵⁰ Transnational Institute, *IPS History, IPS at 10*, <http://www.tni.org/ips/index.htm>

a conservative alternative, IPS represented the discursive approach—one shorn of the pretense of neutrality—that conservatives would emulate beginning in the 1970s. I elaborate this part of the history in the next chapter.

5.5. Conclusion: Corporate liberalism as military Keynesianism

Where the economic crisis of 1929 sent the U.S. on a Fordist/New Deal path towards demand-led mass production of consumer durables, Europe did not restructure until the Marshall Plan, which along with the European Coal and Steel Community, integrated Europe along the lines of the New Deal. The ECSC was the political mechanism through which industries producing consumer durables replaced industries producing the means of production (steel and coal) as the ascendant industry in Western Europe (nationalization served a similar purpose in England).⁴⁵¹

The Marshall Plan and Bretton Woods institutions were a watershed of social restructuring that crystallized the corporate liberal regime by reproducing the American model of development model in Europe, reinforcing the managerial/technocratic elements in Western European social democracies, and setting in motion programmatic reforms through the 1950s and 1960s. European societies converged on the “end of ideology” idea in the U.S., largely purging anti capitalist rhetoric from their political vocabulary. Welfare state structures absorbed the protests of the radicalized postwar “New Left” student generation into a growing techno-managerial stratum. By extrapolating the New Deal synthesis to Western Europe, providing an “escape route out of the domestic class compromise,” TTs extrapolated financial and monetary functions embodied in the U.S. Federal Reserve. Corporations in the U.S. and Western Europe could then respond to domestic pressures for social investment, while simultaneously becoming

⁴⁵¹ van der Pijl 1998

more mobile and able to operate without concern for a “sealed-off domestic context.”⁴⁵² Think tanks helped to involve the working class in this coalition by combining a Cold War chauvinist nationalism with social protection measures.

The models of the postwar domestic and international political economies are two innovations in a long wave of experts defining policy agendas and legitimating of policy outcomes. The economic re-conversion, Cold War and European reconstruction debates reaffirmed think tanks’ role as facilitators of new state-market configurations, and rearticulated the connections and sympathies developed between think tanks and the working class during the New Deal and wartime Grand Alliance towards an imperialist project.

The ad hoc CMP was the most brazen effort in CFR history to press for a particular policy. CFR itself would not undertake such an effort again. However, the *model* of organizational innovation, marked by a clear ideological position and advocacy techniques, repeats earlier Progressive organizations (ch.2) and later conservative ones (ch.6). Flexible capacities for adjusting, mediating, and mobilizing multiple elites are therefore a *constitutive* feature of think tanks, not simply a recent development.

Nevertheless, this does not mean that the think tanks that defined the postwar era constitute a conspiracy of global traders exercising undue influence in the government. The imperialist, class compromise route out of domestic class conflict that defined the synthesis underlying corporate liberalism did not grow from the inevitable constraints of development, or the dogmatic imposition of a pure capitalist logic regardless of the shifting grounds of politics.

Since the basic CFR concepts shaped and reflected a common *Weltanschauung* within the State Department and other parts of the government, the precise influence of a group like CFR is difficult to pinpoint. It may be the case that CFR did not shift government officials’ views, so

⁴⁵² van der Pijl 1998:119; Ferguson 1984

much as confirm their beliefs about the need to expand and exert American power globally. As Wala writes,

Despite critics' claims, the Council as an organization never advocated specific policies and did not devise new approaches to American foreign policy during the beginning of the Cold war. No indication could be found that Council members had pressured the administration into a foreign policy measure that ran counter to State Department officials' ideas.⁴⁵³

Initiated by the State Department, CMP operated more as an arm of State than the independent and grassroots citizens' group portrayed by its participants. The widespread elite and sufficient public support garnered by the operation is *prima facie* evidence for the autonomy of state institutions in directing policy outcomes. Since think tanks' role in policymaking was enabled by the government itself, primarily the State Department, we can say that the lack of expertise within the state constitutes both a deficit and exercise of state autonomy, as government officials recognized the gap and choose which experts to admit into sensitive positions. It is precisely the state's weakness in its own expert resources that allows it to act with such autonomy.

However, it is equally true that CMP *would not have occurred without* CFR, which provided the necessary funds, political support, and veneer of independence to advocate for the State Department. Neither state autonomy nor private conspiracy theories capture accurately this complexity as accurately as corporatism—cooperation between different functional groups through elite organizations.

Previous theories of the development of the Bretton Woods financial and trade regime emphasize the autonomy of states apart from business interests.⁴⁵⁴ This reflects standard “realist” political science accounts of state actors in search of support from private firms to promote fixed nationalist interests.⁴⁵⁵ In a similar vein, pluralist accounts of the Marshall Plan describe the role

⁴⁵³ Wala 1994:242

⁴⁵⁴ See Odell 1982 and Block 1977

⁴⁵⁵ See Glipin 1987

of civil society organizations like the Committee for the Marshall Plan as an outgrowth of broadly shared consensus,⁴⁵⁶ not a government initiative to legitimize the views of multiple elites (internationalist business, labor leaders) in the eyes of the public.

The central weakness of these accounts is that they take the ontological primacy of the state at face value, and mistake the random and apparently ad hoc flow of ideas and change for generally dispersed power, thus underestimating the structural advantages of capital in framing government and popular conceptions of the general interest. Keynes may be correct that the “gradual encroachment of ideas” constitutes an important source of political influence, but he may have underestimated the “power of vested interests” to influence ideas.

The 30-year post-World War II period bridged the age of competing imperial powers and the age of the global economy. Neoliberal policy ideas are “the hallmark of the transition between two eras. The ideas are the policy changes meant to ‘harmonize’ the world of national capitals and nation-states, creating a global system of internationalized capital and supranational institutions.”⁴⁵⁷ The epochal restructuring described in chapters 2-5 parallels the shift to a postindustrial information economy, accelerated rich-poor gaps globally, centralized power in transnational corporations, constrained labor power, and reduced public sector spending described in chapters 6-8. Conservative policy networks were not dormant, but were a minority through 1960s national discourse, in part because the continuation of middle class prosperity and various forms of activism had produced a public willingness to embrace an expanding welfare state. The conservative movement waited until the paroxysms of the 1960s expired before launching a counter attack. It produced a new policy consensus that said the postwar accord

⁴⁵⁶ Rosenau 1964

⁴⁵⁷ Teeple 1995:2

between labor and capital as unsustainable given the internal and external limits of capital expansion.

6. Crisis and Opportunity: From Corporate- to Neo-liberalism, 1973-1992

As political assassinations, the Vietnam War, and economic decline eroded multiple elites' faith in reformist social science and activist government, the TT field adapted⁴⁵⁸ to meet a growing demand for symbolic workers capable of providing a set of ideas and channels for integrating multiple elites around a new policy regime. I call the regime "neoliberal" because it derives from the "classical" liberalism of British and Austrian economic thought. Its organizations cluster around the sanctity of private property, and articulate "free market" policy solutions to social and economic problems as an antithesis to corporate liberal planning.

Philanthropists and business executives, disenchanted by the late 1960s ideological atmosphere of militant working class, youth, and African-American movements, targeted the most massive investment in TTs since the Progressive era. During this cycle of investment however, the donors bet *against* reformist social science, giving instead to heavily marketed and avowedly anti-government "advocacy" nonprofits like the Heritage Foundation (HF), American Enterprise Institute (AEI), and Manhattan Institute (MI). This explosion of New Right risk capital philanthropy coincided with a drift by corporate liberal tanks like the Progressive Policy Institute (PPI), Brookings Institution (BI), Trilateral Commission (TC), and Club of Rome (COR) towards market piety and social policy research that did not raise the expectations of the masses, overburden state capacities, or otherwise undermine capitalism. Over a sweep of several decades, the bulk of the TT field advocated a range of policies initiated by conservative governments in America and Western Europe, and adopted by developing countries through "stabilization" and "structural adjustment" programs. Central to the neoliberal framework was a

⁴⁵⁸ Three quarters of tanks in 1995 were created after 1970 (Rich 1999). Thirty-two think tanks were established in Washington from 1910-1969, versus fifty-six from 1970-1989 (Ricci 1993:281 n76).

simple critique of the Keynesian consensus as unworkable and out of line with basic human tendencies towards freedom, and the application of micro-economic rationality to all aspects of culture. The mark of their success is the extent to which deregulation, privatization, downsizing, structural adjustment, flexible production, tort reform, reduced public sector spending, reduced union power, and unfettered trade and financial flows appear “a set of ideas ‘whose time has come,’ while social democracy, trade unionism, and the Keynesian welfare state have begun to appear more and more anachronistic.”⁴⁵⁹

6.1 Preparing the ground: the long march of Anglo-American free market tanks

To reconstruct the role of “New Right” think tanks, we return to the origins of the modern conservative movement and a small number of British and U.S. outfits. British historian Richard Cockett credits the Mont Pèlerin Society (MPS) and its Austrian émigré stars for laying the basis for attacks on dominant Keynesian ideas.⁴⁶⁰ He describes how in 1938, visiting London School of Economics economists Fredrich Von Hayek and Ludwig Von Mises, and philosopher Karl Popper ran a ten-day conference devoted to reversing trends towards “collectivism,” i.e. socialism, fascism, nationalism. The *Colloque Walter Lippmann* participants rued the emergence of a center-left consensus in British politics, and held Keynesian theories of demand management and full employment responsible for leading “the naïve down the dark road of totalitarianism.”⁴⁶¹ Rather than meeting the challenge of socialism as Keynesians had, by

⁴⁵⁹ Teeple 1995:3

⁴⁶⁰ Richard Cockett (1994) and Radhika Desai (1994) each document a parallel process in British think tanks in bringing about a conservative counter-revolution in economic thought. British organizations like the Adam Smith Institute self-consciously worked towards a trans-Atlantic exchange of ideas. The Mont Pèlerin Society set up by von Hayek in 1947 as an international clearinghouse of neoliberal intellectuals (see Ch. 3) had become by the 1980s an international network associated with rightist think tanks around the world. Desai also notes that “while British think-tanks operated on budgets that amount to a mere fraction of those of their US counterparts, this apparent limitation was vastly made up for by the extreme centralization of British political and public life where access to effective or ‘target audiences’ was well within the reach of these few well-located institutions” (1994:31).

⁴⁶¹ Von Hayek wrote this line and more about his despair in *The Road to Serfdom* (1944).

modifying classical liberalism along corporatist lines, the participants sought to *purge* liberalism of its impurities, strip it to its essentials. Hayek proclaimed in his opening address to the colloquium that the resuscitation of classical liberalism was “a great intellectual task” involving both

Purging traditional liberal theory of certain accidental accretions which have become attached to it in the course of time, and also facing up to some real problems which an oversimplified liberalism has shirked or which have become apparent only since it has turned into a somewhat stationary and rigid creed.⁴⁶²

Where corporate liberals had sought to integrate corporatist and welfare elements, Hayek et al rejected such elements as anachronistic—contrary to the needs of world, contrary to the essence of human nature, and to the character and destiny of the spirit of freedom.

Hayek hoped the colloquium would be the start of an international network and emotional refuge for like minded people were otherwise isolated and

Constantly forced to defend the basic elements of their beliefs and rarely have opportunity for an interchange of opinion on the more technical problems which arise only if a certain common basis for convictions and ideals is present. I am perfectly confident that each of us has been enabled to persist in this effort and to do it with more confidence and satisfaction, because we had the comfort of knowing that we could agree about its intellectual justification at least with some other people.⁴⁶³

The MPS project did indeed become a resource of free market ideas for many countries. MPS developed a network of organizations including the well-known Institute of Economic Affairs (est. 1955 U.K.), under an umbrella organization known as Atlas. Through this network, British market ideologues developed ties with New Right think tanks in America.⁴⁶⁴ The conference commenced bi-annual meetings that adopted the name of its second meeting place in Mont Pélerin, Switzerland. With aid from Swiss bankers and executives, MPS incorporated in 1947.⁴⁶⁵

⁴⁶² F.A. von Hayek 1976:149

⁴⁶³ F.A. von Hayek 1976:151

⁴⁶⁴ Heritage’s president Feulner was MPS Treasurer in the early 1980s (Cockett 1995: 129-43).

⁴⁶⁵ Original members included Milton Friedman, Walter Lippmann, and Henry Hazlitt (Desai 1994:44).

MPS institutionalized the pre-WWII criticisms of the New Deal launched by people like Walter Lippmann,⁴⁶⁶ and established a foothold in a think tank field dominated by corporate liberals.

In America, a post-WWII conservative cadre nested in relatively marginal free market TTs. AEI in particular staked its early identity on the idea that liberals had a “monopoly” on national political discourse which only an injection of conservative “competition” could counter.⁴⁶⁷ Modeling the policy entrepreneurship of Robert S. Brookings, industrialist Lewis Brown established AEI in 1943 as a center-right pro-business research group alternative to the think tank order he found. Its articles of incorporation state that AEI seeks to bring about

A greater public knowledge and understanding of the social and economic advantages accruing to the American people through the maintenance of the system of free, competitive enterprise...[by] preparing, publishing, and distributing studies, analyses, and reports to its members, institutions of learning, public officials, corporate officers, [and] the press and periodicals given to public circulation.⁴⁶⁸

So sanguine were AEI members of the factual demonstrability of the social, political, and economic advantages, they thought simply disseminating rigorous studies would be enough to sway audiences towards their plans for reconstruction after World War II. However, the dominance of corporate liberal tanks like the Committee for Economic Development⁴⁶⁹ forced AEI to become more brand and advertising conscious. According to AEI President Chris Demuth, well before social constructionist and hegemony theory bloomed in academia, the founders of AEI came to understand that

The free enterprise system...is not natural: it is not foreordained, and it cannot be taken for granted, even in America. It is rather a social and political artifact, requiring for its survival the understanding and consent of the public and of leaders in education, government, business, and the media.⁴⁷⁰

⁴⁶⁶ Cockett 1995:9-12, 102-107

⁴⁶⁷ Demuth 1993:12

⁴⁶⁸ Demuth 1993:1

⁴⁶⁹ And competition from law firms, corporate offices, and trade associations

⁴⁷⁰ Demuth 1993:1

Through the 1950s, AEI carved out an image as a conservative counter-establishment. When Chamber of Commerce official William Baroody became president in 1954, he sought to identify scholars and issues that bucked corporate liberal wisdom.⁴⁷¹ Its first bit of publicity came in a 1954 *Wall Street Journal* piece featuring an AEI argument for floating exchange rates.⁴⁷² In the 1960s, the Brookings Institution—at its zenith as a brain trust to the Kennedy and Johnson administrations—served as a useful foil for AEI. As former director of Brookings Outreach division Lawrence Korb noted, “When [the conservative] American Enterprise Institute was trying to get its day in the sun they pinned the [liberal] label on Brookings.”⁴⁷³ It took several decades of significant financial and psychic investment before obscure groups like AEI and the British Mont Pelerin Society (MPS) could come “out of the wilderness.” They acted as marginal “institutions in waiting,” biding their time until the emergence of an historical conjuncture amenable to action.

6.2. Structural context: crises and institutional Change

The year 1968 encompassed the King and Kennedy assassinations and the Tet offensive in Vietnam. The murder of Reverend Martin Luther King, Jr. April 4 in Memphis, Tennessee prompted rioting in black urban neighborhoods nationwide, the imposition of martial law, more than forty deaths, and extensive property damage and looting. The dramatic televised events wounded, perhaps fatally, the spirit of trust uniting whites and blacks during the Civil Rights movement. The murder of presidential candidate Robert F. Kennedy’s June 5 in Los Angeles, California came to represent the symbolic end of 1960s progressivism, the optimism of the Great Society, and mainstreaming of the civil rights and environmental movements.

⁴⁷¹ Demuth 1993:3.

⁴⁷² Demuth 1993:7-11.

⁴⁷³ Obey 1995.

The increasingly visible carnage in Vietnam revealed deep rifts in the Cold War consensus, and the stunning technocratic hubris of thinking that management expertise, behavioral social science, and systems theory could address the challenge of Third World colonial revolts and Soviet support.⁴⁷⁴ The breakdown in elite consensus manifested in Council on Foreign Relations types like Averell Harriman, George Kennan, Dean Acheson, George Ball, Dean Rusk, John McCloy, and Cyrus Vance splitting over the issue. As President Johnson promised to close the chapter in 1968, the disputes emerged in public, ranging from unrepentant hawkishness to charges of criminality in pressing for war.⁴⁷⁵ Democrats were frustrated and disunited. Apprehensive Republicans coalesced around Nixon and a conservative cluster of ideas. Acting at the height of their power, the failure of Kennedy's "best and the brightest"⁴⁷⁶ to manage the Cold War in Vietnam coincided with the breakdown of the economic basis for the corporate liberal class compromise.

Just as with waning confidence in the technocratic mechanisms of warfare, confidence in the fine-tuning mechanisms of postwar economic management sunk among both elites and citizens. The ability of the U.S. system to support simultaneously war spending, large profits, middle class entitlements, and the aspirations of previously excluded groups came into doubt, the consensus guiding economic policy since 1945 broke down. President Lyndon B. Johnson conducted Vietnam War without raising taxes, resulting in a long-term drain on federal coffers and an inflationary spiral. A severe budget crunch heightened competition for resources and divided elites as to what to do about prices, wages, productivity, taxation, and unemployment.⁴⁷⁷ Growing competition from Europe, Japan and developing states undermined America's role in

⁴⁷⁴ The critique of instrumental rationality on the right came from think tanks detailed in this chapter. On the left, it included works by Theodore Roszak (1969) and Lewis Mumford.

⁴⁷⁵ Holsti and Rosenau 1984:16-19; Hodgson 1973:17-18

⁴⁷⁶ Halberstam 1973

⁴⁷⁷ Barton 1980:8-9

the global economy it had structured and dominated for decades. U.S. economic supremacy and profits diminished further as developing states contended for a reordering of the global political economy in a New International Economic Order (NIEO).⁴⁷⁸ As the mass industries of American Fordism turned into a “rust belt,” the first OPEC energy embargo in 1973 exacerbated inflation and revealed further the vulnerability of the American economy. An extended recession ended the postwar period of uninterrupted economic health.

Changes in political institutions also altered the environment of the D.C.-based professional managerial class. As issues took the place of parties in importance to voters, and candidates relied more on television than party machines to air their message, Washington became more receptive to ideas, analysis and advice. First, changes in the presidential nominating process for both parties (especially primary elections and televised campaigning) led to a decline in party loyalty and greater independence of candidates from parties. The Democratic Party initiated a change in the nominating system following the 1968 process which some in the party charged did not nominate the man most favored by party members. The changes put primary elections rather than state conventions and caucuses at the head of the selection process. This gave party voters greater power in selecting delegates to national conventions than back room bosses. Candidates could then bypass state party officials and appeal directly to voters. The decline in party loyalty in these years meant that people were more likely to think of themselves as “independent” and less likely to vote out of habit.⁴⁷⁹ Candidates could carve out identities on television independent of parties, leaving voters not necessarily sure of

⁴⁷⁸ One measure of the relative U.S. decline is that NIEO countries like Brazil and other Latin American states improved their relative per capita GNP relative to North America, Western Europe, and Australia and New Zealand several percentage points (Arrighi 1991:45, 49). Eventually, a growing arms race between the USSR and NATO states beginning in 1978-9 destabilized the NIEO coalition of Mexico, India, and others. This allowed powerful states to play coalition members off against each other and the USSR, and in the case of Iraq, attack them. See Cox 1979.

⁴⁷⁹ Twenty-two percent considered themselves independent in 1960, versus 35 percent in 1972, a number that has remained stable since (Crotty and Jacobson 1980:28)

what party affiliation really meant. As the institutional environment separated voters from parties, voters took more of a pick-and-choose approach to voting.

Second, new voting behavior resulting from the influence of television shook up the nominating and campaign process, political parties, and Congressional work. Television became people's primary source for political information in the 1960s.⁴⁸⁰ From John F. Kennedy's influential performance in his 1960 presidential debate with Richard M. Nixon, to the coverage putting Vietnam, segregation and the environment onto the public agenda,⁴⁸¹ television's growing importance to those seeking to shape public opinion and policy in America came from the much more intense emotional response it evoked in viewers than print media. The lesson drawn by many political actors was that they must air on TV and do so in an effective manner.

The increasing use of expensive television techniques ratcheted up campaign financing costs. Where total election spending sat at \$140 million in 1952, by 1972 the figure was \$425 million.⁴⁸² Campaign finance reforms in 1971 limited individual contributions to \$1,000 per federal candidate and \$5,000 per political committee in any year, but effectively allowed contributors to give an unlimited amount to the process by giving to as many political action committees (PACs) as they wanted, provided those PACs did not coordinate their spending with candidates or campaign organizations.⁴⁸³ The growth of PACs from 113 in 1972 to 3,371 in 1982 to over four thousand by 1986 further undermined party control over candidates, opening more opportunities for think tanks.⁴⁸⁴ The other "unintended consequence" of the 1971 law was a sharp growth in fund raising using direct mail to make up for diminished large scale donations

⁴⁸⁰ Ricci 1993:108

⁴⁸¹ Robinson 1977:10-13

⁴⁸² Ricci 1993:111

⁴⁸³ The 1976 *Buckley v. Valeo* Supreme Court decision established the rights of "independent" PACs.

⁴⁸⁴ Stern 1988

with numerous small contributors.⁴⁸⁵ The technique—perfectly suited to segment marketing—uses databases of people classified by age, sex, ethnicity, education, income, occupation, religion, etc. to target particular messages and winnow out those who do not respond to the mailings.⁴⁸⁶ New right PACs became expert in using fear-based direct mail marketing.⁴⁸⁷

These changes to the institutional environment gave rise to a new class of political consultants charged with branding and *marketing* politicians. Drawing on techniques developed on Madison Avenue to sell consumer products, political consulting firms employed pollsters, telemarketers, demographic and market researchers, makeup artists, television coaches, graphic designers, and direct mail marketers.⁴⁸⁸

New knowledge workers from lobbyists, lawyers, consultants, government agencies, newspapers overran Washington. The information explosion⁴⁸⁹ forced decision makers and their staffs to spend more time extrapolating and interpreting information than ever, sifting through reams of data for relevant knowledge. In such a context, actors who could do the sifting for others, and provide analysis of it from a position not obviously tied to particular interests, in a manner usable and professionally presented, took on increased importance. The proliferation of organizations in the think tank field reflects in part this new demand, though in some cases, as we will see, TTs created their own demand.⁴⁹⁰

Marketing in the twentieth century had evolved sophisticated methods for persuading consumers to buy commodities they did not need by fashioning images and ideas and distributing

⁴⁸⁵ Luntz 1988:146-48

⁴⁸⁶ Luntz 1988:148

⁴⁸⁷ Rosenberg 1983:34; Kenneth R. Goodwin 1988:19-32; Crawford 1980:51-54

⁴⁸⁸ Sabato 1981; Luntz 1988

⁴⁸⁹ Ricci 1993

⁴⁹⁰ Some of the major organizations created in this period but not addressed here include the Center for Defense Information (1972), the Worldwatch Institute (1974), the Ethics and Public Policy Center (1976), the Center on Budget and Policy Priorities (1981), the Institute for International Economics (1981), the Center for National Policy (1981), the National Institute for Public Policy (1983), and the Washington Institute for Near East Policy (1985).

those ideas through various communication technologies, especially television.⁴⁹¹ A marketing approach to major political institutions, including parties, Congress, the executive, and the media positions audiences as consumers rather than citizens.⁴⁹² Like contemporary consumer products, techniques that work to sell commercial products such as tailoring messages to population segments or “niches” and using quotable “clips” and exciting images, also sell policy ideas and politicians. Applied to politics, the concepts of niche and market segment conceive the public as a complex amalgam of audiences to address according to their respective hopes, fears, and attitudes. Where general audience messages tend towards vague statements, messages to local or homogeneous audiences are more precise. Once polling data ascertain the attitudes of a given audience,⁴⁹³ consultants step in to package candidates along lines suitable to electoral opinion, through television commercials,⁴⁹⁴ stage-managed pseudo-events and public appearances, bumper stickers, etc.

Much tank activity treats citizens more like consumers of information than shapers of collective solutions. A steady flow of editorial page articles, TV show appearances, and publications available to colleges and universities, has eroded the role of the book-length study in earlier institutional forms. The gradual shortening of tank talk reflects shortened political communication across the board, most notably in the units of television time purchased for political ads.⁴⁹⁵ As political messages shrunk to fit the units of television time purchased for political ads, they took on emotional and imagistic aspects of their consumer culture, relying on negative appeals of fear, anger, alienation, and frustration, as much or more than positive

⁴⁹¹ See Ohmann 1996

⁴⁹² See Westbrook 1983

⁴⁹³ Sabato 1981:12

⁴⁹⁴ Diamond and Bates 1984

⁴⁹⁵ Kern 1989

associations, and more than rational information and analysis.⁴⁹⁶ Like TV ads for consumer goods, the trend is for tanks to treat audiences as passive and selfish political agents.

The approach mirrors Lippmann's classic formulation of public opinion as something to shape and manipulate, not simply take into account. A key difference is Lippmann theorized a "two-step" process of public opinion formation whereby citizens took their cues from "opinion leaders" such as respected journalists, civic leaders, and local party elites (e.g. the CMP and local Councils on Foreign Relations, see chapter 5). By contrast, the contemporary decline in party affiliation, rise of mass media, and proliferation of special interest groups encourages a more direct form of political communication straight from candidates to voters, usually through television.⁴⁹⁷

It is within this milieu that conservatives launched an all out effort to provide such ideas and sell them with marketing techniques drawn from Madison Avenue. Privately funded, politically committed research products entered public policy discourse through a host of conservative think tanks, whose expansion freed capital to adapt to its conditions of possibility by shopping around for institutions to suit its ideological needs.

6.3 The proliferation of conservative advocacy tanks

As the corporate liberal consensus faltered and the new institutional environment redefined the space of national politics, an ideological community invigorated by a sense of historic mission made the most massive financial investment in policy ideas since the Progressive years, donating billions to support the election of governments, austere social support policies, and reduced democratic controls over economic affairs. The most exponential growth in number, size, and wealth during the post 1970s era occurred among free market

⁴⁹⁶ Jamieson 1988

⁴⁹⁷ See McClesky 1981:129-30

organizations pushing for the “privatization” of state industries, “deregulation” of industries and markets, cuts in state social programs (especially redistributive payments to the poor), and cuts in taxes (especially on business). This institutional growth helped to direct debate away from capitalism and towards social democracy as the cause of the crisis. Drawing on Friedrich Hayek and Milton Friedman, they proffered ideas for altering the economic and social policy of the postwar regime.

As with previous periods of think tank proliferation, the 1970s network of tanks depended on seminal policy entrepreneurs to catalyze a nexus between intellectuals and corporate financiers. Two men stand out: prominent Richmond, VA lawyer Lewis F. Powell, and Treasury Secretary under Presidents Nixon and Ford, and John N. Olin Foundation, William Simon. Powell was on the verge of a U.S. Supreme Court appointment in September 1971 when he penned a confidential memorandum circulated to the U.S. Chamber of Commerce. Published as an eight-page article the Chamber’s Washington Report as the “ATTACK ON AMERICAN FREE ENTERPRISE SYSTEM,” the memo urged concerted action against liberal elements in academe, television and other media, politics, and the courts:

Business and the enterprise system are in deep trouble. It’s time for American business...to apply their great talents vigorously to the preservation of the system itself.⁴⁹⁸

In militant tones, Powell warned the very “survival” of the system was “under broad attack” by “Communists, New Leftists and other revolutionaries who would destroy the entire system, both political and economic.” Business should “confront this problem as a primary responsibility of corporate management,” and learn “that political power is necessary; that such power must be assiduously cultivated; and that, when necessary, it must be used aggressively” and “without embarrassment.” He proposed that business needed to “enlighten public thinking” about business

⁴⁹⁸ Quoted in Blodgett 1984

by building organizations to use “careful long-range planning and implantation, in consistency of action over an indefinite period of years, in the scale of financing only available in joint effort, and in the political power available only through united action and national organizations.” Such organizations should employ a “faculty of scholars” to publish journals, write “books, paperbacks and pamphlets,” and engage in a “long range effort” to correct liberal professors who were wielding “enormous influence far out of proportion to their numbers” and radicalizing students “to the point of being revolutionaries.” Further, “the television networks should be monitored in the same way that textbooks should be kept under constant surveillance” for their “insidious criticism of the enterprise system,” and “there should be no reluctance to penalize politically those who oppose [the free enterprise system].” Powell observed “the judiciary may be the most important instrument for social, economic, and political change” and recommended establishing a legal center modeled on the American Civil Liberties Union to “undertake the role of spokesman” on business’ behalf in the courts against environmental and consumer activists like Nader “who seek the destruction of the system.”⁴⁹⁹

The other seminal policy entrepreneur, William Simon, echoed similar themes. His 1978 manifesto *A Time for Truth* synthesized arguments he had been making for years to friendly audiences. Simon demanded that corporations support new institutions to usher in a new conservative age, claiming that

...few voluntary institutions in America today are ... organized to finance intellectuals who fight for economic, as well as political liberty. Most private funds—inevitably from business itself—flow ceaselessly to the very institutions which are philosophically committed to the destruction of capitalism. The great corporations of America sustain the major universities, with no regard for the content of their teachings. They sustain the major foundations which nurture the most destructive egalitarian trends. And with their advertising, they sustain the mass media, which today inevitably serve as a national

⁴⁹⁹ Powell 1971

megaphone for every egalitarian crusade. In the last analysis, American business is financing the destruction of both free enterprise and political freedom.⁵⁰⁰

He called for a

...courageous group of businessmen ... [to] start the needed crusade to divert the immense corporate funds presently earmarked for education, “public relations,” and “institutional advertising” into the organizations needed to sustain and expand the conterintelligentsia.

The task ahead:

Funds generated by business [and foundations]...must rush by the multimillions to the aid of.... scholars, social scientists, writers and journalists who understand the relationship between political and economic liberty and whose work will supplement and inspire and enhance the understanding and the work of others still to come.⁵⁰¹

In a context of rising government regulation, corporate taxes, inflation, oil prices, and declining balance of trade and GNP growth, business leaders from both major parties were open to proposals to help employers. The Powell and Simon manifestos became organizing principles for an emergent network of conservative businesspeople and foundation heads.⁵⁰² According to Heritage in-house historian Lee Edwards, beer magnate Adolph Coors was “stirred up” by the Powell memo, which reinforced his decision to “commit his company to a prominent role in public affairs.”⁵⁰³ Once they had accepted the tenets of the Powell and Simon manifestoes, corporate conservatives and affiliated foundations like Adolph Coors, John M. Olin, Sarah Scaife, and Smith Richardson began to serve as clearing houses linking large donors, scholars, and corporations. By 1993, the Sarah Scaife Foundation, which along with Joseph Coors

⁵⁰⁰ Simon 1978:228

⁵⁰¹ Simon 1978:230

⁵⁰² Another right wing policy entrepreneur, Irving Kristol, also called upon business leaders, corporations, and foundations to bolster conservative institutions and create new ones in the name of the “preservation of a strong private sector.” See Kristol 1978:132-5.

⁵⁰³ Edwards 1997:9

established Heritage in 1973 and remains its largest contributor, would be giving some \$17.6 million to 150 nonprofit policy organizations.⁵⁰⁴

The targeted investment by big business in free market think tanks in the 1970s integrated an already dense community of corporate entities with the policy network. Two national quantitative studies show how corporate and policy interlocks integrated American elites in the 1970s.⁵⁰⁵ Bonacich and Domhoff (1981) used a centrality measure to analyze Dye's 1970 database of the largest corporate, legal, foundation, university, civic/cultural, think tank, and policy discussion actors. They found a tightly integrated corporate community and policy-planning network.⁵⁰⁶ Harold Salzman and Domhoff (1983) show an overlapping membership of the conservative Conference Board (NICB), the corporate liberal Committee for Economic Development (CED) and Business Council (BAC), social clubs in New York, Pittsburgh, and Chicago, with the directors of large corporations occupying the most central node in the network.⁵⁰⁷

This network provided much of the policy planning and personnel for the Reagan "Revolution." Reagan's address at its 10th anniversary openly acknowledged that Heritage had provided the "blueprint" for the administration's approaches in almost all areas.⁵⁰⁸ Its greatest first achievement was presenting a 1,093-page tome of policy analysis and advice to Reagan's

⁵⁰⁴ See Michelmore 1995. In addition to key think tanks, conservative established institutions like the Senate Steering Committee (1973), the National Conservative Political Action Committee (NCPAC, 1975), the Conservative Caucus (1975), the Moral Majority (1979), and the Republican Study Committee in congress (1973).

⁵⁰⁵ Useem 1984; Domhoff 1998

⁵⁰⁶ Dye's database included 6 think tanks, 7 civic/cultural organizations, 201 corporations, twenty New York law firms, the eleven largest foundations, twelve richest private universities, and a partridge in a pear tree.

⁵⁰⁷ They use hierarchical algebra to analyze a 36 x 36 matrix of overlapping social club and think tank members. The study shows two regional clusters of clubs and tanks, with the NICB, CED, BAC cluster integrating the two nationally. NAM is not central to this cluster, a finding consistent with the relative marginalization of NAM from the corporate liberal regime described in chapter three.

⁵⁰⁸ Brownstein and Easton 1983; Silk and Silk 1981:220

transition team called *Mandate for Leadership*.⁵⁰⁹ Received by the team in prepublication form in 1980, *Mandate* offered a “blueprint for the construction of a conservative government” that included diagnoses and solutions for all executive departments and most regulatory agencies from over three hundred contributors. Reagan’s network also received support from the South Korean Reverend Sun Myung Moon. The wealthy head of both the Tongil financial group and the Unification Church, Moon encouraged far right elements in Japan and Taiwan to support Reagan’s aggressive interventionism, and launched the *Washington Times* in 1982 to push the establishment U.S. press, perceived as passive Trilateralists, in a more combative stance towards third world communism.

6.3.1. Case 23: American Enterprise Institute

AEI’s success in branding itself as the conservative “other” to Brookings put it in great position to be the target of massive investment from business and pro-business foundations. Where it had operated on a modest budget its first twenty-five years, AEI’s president Baroody, Sr. grew its annual budget ten fold, from \$1 million in 1970 to \$10.4 million in 1980 and close to \$12 million by 1982.⁵¹⁰ Secretary of defense Melvin Laird led a fund-raising effort in this period, and ex-Nixon appointees became fellows or resident scholars after Gerald Ford’s defeat to Jimmy Carter in 1976. Since becoming president in 1978, William Baroody Jr. made it a personal mission to enhance AEI’s prestige by luring in influential intellectuals and politicians with fellowships and resident positions. Former or future cabinet members who served on advisory councils in the 1970s included President Ford, George Bush Sr., George Schultz, David Stockman, treasury secretary William Simon, Melvin Laird, Fed chairman Arthur Burns, and Jack Kemp. Other public figures who have called AEI home include Irving Kristol, Supreme Court Justice Antonin Scalia, Milton Friedman, Ben J. Wattenberg, Judge Robert H. Bork,

⁵⁰⁹ Heatherly 1981

⁵¹⁰ Ricci 1993:1; Vogel 1989:224

affirmative action critic Dinesh D'Souza, and race-IQ researcher Charles Murray.⁵¹¹ Today AEI has roughly 120 employees, 45 resident scholars and an annual budget of \$12.6 million.⁵¹² Through grants targeted directly to ideological writing and promotional projects at AEI, Olin gave Bork, Irving Kristol, and D'Souza a combined \$375,000 in 1991.⁵¹³ It also pays for the *Think Tank with Ben Wattenberg*, a television show on the Public Broadcasting System.

AEI was the first right-leaning think tank to challenge seriously the postwar social and economic reforms embodied in the Brookings Institution. Throughout its period of tremendous growth, AEI maintained the center-right ideology preferred by “neoconservatives” and moderate Republicans. For more uncompromising conservatives however, AEI was not sufficiently pure, or aggressive enough in its tactics. They turned to the Heritage Foundation.

6.3.2. Case 24: Heritage Foundation

The new Heritage Foundation also capitalized on the largesse of disenchanted business executives. Founded by Congressional staffers Paul Weyrich and Edwin Feulner Heritage Foundation in 1973 with \$250k from Coors and conservative philanthropist Richard Mellon Scaife, Heritage developed a powerful direct mail program over the years from which it raises a significant portion of its annual budget.⁵¹⁴ Within a year, eighty-seven corporations gave financial support, supplemented heavily by six or seven foundations. Two years into existence, Heritage raised over \$1 million in revenues. Today it has the largest think tank budget in Washington at over \$25 million.⁵¹⁵ Like the Institute for Contemporary Studies (1972 by ex-Gov. Reagan administration members), the Cato Institute (1977), the Business Roundtable

⁵¹¹ Klaidman 1977

⁵¹² Stefancic and Delgado 1996:93

⁵¹³ Moore 1992

⁵¹⁴ In 1990, individual contributions constituted 52 percent of its budget (*Heritage Foundation, Annual Report, 1990*).

⁵¹⁵ Stefancic and Delgado 1996: 90, 53

(1973),⁵¹⁶ and the Committee on the Present Danger,⁵¹⁷ Heritage came into being in part to provide a haven for conservative “free market” and “Cold warrior” academics that felt “besieged” by liberal faculty at American universities.

Heritage is significant not only because of its real or perceived influence on public policy, but because it stood as a model for other *explicitly ideological* and *aggressively marketed* think tanks (Citizens for a Sound Economy, Competitive Enterprise Institute, Heartland Institute, and others). The New Right think tanks sloughed off the nonpartisan self-understanding of the proto-tanks as a useless anxiety, wearing their conservative ideology on their sleeves. The desire to be objective and perceived as such, an anxiety rife through much of think tank history, doesn't vex advocacy tanks, except to the extent that they need to employ such rhetoric to maintain a non-profit, tax-exempt status. As self-conscious proponents of a neoliberal system, they are proud hired guns who know that their own viability depends on their ability represent the interests of their corporate benefactors as common interests, and have had no problem entering the fray of ideas with explicit agendas, offering the free market as a corrective to “creeping socialism” and “liberal elites” in America. While speaking of Great Britain, Stuart Hall's pioneering Gramscian interpretation of “Thatcherism” applies just as well to this aspect of the American case⁵¹⁸:

⁵¹⁶ One hundred ninety CEOs infused with the newly felt activism in the business community formed the Roundtable with the expressed purpose of representing business' voice in politics. The Roundtable was an offshoot of the Business Council, which you will recall from chapter four, was a policy discussion group begun in 1933, dominated by internationalist companies, and took a lead role in tempering the radical aspects of the New Deal. The Roundtable was to be the advocacy arm of the Business Council, and was more of a discussion group than a research organization, dedicated to fight trade unions and “tell the business story” in the mass media. The Roundtable was successful in castrating the Humphrey-Hawkins full employment bill, and consumer and labor protection legislation during the Carter Administration (Gross 1980:76).

⁵¹⁷ CPD was an initiative of the Department of Defense to promote increased military spending to the public. CFR members Altschul, Clayton, and Henry Wriston participated.

⁵¹⁸ Hall and Martin (eds.) 1983; Hall 1979; Hall 1988

Thatcherism...[is] not simply a worthy opponent of the Left, but in some deeper way its nemesis, the force that is capable in this historical moment of unhingeing it from below.⁵¹⁹

Its sheer audacity as an ideological crusade marks conservatism as a hegemonic project.

As Stuart Butler of the Heritage Foundation explained, “Unlike other institutions that pretend ideological neutrality, we’re conservative, no bones about it. We don’t pretend to be anything different from what we are.”⁵²⁰ The thick blue and silver cover of its 1997 annual report marking its twenty-five year anniversary proclaims below an iconic liberty bell that is its trademark,

The Heritage Foundation is committed to rolling back the liberal welfare state and building an America where freedom, opportunity, and civil society flourish.

Rather than strict affiliation to party, the New Right aligns itself with ideas, such as government is bad, the poor need discipline, the rich need tax cuts, the Cold War is over but the Pentagon needs big money, and corporations need latitude with labor. Blumenthal writes,

Conservatives are replacing the old party politics with an ideological politics.... In their view, the party was useful only when it served the ends of ideology.... By rendering the RNC a robotic factory without a program, the manufacture of the policy agenda is left outside the party.

As Counsel to Attorney General Edwin Meese T. Kenneth Cribb put it, conservatives are “effective through the mechanism of the Republican party” but not tied to it.⁵²¹

In addition to the lack of any anxiety whatsoever about the tension between such explicit ideology and objective scholarship, conservative tanks of the 1970s expressed a commitment to marketing ideas in the public square as effectively as possible. The goal was not just to allow conservatives to compete in the marketplace of ideas, but to shape the marketplace to their advantage, creating a demand for their own products. Conservatives use all manner of media

⁵¹⁹ Hall 1988:1

⁵²⁰ Fischer 1990:160

⁵²¹ Blumenthal 1986: 313

from talk shows, direct mail, newspaper ads, fax trees, rolodexes, books, etc. to mobilize people. They finance book projects from the initial proposal to marketing, lavishing sums to scholars willing to demonstrate a race-IQ connection, or find that upper end tax cuts help everybody. The direct-mail phenomenon may be the sine qua non of the conservative movement, as its use in issue campaigns is central.⁵²²

Heritage brought ideology and marketing together like never before, and thought of itself largely in marketing terms. It proudly proclaims its brand affiliation with the conservative movement and its aggressive marketing practices, describing itself as “the institutional center of the conservative movement.”⁵²³ The 1997 annual report states Heritage’s goal

Is to formulate and promote conservative public policies...by performing timely, accurate research on key policy issues and effectively marketing these findings to our primary audiences: members of Congress, key congressional staff members, policymakers in the executive branch, the nation’s news media, and the academic and policy communities.⁵²⁴

Heritage notes in a section titled “Marketing and Outreach: Communicating the Conservative Message” that its

Genius has been to recognize the capital for what it is and jump in with the financial resources to make itself really count. To think of the place as a [mere] think tank underestimates its importance. Heritage is a production company.... It is the city’s Disney....⁵²⁵

The report describes the “marketing efforts” used to “communicate Heritage’s message” in four departments: Government Relations (lawmakers), Public Relations (media), Education Affairs (universities, and External Relations (conservative activists, the states, business, and cyberspace.

Rather than concentrating on original research, Heritage attempts to “spin” existing research. In most cases managers direct young staffers on how to research topics and write up

⁵²² See Viguerie 2005

⁵²³ Heritage Foundation Annual Report, 1997, p.2

⁵²⁴ Heritage Foundation Annual Report, 1997, p.1

⁵²⁵ The quote cited in the report is from a December 22, 1997 *Nation* article by Congressional Quarterly Political Editor Ronald Elving.

results, rather than relying on prestigious experts in the manner of AEI and Brookings. Heritage produces hundreds of books, monographs, newsletters, and other publications on all areas of policy reform, often hand delivering or mailing them free to hundreds of policymakers in Congress and the administration, and thousands of journalists and academics.

According to President Edwin Feulner, a key innovation was its brief and timely “background papers” and “bulletins” designed to meet the “briefcase test” of being digestible in the twenty-minute cab ride from National Airport to Capitol Hill.⁵²⁶ Feulner boasts in the 1997 annual report that “we redefined the role of the Washington think tank in 1977 when we introduced heritage Backgrounders....”⁵²⁷ Heritage can churn out researched and footnoted essays in weeks or days if necessary, covering all variety of current public affairs. As Citicorp CEO Walter Wriston put it,

It takes about twenty years for a research paper at Harvard to become a law. There weren't any people feeding the intellectual argument on the other side.... AEI... puts an idea into the market. We figured it out: I write the songs the world sings.⁵²⁸

Heritage's marketing innovations influenced other think tanks, which now also encourage their workers to publish occasional articles in magazines and newspapers, and provide frequent symposia and workshops for officials and the press, covering the gamut of public affairs issues. This does not mean such activity is entirely new within the TT field. As I have emphasized, publicity has been important to think tanks since their inception, and some mix of business, government administrators, media, and public has always been their audience. Their preferred metaphors change, but their generic embrace public education remains the same. Yet the emphasis education⁵²⁹ has displaced to a greater or lesser extent the focus on research that

⁵²⁶ Bencivenga 1984; Nesmith 1994; Regan and Dunham 1995

⁵²⁷ Heritage Foundation Annual Report, 1997, p.8

⁵²⁸ Quoted in Saloma 1984:21-2

⁵²⁹ “outreach efforts”; public relations; propaganda

characterized certain first and second-generation think tanks.⁵³⁰ Many tanks still do research, but promoting the results has become a highly valued activity in the field. According to Dr. W. Glenn Campbell, a former director of the Hoover Institution,⁵³¹

A program has been devised to get these ideas before the public in a timely fashion in daily newspapers throughout the country. We urge scholars to extend their writing beyond books and professional journals into the general public arena. Research results in the form of short essays written by scholars are sent to newspapers for publication on the page opposite the editorial page.⁵³²

Similarly, AEI under Baroody Jr. shifted away from lengthy books and studies of the previous generation, promoting easy-to-read edited collections of essays, conferences, op-ed articles, and public affairs television programs.⁵³³ In 1977, AEI began to publish its own periodicals such as *Public Opinion*, *AEI Foreign Policy and Defense Review*, and *Regulation* to afford scholars around the country an opportunity to contribute to a conservative project. Several publications merged into *American Enterprise* magazine in 1990. In 1982, AEI spent 2.6 million out of its 11.7 million dollar budget on outreach efforts. “AEI fellows”⁵³⁴ Irving, Ben Wattenberg, and Norman Ornstein were regular TV pundits at that time, and new experts are perpetually being groomed. A “punditocracy” or class of usual suspects dominates policy discussions in the mass media.⁵³⁵

To the extent that the conservative movement is unable to saturate existing media, it has sought to create new media as a way to eliminate alternatives to conservatism in the popular

⁵³⁰ The target audiences are primarily government (especially Congress) and the media.

⁵³¹ The Hoover Institution began in 1919 as a library that collected and preserved historical records of WW I, then sought to create policy institutes across the country with an ‘anti-statist’ outlook, and became a virulently anti-Communist research organization during and after World War II (Abelson 1992:38-41; Alchonaqi and Duignan 1989).

⁵³² Abelson 69. The Hoover Institute, with support from the Ford, Rockefeller, and Carnegie endowments, responded to the expanding post-WWII US role in world affairs by shifting its mission from the preservation of documents to the ‘defense of the American way of life from the evil doctrines of Karl Marx’

⁵³³ Saloma 1984:8

⁵³⁴ A title AEI grants its established and rising superstars -- reads nicely at the bottom of a TV screen.

⁵³⁵ Alterman 1992. Fellows at the Council on Foreign Relations and the Center for Strategic and International Studies, for example, saturate much foreign policy television and print punditry.

mind. For example, right wing visionary Paul Weyrich, who helped form both the Heritage Foundation and Jerry Falwell's Moral Majority, started National Empowerment Television, a 24-hour cable network. Like local Christian programming across the country, the station billed itself as both educational and entertaining, and running talk shows and "family programs" three times a day. The station enlisted prominent leaders in the movement such as Newt Gingrich and Edwin Meese to host or appear as guests on shows, and Newt Gingrich began hosting a "lively engaging" weekly program titled "Renewing American Civilization."

6.3.3 Diagnosing the crisis: democracy and liberal elites run amok

Like the late 1890s, the language coming out of 1970s policy research institutes projected a fear of democracy run amok. Where Marxists saw crises arising from the internal contradictions of functioning capitalism, neoliberals saw system *dysfunction* caused by the demands of groups politicized in the 1960s such as women, blacks, students, and environmentalists, fanned by the social research of liberal elites. These demands overburdened the state, eroded government and business authority, and paralyzed management of looming economic and strategic crises.

Free market tanks diagnosed an intellectual establishment that unduly highlighted systemic defects like inequity. Self proclaimed "neoconservatives" at AEI and other tanks saw an inherent tension in the New Right stemming from the tension between economic freedom and social virtue, and worked to fuse the free market and Judeo-Christian strands of New Right movement. Writing with sparkling prose and social scientific references in magazines like *Public Interest* (edited by Daniel Bell and Irving Kristol) and *Commentary* (edited by Norman Podhoretz), "neocons" unified the strands of conservatism by pointing to a common enemy. They argued the threat to both free market economics and Judeo-Christian morality was an over regulatory government bureaucracy, a lazy underclass that drained tax revenues with welfare

requests, and a crisis of authority that let riots, student rebellions, homosexuality, and other forms of cultural relativism run rampant.⁵³⁶ At the root of such undermining tendencies was a “New Class” of social scientists, urban planners, social workers, criminologists, sociologists, journalists, broadcasters and more that constituted the an “adversary culture.”⁵³⁷ New Class bureaucrats, professionals, professors, etc. represented a neat rhetorical target that appealed both to market oriented conservatives seeking to free business, and religious conservatives seeking to tamp secular humanism, thus unifying both strands around a common bogeyman. Armed with the thesis that government actions actually caused poverty, AEI sought to render such intellectuals and the very idea of a welfare state anachronistic.

Because conservatives believed most leading social scientists in the United States lean towards progressivism, they developed an alternative way to martial facts and expertise. Along with campus organizations, think tanks formed an interlocking set of institutions designed to bypass the credential function of the university system, and rapidly groom and invest conservative ideas and intellectuals with intellectual capital. The right invested tremendous sums in leadership training and other opportunities for up and coming conservatives. Senior conservatives like Irving Kristol acted as talent scouts for young conservatives, guiding them into fellowships, research grants, and staff positions.⁵³⁸ Foundations fund campus newspapers like the *Dartmouth Review* to raise conservative ire on campus and train young writers and speakers to staff think tanks later. The disingenuous counterpart to the unrepentant marketing of ideological policy expertise is the charge of “politicized standards” in the academy. Graduates of conservative campus programs like Dinesh D’Souza go on to positions at think tanks where they

⁵³⁶ Steinfels 1979:53-69

⁵³⁷ Cf. Podhoretz 1979:23

⁵³⁸ Saloma p. 42

are paid to write books and articles, and from there become effective and well-known pundits, editors, and government workers.⁵³⁹

Consistent with their own claims about the liberal stranglehold in academia, writer Irving Kristol and Olin Foundation board president William Simon, with money from the Olin, Sarah Scaife, Smith Richardson, and JM foundations, founded the Institute for Educational Affairs (IEA) in 1978 to bring conservative scholars, corporations, and foundations together to promote their ideas on campuses.⁵⁴⁰ IEA gave \$5,000-\$10,000 grants to start some thirty newspapers on campuses around the country and dubbed it the Collegiate Network. The first and most controversial, the *Dartmouth Review*, was founded in 1980, and spawned Dinesh D'Souza. Papers at Harvard, Yale, Duke, Kenyon, and other schools took a hard line against multicultural curricula and affirmative action, and urged a return to the Western canon and traditional values.⁵⁴¹ IEA merged with the Madison Center in 1990 to form the Madison Center for Educational Affairs (MCEA), which by this time funded the network of now seventy campus newspapers to the tune \$400,000 per year.⁵⁴² MCEA provides the Collegiate Network with a number of free services including a writing and editing advice hotline, a nationally syndicated column, internships at *The New Republic*, *Roll Call*, and NBC News, summer programs in Washington, D.C., and annual publications awards.⁵⁴³

IEA also established a conservative legal group in 1982, The Federalist Society, which within three years had thirty chapters at many top law schools. Members often clerk for conservative judges and find jobs in the Justice Department or other government legal offices.

⁵³⁹ Stefancic and Delgado 1996:Ch.7

⁵⁴⁰ Stefancic and Delgado 1996:110

⁵⁴¹ Vallance 1983; Chepesiuk 1992

⁵⁴² Flaherty 1993

⁵⁴³ The Collegiate Network (program brochure of the MCEA) [1993], p.2-8

Throughout the 1980s, the federal judicial system was broadly seeded with young conservative activists taking this career placement route.⁵⁴⁴

Another group offering a leg up to young conservatives is the Leadership Institute (LI). Founded in 1979 with Coors money, the institute trains young professionals in nine public policy programs, including journalism, campus activism, campaign leadership, rhetoric and campaign skills, public relations, foreign service, and candidate development. LI offers an intern and placement service, and a speaker's bureau.⁵⁴⁵

When Republicans took control of Congress in November 1994, groups like IEA and LI had developed a cadre of eager conservatives ready to step into new job openings. LI, Heritage, and the GOP study committee vetted thousands of resumes for junior legislative staff positions, screening them for ideological correctness.⁵⁴⁶

The National Association of Scholars (NAS), founded in 1987 to battle multiculturalism and “political correctness” on campuses emerged from New York City academics whose founding credo was “Only through an informed understanding of the Western intellectual heritage and the realities of the contemporary world can citizen and scholar be equipped to sustain our civilization’s achievements.”⁵⁴⁷ With funding from graduate student, professor, and administrator dues, and a much larger portion from conservative foundations,⁵⁴⁸ the NAS publishes a quarterly journal, *Academic Questions*, a newsletter, *NAS Update*, runs a speakers bureau, placement service, fellowships, and conferences. At its 1998 annual meeting titled “Reclaiming the Academy: Responses to the Radicalization of the University,” professor Alan

⁵⁴⁴ Blumenthal 1985

⁵⁴⁵ Collins 1990:9

⁵⁴⁶ Johnson 1994

⁵⁴⁷ Elson 1991:68; National Association of Scholars, *Information Pamphlet*, 1995

⁵⁴⁸ Sarah Scaife, Olin, Smith Richardson, Weigand, and Bradley Foundations constituted the major donors. See *The Foundation Grants Index* (1995).

Kors railed against multicultural awareness as “thought control” and told NAS members to “use ridicule against blacks, feminists, and gays.”⁵⁴⁹

NAS is part of the broader effort to “de-fund the left” initiated by Powell’s assertion that campuses were dependant on funds “generated largely from American business.”⁵⁵⁰ NAS set up the National Alumni Forum in 1995 to lobby alumni, trustees, and philanthropists to use their money and participation in campus governance to withhold gifts to institutions that support multicultural education, speech codes, and affirmative action.⁵⁵¹

6.4 Social and economic policy

Examining conservative campaigns in seven social policy areas⁵⁵² Jean Stefancic and Richard Delgado demonstrate “a successful war of position over the past decades...that shifted the ground of discussion away from liberal solutions to what many Americans believed were real social problems.”⁵⁵³ They show how business-oriented foundations supported curricular reforms like teaching economics in junior high school and deregulation in law school, while grassroots contributions from middle- and working-class people funded movements for immigration reform, school prayer, English-only, and other “family values” issues.

Liberal foundations, perhaps resting on the gains accumulated in the post-New Deal era, remained committed to principles of neutrality and more interested in “action” than a protracted war of position. They failed to counter the conservative investment in programmatic thinking.⁵⁵⁴

⁵⁴⁹ Wiener 1988:644

⁵⁵⁰ Powell 1971

⁵⁵¹ “National Alumni Forum Launched,” *NAS Update* (National Association of Scholars, Princeton, NJ (spring 1995, p.1-2; Taylor 1995:A17

⁵⁵² Official English; immigration reform, IQ, race, and eugenics; affirmative action; welfare; tort reform; and campus multiculturalism

⁵⁵³ Stefancic and Delgado 1996:ix

⁵⁵⁴ Stefancic and Delgado 1996:18

6.4.1. Case 25: The Manhattan Institute

The Manhattan Institute is a bastion of conservative social policy thinking. Created by Reagan's future CIA chief William J. Casey in 1978, its sponsorship of two influential books in the 1980s, *Wealth and Poverty* by George Gilder and *Losing Ground* by Charles Murray, gave it a national profile. With an annual budget of around \$5 million, Manhattan functions like a smaller Heritage Foundation in its aggressive marketing of its work. It maintains a staff of thirty or so, a quarterly *City Journal*, and numerous books, articles and symposia. It publishes more op-ed pieces relative to its size than any other think tank.⁵⁵⁵ Major donors include the Bradley Foundation, which has given over \$1 million largely for book projects since 1986, as well as Sarah Scaife, Olin, Smith-Richardson, and even mainstream foundations like the J.M. Kaplan Fund and the Commonwealth Fund.⁵⁵⁶

Thinkers at Manhattan, AEI, Heritage, and other conservative tanks promote today's IQ/eugenics movement to persuade policymakers of the link between genetically inferior black America and the need to downsize affirmative action, Head Start, welfare, and other social policies. They fostered an intellectual atmosphere in which attacks on welfare and the poor became acceptable.

In a book produced and promoted by the Heritage Foundation and Manhattan Institute, *Losing Ground: American Social Policy, 1950-1980*, Charles Murray inveighed against welfare. The book extended the argument of an earlier pamphlet Murray penned while affiliated with Heritage called "Safety nets and the Truly Needy" that asserted federal poverty programs are a prime reason America is losing the war on poverty. Manhattan offered an unknown Murray a senior research fellowship in 1982 to complete *Losing Ground*, raising \$125,000 from Scaife and Olin foundations to pay him a stipend and promote the book. It sent seven hundred free copies to

⁵⁵⁵ Redburn 1993; Rothmyer 1993

⁵⁵⁶ Stefancic and Delgado 1996:58

scholars, journalists, and officials, held seminars on the book, and sponsored a national book tour for Murray.⁵⁵⁷ *Losing Ground* suggests government aid to single women with young kids in the form of food stamps, welfare checks, and housing subsidies reduces stigma once attached to out-of-wedlock births, and the incentives for those women to seek a wage-earning father. The result has been that U.S. social policy from 1964 to 1980 “went from the dream of ending the dole to the institution of permanent income transfers.”⁵⁵⁸ Murray proposed phasing out the entire welfare system and forcing single mothers to rely on social networks and orphanages.⁵⁵⁹

Murray’s book was one of two best-sellers associated with right wing think tanks espousing “supply side” economics. AEI fellow Jude Wanniski’s *The Way the World Works*⁵⁶⁰ also claimed reducing taxes and government regulation on upper income groups would enhance profits and cause investment in productive enterprises and an abundance of goods. Wanniski’s book popularized the “Laffer Curve” statistical chart, which purported to be scientific proof of the theory that government revenues fell when business investment contracts in the face of growing tax burdens.⁵⁶¹ The Laffer curve showed reducing burdens on the wealthy would help middle and lower classes more than government programs, because light tax and regulatory policies stimulate business to produce new factories, goods, profits, employment, thereby increasing government revenues and allowing for a reduction in middle- and lower-class taxes. Supply side offered an appealingly clean and simple description that became a paradigm idea for macroeconomic policymaking in the late 1970s and early 1980s.

At Heritage, self-proclaimed entrepreneur of ideas Robert Rector is the foremost advocate of the idea that welfare erodes morality and makes poor families dependent. He has

⁵⁵⁷ Lane 1985:14

⁵⁵⁸ Murray, *Losing Ground*, p.24-25

⁵⁵⁹ Murray, *Losing Ground*, p.154-156

⁵⁶⁰ Wanniski 1979

⁵⁶¹ See Wanniski 1979: 97-100.

written numerous policy papers in that vein, and helped draft the welfare bill passed by the House in 1995. He wrote an editorial distributed nationwide on June 20, 1995 in support of the bill to cap welfare at 3 percent a year, limit benefits to unwed teen mothers, mandate mothers on AFDC identify their baby's fathers, and give tax credits to low income couples with children if one parent is employed.⁵⁶² Heritage sponsored William Bennett's *Index of Leading Cultural Indicators*, a March 1993 compilation of graphs and charts purporting to show an inverse relationship between government spending and rates of illegitimacy, divorce, crime, over a dozen other social issues.

At AEI, theologian Michael Novak promotes the notion that welfare engenders dishonesty amongst both recipients who try to bend the rules, and taxpayers who avoid payment as a form of resistance to the system they feel forced to support. AEI seminars on welfare are numerous.⁵⁶³

The Hudson Institute, whose contributions come mainly from Bradley, Olin, and Sarah Scaife foundations, has also been a key player in welfare debates. President Leslie Lenkowsky affirms the theory that welfare increases teen pregnancy rates by making it acceptable to behave irresponsibly, while senior fellows Michael Horowitz and Anna Kondratas have each testified before the House about the harms resulting from welfare and the need to abolish the system.⁵⁶⁴

Other organizations deeply invested in the war on welfare revolve around former Republican Speaker of the House Newt Gingrich. He joined other young conservatives in 1982 to foster a "Conservative Opportunity Society" (versus the "liberal welfare state"). Gingrich

⁵⁶² Stefancic and Delgado 1996:91

⁵⁶³ According to Stefancic and Delgado (1996:93), they have included "Ways Out of Poverty" (1991), "Family and American Welfare Policy (1986), "reducing Poverty in America (1993), and the "Welfare Reform Breakfast" (1995). Speakers at these seminars included Charles Murray, Douglas Besharov, Christopher Jencks, Bill Bennett, and Mickey Kaus.

⁵⁶⁴ Stefancic and Delgado 1996:92

controls the \$2 million per year GOPAC, which trains candidates in Gingrich's ideology, Renewing American Civilization, a satellite college course transmitted to colleges and conservative groups, and the Progress and Freedom Foundation, a think tank founded with corporate money by Vin Weber and other Gingrich comrades to promulgate the idea of privatizing the welfare system.⁵⁶⁵

Conservatives designed slogans with the intent of garnering public support for the idea that the poor are siphoning resources from 'hard working Americans.' Reagan's use of the term "welfare queens" drove public perceptions that women on welfare drive Cadillacs and spend welfare checks on lobsters, while George H.W. Bush's "thousand points of light" evoked state and local alternatives to federal programs. Vivid stories of pregnant, lazy, drug addled women, and hyperbolic statements about welfare being 'out of control,' as in Heritage's Robert Rector's claim that the U.S. has spent 70 percent more on welfare in the past thirty years than it did defeating Germany and Japan in World War II, add to the public sense of shock and moral outrage.⁵⁶⁶

The supply side argument underlay the deregulatory reforms initiated under Carter then Reagan. In the late 1960s and early 1970s, business leaders began to perceive new regulatory agencies like EEOC, OSHA, and EPA as threats. At AEI, regulatory specialists from the Ford administration helped set up the Center for the Study of Government Regulation at AEI, a joint project with the Brookings Institution, laying the intellectual groundwork for deregulation.⁵⁶⁷ The word deregulation is misleading since neoliberalism involves re-regulation more than de-regulation of the economy.

⁵⁶⁵ Stefancic and Delgado 1996:89

⁵⁶⁶ Rector 1995

⁵⁶⁷ Weiss 1992: 136-7

Like the welfare reform campaign, the campaign to repeal affirmative action draws out similar fears and anomie towards minorities and the poor, but builds them into an intellectually respectable position.⁵⁶⁸ The personnel and money of the anti-affirmative action campaign also overlaps with campaigns against welfare. Conservatives first challenged affirmative action in the early Reagan administration. Heritage's 1980 *Mandate for Leadership* called the Civil Rights Division "radicalized" and argued President-elect Reagan should rescind federal requirements for affirmative action in government hiring and contracting.⁵⁶⁹ In similar report *Agenda '83*, Heritage called for the U.S. Justice Department to conduct studies on how affirmative action increased racial resentment.

AEI celebrated the launch Charles Murray and Richard J. Herrnstein's *The Bell Curve: Intelligence and Class Structure in American Life*,⁵⁷⁰ with a party and press conference for major newspapers, news magazines, and talk shows.⁵⁷¹ After eight years as a Bradley Fellow, Murray had moved to AEI when Manhattan declined to sponsor his research on black/white intelligence differences that became *The Bell Curve*.⁵⁷² Still, when *The Bell Curve* came out, Manhattan welcomed Murray with a luncheon to honor him and his gene-based dismissals of affirmative action.⁵⁷³ The Pioneer Fund, the main source for race-based intelligence research in English-speaking countries and a promoter of the eugenics movement and the idea of minorities' genetic inferiority since 1937, underwrote much of the research cited in the book.⁵⁷⁴ The book held that intelligence is inherited and immutable; minority group (primarily black) social problems like teenage pregnancy, poverty, and crime derive from low IQ; and therefore government social

⁵⁶⁸ Stefancic and Delgado 1996: 45-6

⁵⁶⁹ Omang 1980; Wines 1982:536

⁵⁷⁰ 1994

⁵⁷¹ Kamin 1995:15; *PR Newswire* 1994

⁵⁷² DeParle 1990

⁵⁷³ Leo 1994:24

⁵⁷⁴ Stefancic and Delgado 1996:37, 24; Miller 1994:106; Lane 1994:14

reform programs are futile since they cannot overcome this biological determinants. The authors accuse affirmative action of “leaking poison into the American soul” by dividing American society. The policy backfired, they argue, by pitting poorly performing blacks and Hispanics against academically superior students, and fostering white resentment.

Tanks use a number of venues to denigrate affirmative action as contrary to principles of equality. They sponsor numerous conferences on the issue featuring the likes of Clarence Thomas, Robert Bork, Edwin Meese II, and television host Tony Brown.⁵⁷⁵ A January 1994 Heritage seminar on “The Conservative Virtues of Martin Luther King” was based on the idea that the “reverse discrimination” of affirmative action betrayed King’s vision, and featured Reagan’s education secretary and Heritage’s own distinguished fellow for the study of cultural policy, William Bennett.⁵⁷⁶

They allow high profile academics like Walter E. Williams, Linda Chavez, and Ward Connerly to write on the problems with affirmative action. The *Heritage Foundation Policy Review* is a favorite venue.⁵⁷⁷ Manhattan books critical of affirmative action include Linda Chavez’ *Out of the Barrio: Toward a new Politics of Hispanic Assimilation*. It says government aid, affirmative action, and bilingual education programs lead Hispanics to dependency and hurt their ability to assimilate. In 1995, Manhattan’s former John M. Olin Fellow Chavez used Olin funds to start the Center for Equal Opportunity, a public policy think tank to race, ethnicity, and

⁵⁷⁵ Vick 1989

⁵⁷⁶ Nelson 1994:48

⁵⁷⁷ 49 *Heritage Foundation Policy Review* 93 (1989); 15 *Heritage Foundation Policy Review* 3 (1981); 51 *Heritage Foundation Policy Review* 64 (1990); 70 *Heritage Foundation Policy Review* 33 (1994); 72 *Heritage Foundation Policy Review* 35 (1995). The journal also published a laudatory review of Charles Murray’s *Losing Ground: American Social Policy, 1950-1980*, see Adam Meyerson in 31 *Heritage Foundation Policy Review* 88 (1985).

immigration. She appears frequently on television and speaks by invitation to campuses, opposing affirmative action at every opportunity.⁵⁷⁸

AEI propelled the affirmative action critique with stipends and promotional efforts for legal experts like Bruce E. Fein and former Supreme Court nominee Robert Bork to publish articles and books analyzing court cases bearing on the issue. Bork, for example, described the 1978 Supreme Court *Bakke* decision upholding affirmative action as offensive to “both ideas of common justice and the Fourteenth Amendment’s guarantee of equal protection to persons, not classes.”⁵⁷⁹ Dinesh D’Souza uses a more popular writing style and “nice guy” personality⁵⁸⁰ to decry the vicious cycle of racial anger and minority underperformance affirmative action creates on college campuses. In *Illiberal Education: The politics of Race and Sex on Campus* and *The End of Racism: Principles for a Multiracial Society*, Dinesh D’Souza charges that affirmative action inflates minorities with a false assurance that they can compete. Minorities then confront an “academic mismatch” that leads to frustration and attribution of their problems to racism. As minorities retreat into balkanized groups, aggrieved white students turn to racial violence, anonymous leaflets and graffiti, and other acts.

AEI also conducted a widely cited poll in its *Public Opinion* journal showing 77 percent of blacks oppose affirmative action while 77 percent of black leaders. Jesse Jackson challenged the validity of the poll as conducted by “a right-wing institution,” and Joint Center for Political and Economic Studies Gallup poll contracted the findings.⁵⁸¹

As with the campaigns against welfare and affirmative action, the conservative movement’s lobbying and advertising efforts concerning “tort reform” rely on conservative think

⁵⁷⁸ “Linda Chavez Founds Think Tank on Race and Ethnicity,” *PR Newswire*, February 21, 1995, available in LEXIS/NEXIS Library

⁵⁷⁹ Russakoff and Kamen 1987

⁵⁸⁰ Flint 1991

⁵⁸¹ “Black Leaders, Public Polled,” *Facts on File World news Digest*, October 11, 1985, p.760

tanks to lend intellectual respectability to the effort. Tanks, supported by insurance companies, legal scholars, trade organizations and coalitions, have worked mightily to convince people that the body of law devoted to enabling people to be “made whole” for injuries caused by others is in a state of crisis. They have attempted to convince people that tort system us not a vehicle for victims to seek redress for suffering, and to think of *themselves* as victims of “lawsuit abuse” (in the form of higher costs for products and insurance costs), as claimants are undeservedly enriched due to their own stupidity. By using think tanks and other organizations as front groups, tort reformers have constructed a “litigation crisis,” and cast themselves as the little person battling against the behemoth American Trial Lawyer’s Association.

The Manhattan Institute exercises impact in this area through pamphlets, conferences, books, and videos. Two books by senior fellow Peter Huber and one by senior fellow Walter K. Olson have been particularly useful to the reformers. Huber’s *Liability: The Legal Revolution and Its Consequences* (1988) and *Galileo’s Revenge: Junk Science in the Courtroom* (1991), along with Olson’s *The Litigation Explosion* (1991) marketed ideas used by Bush and Quayle’s 1992 re-election team, as well as Congress people involved in tort reform debates. *Liability* claimed dubiously that tort costs amounted to \$300 billion, a figure that the Rand Corporation puts closer to \$15 billion.⁵⁸² *Galileo’s Revenge*, based mainly on anecdotes says, “Junk science verdicts, once rare, are now common.”

A video produced by Manhattan Institute and narrated by Walter Cronkite tells of the detriments suffered by an executive after a \$5 million judgment rendered against his company, Cooper Industries (the video does not mention that Cooper Industries donated \$50,000 to the

⁵⁸² Galanter 1992:86

video's production).⁵⁸³ Manhattan helped draft a "loser pays" provision in a tort reform bill proposed in the House.⁵⁸⁴

The movement relies on such slick media action to simulate grassroots activity in what people refer to as "Astroturf" campaigns.⁵⁸⁵ The amazing success of the health insurance industry's "Harry and Louise" commercials in defeating President Clinton's health care plan taught lobbyists the ability to go beyond office visits and contributions to politicians. Astroturf advocacy can legally conceal the sponsors behind the campaign from the Federal Election Commission. Ads that convey the tort reform message include one featuring a Girl Scout claiming it takes 87,000 boxes of cookies to pay for liability insurance,⁵⁸⁶ and a radio ad whose narrator is shocked that "A jury awarded a woman \$2.0 million in a lawsuit against McDonald's. She spilled coffee on her lap and claimed it was hot.... Every day there is another outrageous lawsuit. Who pays? You do."⁵⁸⁷

The outcomes generated by tort reformers are significant. Every state has placed limits on medical malpractice liability. Forty-one have abolished or limited the ability of plaintiffs to collect entire judgment from one negligent party or other defendants cannot pay. Thirty-one have restricted product liability claims. Twenty-seven have abolished, capped, or made punitive damages more difficult to impose. Seventeen have capped pain and suffering damages.⁵⁸⁸ At the federal level, the Republican takeover of Congress in 1994 led to two failed attempts at passing bills, which will surely come up again. Perhaps the greatest impact has been on public perceptions of torts. A University of Delaware study demonstrates that jurors are "suspicious of

⁵⁸³ Torry 1992

⁵⁸⁴ Taylor, Stuart 1995:17

⁵⁸⁵ Kolbert 1995

⁵⁸⁶ Hoffman 1995:21

⁵⁸⁷ Puga 1995

⁵⁸⁸ Middleton 1995

the legitimacy of plaintiff's claims...., concerned about the personal and social costs of large jury awards...generally favorable toward business, skeptical more about the profit motives of individual plaintiffs than of business defendants, and committed to holding down awards.”⁵⁸⁹

6.5 Corporate liberal convergence

In addition to a rising class of Neoconservative intellectuals, corporate liberals were shifting rightwards. Corporate liberalism adapted to a field increasingly influenced by intense business investment in free market ideas. The following cases are representative of research organizations forced to move to the right in order to maintain a veneer of objectivity as the center of the policymaking community itself moved right.

6.5.1. Case 26: Club of Rome

OECD planner Alexander King and Olivetti manager A. Peccei brought professional managerial types together through the Club of Rome (COR) to conceive a class compromise alternative to the purely market solutions proposed by other think tanks to the crisis of corporate liberalism. COR, along with the Trilateral Commission (see below) represents an aspect of the transnational professional managerial class that reacted to colonial defeats for the West (culminating in Vietnam), radicalizing students, working class militancy, and rising global competitiveness from peripheral countries, with a notion of “planned interdependence.” COR depicted an “exhausted” system spreading a level of disorder that only integrated global planning could counter. MIT’s 1971 report to COR, *The Limits to Growth* was a systems projection based on linear extrapolations into the future that showed the Fordist regime of accumulation was dysfunctional and would exhaust the biosphere on which it rested.⁵⁹⁰ A 1974 COR report by a team led by Dutch Social Democratic economist Jan Tinbergen, *Reshaping the International Order*, echoed

⁵⁸⁹ Hans and Lofquist 1992: 85, 93

⁵⁹⁰ Meadows et al 1972

the call for an overhaul of the entire political and economic structures of the world. Like *Limits to Growth, Reshaping* emphasized “a broadened social rationality.”⁵⁹¹

This “functionalism” is inscribed in an ethic of international integration, described by Ernst Haas as a logic that

“...relies heavily on the use of dispassionate inquiries, based on value-free modes of research, to expose problems and lay the groundwork for eventual policy compromises. Experts, not politicians, are singled out as the agents for defining the limits of accommodation, preferably along lines of pure computation and problem-solving” (1964: 153).

This rhetoric recalled the planning notions of the short-lived WW II National Resources Planning Board (NRPB), extrapolated to the international level. However, in the same way that the NRPB represented a “highpoint” for socialist tendencies within corporate liberalism, and the Russell Sage Foundation studies represented a “highpoint” for ameliorative goals of social research, COR represented a “highpoint” for the notion of placing capital under state surveillance and planning in the 1970s. This notion soon receded as a movement to release capital from a host of state controls arose, pushing even “liberal” think tanks to the right.

6.5.2 Case 27: Brookings Institution

Supported by substantial corporate and foundation sources, the Brookings Institution (BI) had been the consensus position of establishment liberalism in the 60s. Its scholars promoted Keynesian fiscal policy and progressive taxes, and administered New Frontier and Great Society programs.⁵⁹² BI responded to 70s stagflation by shifting to the right in a retreat from Keynesianism. Although Brookings still maintained the importance of economic planning, it conceded that fewer demands on government were desirable. Arthur Okun, a left of center economist at Brookings, published a 1975 study titled *Equality and Efficiency: The Big Tradeoff*. In it, he took the line that an overzealous commitment to equality shrinks the economic pie for

⁵⁹¹ Tinbergen 1977: 314

⁵⁹² Smith 1991a

rich and poor alike, and that a friendly business climate and restraint in social welfare outlays are essential to grow the economy out of crisis. Similarly, BI fellow Charles Schultze's *The Public Use of Private Interest* (1977) held out the ideal of a rationalized society, but argued that government intervention in the economy should turn away from "clumsy" oversight and redistribution, policies that were not rooted in "sound economic principles".⁵⁹³

6.5.3 Case 28: The Trilateral Commission

The Trilateral Commission (TC) emerged at the watershed of 1973 out of Bilderberg meetings. David Rockefeller's ruminations in early 1970s meetings on expanding the planning of Bilderberg beyond the U.S. and Western Europe to include Japan (the "triad") provided the impetus for TC.⁵⁹⁴ Bilderberg members recoiled at Nixon's unilateral approach to the declining trade and finance status of the U.S., and praised TC as an idea whose time had come. Whereas Bilderberg chair Prince Bernhard and other members had scandal involving arms trade bribery and the Lockheed airplane company, TC sought a more transparent profile and greater sensitivity towards public activities and relations than the secretive Bilderberg.⁵⁹⁵ Its magazine *Triologue* debuted in October 1973 and functions to disseminate the opinion and analysis developed among transnational business elites.

Corporate liberal business and union leaders, Social Democratic politicians, and journalists comprised TC.⁵⁹⁶ Gill points out that in the mid-1980s two-thirds of the world's 100 largest companies had TC affiliations through membership in its directorship.⁵⁹⁷ TC allowed corporate heads representing rival capital sectors (financial groups, manufacturing) to present

⁵⁹³ Schultze also contributed a chapter on the federal budget in the Brookings 1976 survey *Setting National Priorities* (Peschek 1987:172-4). The national priorities series began in 1971 under Schultze and others.

⁵⁹⁴ Japan remained apart from the transnational planning groups integrated France, Germany, and other European countries into the liberal internationalist postwar framework, due to its strong feudal, clan-like subordination of capital to the state—pure corporatism (Van der Pijl 1998: 116-17).

⁵⁹⁵ Van der Pijl 1998:124

⁵⁹⁶ Burch 1980:321

⁵⁹⁷ 1991:157-8

and accommodate different perspectives. A director, three regional chairs, and three regional executive committees steer TC and chose its 350 members on a national basis.

Its overall project was to institutionalize elite networks between North Atlantic states and Asia-Pacific states, strengthen neoliberal internationalism with fine tuning regulatory mechanisms, and develop a long-term foreign policy outlook based not on strict anticommunism, but the universal moral category of human rights. Its central concern, like the Council on Foreign Relations a generation earlier, was taming the forces undermining Western cohesion.⁵⁹⁸ Its members sought the creation of “a global system where the communist philosophy withers and has no new converts,”⁵⁹⁹ a position most forcefully articulated in the influential 1975 report, *The Crisis of Democracy*.⁶⁰⁰ *Crisis* called for strengthened economic planning like job training. U.S. In his contribution to the TC *The Crisis of Democracy* report, AEI fellow Samuel Huntington bluntly confronts the question of whether liberal democracy and capitalism can thrive together, or whether the “democratic distemper” must give way to the laws of accumulation. His answer to a contradiction between democracy and governance is a call for lowered expectations and “a greater degree of moderation in democracy,” and a specific role for elite policy planning knowledge in *bypassing* popular political participation:

...some of the problems of governance in the United States today stem from an excess of democracy.... In many situations the claims of expertise, seniority, experience, and special talents may override the claims of democracy as a way of constituting authority.... The arenas where democratic procedures are appropriate are, in short, limited.... The effective operation of a democratic political system usually requires some measure of apathy and noninvolvement on the part of some individuals and groups.... In itself, this marginality on the part of some groups is inherently undemocratic, but it has also been one of the factors which has enabled democracy to function effectively. Marginal social groups, as in the case of the blacks, are now becoming full participants in the political system. Yet the danger of overloading the political system with demands which extend its functions and undermine its authority still remains.... We have come to recognize that there are potentially desirable

⁵⁹⁸ See J. Novak, “Trilateralism and the Summits,” in H. Sklar (ed.) (1980)

⁵⁹⁹ Quoted in Gill 1990:202

⁶⁰⁰ Crozier et al 1975

limits to economic growth. There are also potentially desirable limits to the indefinite extension of political democracy. Democracy will have a longer life if it has a more balanced existence.⁶⁰¹

President Carter, whose key cabinet posts TC members like Zbigniew Brzezinski came to occupy,⁶⁰² reflected this way of thinking in his January 19, 1978 State of the Union address on 19 January 1978:

Government cannot solve our problems....Government cannot eliminate poverty, or provide a bountiful economy, or reduce inflation, or save our cities, or cure illiteracy, or provide energy.⁶⁰³

The *Crisis of Democracy* included Brian Crozier's critique of "value-oriented intellectuals", academics and cultural-media elites who debunk authority and so constitute "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."⁶⁰⁴ In a precursor to the culture wars around "political correctness" to come, his solution to this "treason of the intellectuals" rang eerily similar to the Powell and Simon manifestos: "restore an appropriate balance between the press, the government, and other institutions in society" and to "relate educational planning to economic and political goals."⁶⁰⁵ In contrast to the pure neoclassical economic strain in neoliberalism, TC generally favored some regulation. In this sense, TC is closer ideologically to Rhodes-Milner and Bilderberg groups than the Club of Rome. Such groups kept the internationalist strand of corporate liberalism alive within neoliberalism, and kept protectionist (mercantilist) tendencies at bay.

6.5.4 Case 29: Bilderberg

The Bilderberg Conferences represents the first stable North Atlantic policy planning organization. Founded in 1952 and named for the Hotel de Bilderberg in Oosterbeek, Holland,

⁶⁰¹ Huntington in Crozier et al 1975:113-15

⁶⁰² Burch 1980:321

⁶⁰³ Jimmy Carter 1979

⁶⁰⁴ Crozier et al 1975:7

⁶⁰⁵ Crozier et al 1975: 181, 183

the group “assembled in the spirit of corporate liberalism, representatives of Right and Left, capital and organized labor.”⁶⁰⁶ Its long term planning of the international order occurs through confidential meetings among corporate, political, intellectual, military, and trade union elites in the North Atlantic states, especially the NATO Alliance signatories. Its membership is not permanent, which makes it a flexible venue for the development of broad elite consensus. A chair and a small permanent steering committee invite roughly 115 people to its yearly conference. Much like the field of think tanks generally, its initial corporate liberal tendency has evolved into a position more closely aligned with an internationalist strain of neoliberalism. Bilderberg mostly excluded organized labor by the mid 1990s while neoliberals like Michael Armacost, president of the Brookings Institution, have been welcomed.⁶⁰⁷

6.5.5 Case 30: Progressive Policy Institute

Like Heritage in the 1970s, the Progressive Policy Institute (PPI) seized political initiative in the 1980s and 1990s touting its “innovative” ideas.⁶⁰⁸ The Democratic Leadership Council (DLC), a lobby formed in 1985 by conservative and moderate “New Democrats”⁶⁰⁹ dismayed at the party’s lack of “new thinking,” created PPI to respond to the conservative labyrinth of idea factories.⁶¹⁰ DLC members believed that “the entitlement strain of liberalism” dominant in the party since 1972 had made it an easy target for the conservatives, resulting in Ronald Reagan’s landslide victory over Walter Mondale.⁶¹¹ Sensing the party was out of touch with the ordinary day-to-day concerns of many working Americans, New Democrats urged presidential and Congressional candidates to reconnect with the lives and values of ordinary

⁶⁰⁶ van der Pijl 1998:121

⁶⁰⁷ Carroll and Carson 2003:73

⁶⁰⁸ The DLC’s first paper, authored by vice president Robert J. Shapiro, described the minimum wage as “anachronistic” and “regressive”. (Shapiro quoted in Balz 1989)

⁶⁰⁹ Including Bill Clinton, then-Governor Chuck Robb (VA), then-Senators Sam Nunn (GA) and Al Gore (TN) (Baer 2001)

⁶¹⁰ Will Marshall quoted in Balz 1989

⁶¹¹ Baer 2001

families, especially by stressing the values of work and parental responsibility. The DLC hoped to broaden the centrist base of the party by developing a public philosophy that depicted both liberal Democrats and conservative Republicans as failed ideologies. The DLC got a cold reception from establishment Democrats.⁶¹² By 1988, its viability was questionable, but when George Bush Sr. defeated Michael Dukakis, the DLC reinvigorated its case that only its reformulation could save the party, and when its former chair Arkansas Governor Bill Clinton became U.S. President in 1992, it realized its greatest achievement.

The New Democrat movement recast the party in images of family and community integrity, and appealed to middle-class white voters who had voted in substantial majorities for Reagan and Bush (so called “Reagan Democrats”). The movement was successful in adapting to themes and images made popular by neoconservatives in the 1970s. Its message of “welfare to work,” parental responsibility, etc, won two presidential elections.

The DLC was also very conscious of how coherence and comprehensiveness enhanced the effectiveness of conservatives’ social diagnoses⁶¹³. The PPI articulates a rigid commitment to market discipline in almost every public policy area. Supporting this ideology is a rosy vision of the American economy in which “pioneers” build “new knowledge industries” in which workers may exchange “the mind-numbing drudgery of manual labor for jobs that allow them to think, create, and share in decisions.” The 1996 DLC “New Progressive Declaration” (reprinted in Marshall 1997) emphasized this positive vision of an economy that has tended to benefit mostly wealthy suburban voters⁶¹⁴.

⁶¹² The Democratic left held an anti DLC conference in 1986 with the slogan “Because one Republican Party is more than enough.” (Baer 2001)

⁶¹³ “I don’t think conservative ideology has triumphed, but what they say often has *the ring of empirical truth*. The conservative *critique* has been more *compelling*, but I’m not sure their prescriptions have been” (Will Marshall quoted in Balz 1989).

⁶¹⁴ Following the 1996 elections, the DLC/PPI turned further rightwards, urging privatization of Social Security and Medicare. Social Security: Following the 1996 elections, the DLC/PPI pushed for privatizing Social Security and

Clinton's relationship to the DLC/PPI demonstrates the loose coupling between decision makers and organizations. Once in office, Clinton was obviously less dependent on PPI resources, and therefore better able to position himself between the international financial institutions on the one hand, and the pro-labor, environmental, and consumer organizations pressuring from the left. Under the New Democrats, the party took away traditional Republican arguments by being able to promise both fiscal responsibility and increased social spending, and even some tax cuts, but they did this by conceding the necessity for balanced budgets. The new synthesis achieved by the assault on corporate liberalism included a shift in the Democratic Party to the agenda set out by conservatives. The successful shift of national and global politics rightwards redefined the "center" of acceptable debate, and forced Democrats into an adaptive mode in which they felt compelled to adopt the rhetoric and policies of conservatives.

6.6 Conclusion: Sloughing off modernism; ideology and the hard sell

In chapters 2-5, we saw corporate liberal tanks reflect the modernist belief in improving society through rational social science.⁶¹⁵ The guiding rationale of these organizations was not overtly ideological. They considered their mission above politics, championing objectivity, science and expertise over partisanship.⁶¹⁶ This approach contrasts with many of today's policy research organizations, which place a *twin emphasis* on political commitment (ideology) and public relations (marketing ideas heavily, or advocacy) replaced the veneer of neutrality that had proven so successfully in structuring the corporate liberal regime.

Medicare (Marshall 1997, ch. 4-5), which had grown "too expensive" to maintain. Wall Street salivated at the idea of a vast new influx for private investment portfolio managers. b. Welfare Reform c. Trade d. Environment

⁶¹⁵ See Rainbow 1989

⁶¹⁶ For Abelson (1986), the central question is whether tanks have remained faithful to the ideal of independence. He argues that Heritage clearly does not; Brookings more or less does, and so on. The question of how institutions so closely intertwined with national politics can in any way be 'above politics' is a difficult one to answer. The wide imbalance between conservative think tanks and their leftist counterparts is an important omission in Abelson's book.

However, it is incorrect to identify the 1970s, as many do, with the “politicization of think tanks”⁶¹⁷ since even the “disinterested” research during the Progressive years was on the whole every bit interested and value-laden as today’s free market advocacy tanks. The rhetorical struggle over which ideas societies ought to aspire to through policy is constitutive of the Modern project. At each historical turn in that project—from the invention of think tanks through the Cold War—we see a continual concern with advocacy, signaling the complex and contradictory efforts of agents in the political realm. The lapse of faith in state solutions thus exposed an ideological component of the social sciences obscured by the consensus that social science was a neutral guide to policy making.

What makes the post-1970s think tank era unique is not just right wing public relations techniques, or the shift by all tanks to be “much more self-conscious about getting the word out.”⁶¹⁸ What the sloughing of the rhetoric of neutral objectivity indicates is that pretense of neutrality and dispassionate research is simply no longer necessary to intensify capitalist economic development. From capital’s perspective, the intensification of a war of ideas through the political mobilization of business and the marketing of ideological think tanks was an appropriate response to systemic crises. The criteria for political judgment in this jungle of competing language games were up for grabs, as Lyotard might say.⁶¹⁹ If we receive the traditional view that Marx ‘turned Hegel on his head’ by promoting materialism over idealism, then we might say that free market think tanks have returned the production and circulation of intellectual credibility to the center as a motor force in history. An AEI “fellow” has all of the benefits and much of the prestige of academia without the burdensome tasks of teaching, grading, or going up for tenure. When congressional or news workers look for authoritative

⁶¹⁷ Cf. Frank Fischer and Forester 1993

⁶¹⁸ Former Brookings Institution president Bruce MacLaury, *The Hill*, September 20, 1995, p.14

⁶¹⁹ Jean Francois Lyotard, *Just Gaming*

expertise, a Heritage Foundation backgrounder or book can have as much sway as a peer-reviewed academic journal article or study. In this context it is not scientific expertise, but the “the political mood of the times, along with the persuasiveness or prestige of the policy advocate, [that] will usually be the primary determinants of the acceptability of a particular policy proposal.”⁶²⁰

Advocacy tanks’ remorseless politicization of research performs the very mode of production they hope to bring about—a pure free market. Capital has always recognized that ideas themselves are a sort of venture capital, but the advocacy think tanks intensify the process of thought “becoming capital.” By transferring the market metaphor to the realm of intellectual production, tanks forge a link between ideological commitment and marketing practices. A commitment to free enterprise allows for an unabashed self-image as an idea-pusher. Pure deference to the market makes it perfectly sensible to extend market logic to the realm of policy research. If the hand of the market best allocates resources, the marketplace should produce the highest quality, most truthful ideas. As former British Prime Minister Margaret Thatcher notes a triumphant section of Heritage’s 25-year anniversary annual report titled “Message from the President and Chairman,” “only truthful ideas – ideas that are in tune with the essential dignity of man – can prevail over the years.”⁶²¹

This highlights the key difference between traditional conservatism and the New Right: modern conservatism does not work to conserve the status quo, but to overturn a “liberal” status quo. Part of the structure of the conservative movement is an “otherness” which sees itself as perpetually crashing the gates of an elite establishment. Gingrich’s Republican Revolution of 1994 sees itself as the progeny of the American Revolution. The 1960s counterculture, urban

⁶²⁰ Fischer 1990: 160-1

⁶²¹ Heritage Foundation annual report, 1997, p.2

unrest, antiwar protests, the Great Society, and reformist social science convinced conservatives that a liberal establishment controlled country's government, civic, foundation, and media institutions.⁶²² Blumenthal points out even after Reagan's second landslide, conservatives

...self-consciousness as outsiders was not abated but intensified. They had traveled so far and yet still thought of themselves as a persecuted minority.... To the degree that the ideal world did not come to pass, conservatives credited the Liberal Establishment with insidious powers.⁶²³

Thus, although conservative think tanks compete for dollars, their personnel, rhetoric, and methods indicate a cooperative, if unspoken, arrangement. A division of labor operates in which traditionalists like Pat Buchanan maintain an anti-intellectual façade, while neoconservatives proudly embrace the technocratic pathos. Held together in a productive if sometimes-uncomfortable alliance, the movement simultaneously crashes the gates of the "liberal establishment" while claiming to defend western civilization against barbarian gatecrashers. Such informal coordination is also able to keep "two or three issues on the front burner at a given time."⁶²⁴ Stefancic and Delgado (1994:140) show how the same group of social policy tanks moved shifted from English only bills at the state then federal level, to immigration reform, speech codes and multicultural curricula, and finally affirmative action.⁶²⁵ Making efficient use of available talent whether the topic is social, foreign, or economic, tanks deploy key personalities from issue to issue as needed. The interchangeability of actors in conservatism further reinforces their sense that they are part of a movement, and should be ready to bounce around the television talking about tax cuts, preventive war, or abortion when called upon.

⁶²² See Evans 1965: 13-21

⁶²³ Blumenthal 1986:290

⁶²⁴ For example William Bennett and Jack Kemp, co-directors of Empower America and staunch opponents of illegal immigration, opposed California's Proposition 187. Other conservative opponents included representatives of Heritage, AEI, the Christian Coalition, the Alexis de Tocqueville Institution, and the Reason foundation (Stefancic and Delgado 1994:22).

This self-image conforms to a vision of the American experiment which sees the US as a land bounded by oceans and rivers, but perhaps more importantly by an idea: freedom (economic) for a class of mobile elites.⁶²⁶ America has always wanted to make the world safe for a small group of people to get very rich. After brief and unsuccessful experiments with social welfare from the New Deal to the Great Society, Americans have rejected the promises of liberal elites, and come back around to the *original* meaning of the American Revolution, the warm bosom of the free market.

Gingrich's revolutionaries remain comfortable in the knowledge that despite eight years of Bill Clinton, middle class austerity will continue to slouch towards the national agenda. Issues like health care, education, social security, and industry regulation might still spark popular opposition to the logic of profit, but the New Democrats phenomenon raises the possibility that the issue will be framed in terms of whether these programs will be cut back a little or a lot. New Democrats like Clinton and his neoliberal economists at the Progressive Policy Institute may in fact be the supreme achievement of the conservative movement, having allowed conservative ideas to hold sway *even when they are not in power*. The right continues to mold conservative democrats into neo-liberals who accept the unrestrained power of private property, downsizing, spending limits, laissez faire economics, and anti-union positions. The New Democrats, still stigmatized by the "liberal" label despite their rightward lurch, adopted the conservative definition of social reality and abandoned much hope of reforming capitalism through state intervention. As Teeple (1995:145) explains, the "entire economic and political foundation on which social democratic parties were able to promote capitalism as reformed is eroding, forcing them to accept what global capital requires, the neo-liberal agenda. As long as capitalism is

⁶²⁶ Christopher Lasch (1995) has described this as global class who share more in common with each other than with the citizens from their own countries.

accepted as the mode of production, there are few possibilities of going against the tide. In fact, there is no significant resistance on the part of any social democratic party or government in any industrial nation to this agenda.”

The paradigm ideas that under gird tank position papers follow the advice of F.A. Hayek, who implored conservatives to

Learn from the success of the socialists. That it was their courage to be Utopian which gained them the support of the intellectuals and thereby an influence on public opinion which is daily making possible what only recently seemed utterly remote.⁶²⁷

They frame issues to remove certain ideas from mainstream policy debate and political culture, and provide a utopian agenda from which a conservative administration can select depending on political exigency.⁶²⁸ Even when their proposals remained unimplemented, such as a flat tax or eliminating the Department of Education, the ideas stretch the bounds of the imaginable, and shift the acceptable terms of debate rightwards. By daring to provide an all-encompassing vision that dares to “think the unthinkable,” think tanks demonstrate the reach of conservative ideology.

Finally, the paradigm ideas hang together well. There is a seamless quality to their work. Cultural critiques of immigration, multiculturalism, and secularism appeal to the same middle class fears that animate economic critiques of government regulations, unionization, and international diplomacy, and all arguments work to deflect attention from the policies that generally favor concentrated corporate interests. The coherence of conservative ideas stems in part from the long view they take. While the ideas animating the Old Right of the 1950s and 1960s—anti-communism, the moral superiority of Western tradition, individual freedom and private property—found their way into the New Right amalgam of ideas, the new conservatives

⁶²⁷ Hayek 1967: 194

⁶²⁸ From a cross-national perspective, neoliberalism appears to be even less coherent than often assumed by both proponents and opponents, and more of a smorgasbord of paradigms and policies that can be cherry picked depending on their tactical and strategic value. See Campbell and Pedersen 2001.

believed their predecessors to be short on strategic thought. Conservative policy research groups learned the importance of incorporating a *long term*, strategic dimension, and began to create a policy framework, the paradigm ideas of globalization, which delimited both the available explanations of the crisis' causes, and its possible solutions.

In the next chapter, we will see how the neoliberal regime or “Washington consensus” experienced its own crisis in the 1990s, and how transnational think tanks associated with a “Global Justice Movement” attempted with limited success to capitalize on the crisis, while transnational capital think tanks spackled the fissures of the “Washington consensus.” It is to these developments in the field of policy expertise that I now turn.

7 Cracks and Spackles in the Global Governance Architecture

Bolstered by the ideological marketing strategies developed in tank networks throughout the 1970s, western governments and a growing transnational network of business friendly tanks pushed neoliberal policies through International Monetary Fund (IMF) and World Bank (WB) in the 1980s.⁶²⁹ When communism fell in 1989-1991, a palpably euphoric tank community triumphantly pronounced that history was over – and capitalism won.⁶³⁰ The Clinton-Blair ascent on a “Third Way” platform of free trade and welfare reform also demonstrated the rhetorical power of market piety.

The neoliberal regime was able to release the market from a host of states controls, and extend capital into new areas of social and natural life. A technologically innovative type of capital accumulation rooted in instant communication between financial markets and floating currency rates empowered a new sector of business actors. Where both the U.S. and UK had lost ground in productive capital in the 1970s and 1980s, they were able to use the new prominence of financial capital to build a strong position through neoliberal restructuring of developing economies, a significant expansion of loan capital in London “Euro” markets, and investment in “virtual accumulation.” World Bank Chief Economist for South Asia (1996-1999) John Williamson coined the term that stuck to the 1990s financial regime—the “Washington consensus.”⁶³¹

The “end of history” thesis began to crack with elite and popular challenges to a pure free market in investment, trade, development, and finance. These challenges to the Washington

⁶²⁹ “Structural adjustment policies” conditioned development and balance of payments loans to developing countries on reductions in basic social services (food, health, education), privatization of state companies, reducing taxes and tariffs on imports), export-led development (exploiting cheap labor and natural resources; versus subsistence/sustainable economies), currency devaluation, and limiting labor power.

⁶³⁰ I call this the “globalization thesis.” Cf. Thomas Friedman’s *The Lexus and the Olive Tree* (1999), Mort Zuckerman’s “A Second American Century,” *Foreign Affairs* 77:3 (1998), Francis Fukuyama’s *The End of History* (1989).

⁶³¹ Williamson 1990

consensus called the ability of the regime to secure the stability of the global system into question. Pithy statements about the end of history became less tenable as the financial crises in the 1990s⁶³² cast shadows on rosy visions of globalization, and led even hardcore neoclassical economists to reconsider of the IMF headlong dive into financial deregulation. The triumph of neoliberalism generated new forms of resistance. A “global justice movement” (GJM) disenchanted with neoliberal governance institutions⁶³³ mobilized broad coalitions to defeat the Multilateral Agreement on Investment (1998), shut down the World Trade Organization (WTO) meeting of ministers from its 134 member countries in Seattle (1999), and alter World Bank debt and development policies. The confluence of these popular and elite challenges to capitalist development constituted the first “legitimacy crisis” of the post-Cold War global governance complex, and reshuffled the tank field once again.

7.1 Transnational tanks and global governance

Major national and transnational tanks and global governance institutions form a network in which global business elites cohered on strategy and tactics to translate collective will into a global synchronization of finance, investment, and trade, state policy. Their pronouncements, recommendations, and dictates are an elite management strategy propelling the apparently inevitable process of globalization. These groups are engines of transnational capitalist class formation. They foster the intellectual and moral leadership essential to the abiding effort to transmute transnational elite classes into representatives of a “general interest.”

⁶³² These include Mexico (1995), Asia (1997), and Russia and Brazil (1998)

⁶³³ Groups mobilized to defeat the Multilateral Agreement on Investment in 1998, prevent the World Trade Organization’s ministers meeting in Seattle in 1999, and extract significant concessions from the World Bank and International Monetary Fund.

Network analysis,⁶³⁴ case studies⁶³⁵ and other analyses⁶³⁶ at the global level suggest corporate directors at the center of the think tank field, and interlocking directorates and overlapping membership among think tanks, create an inner circle of policy planning and contribute significantly to transnational corporate-elite integration. Fennema's (1982)⁶³⁷ study of interlocking bank and industry directorates between 1976 and 1996 extended Useem (1984) and Domhoff's (1998) network analysis (which gave empirical support for the notion of elite integration at the national level) to outline a transnational "kind of superstructure that rests on rather resilient national bases."⁶³⁸ More recently, Robinson and Harris find a transnational capitalist class whose "organic composition, objective position and subjective constitution" is "no longer tied to the nation state."⁶³⁹ Carroll and Carson map the "social structure of the global corporate elite, the collection of leading corporate directors who participate in the network of major corporations and transnational policy groups" like the World Economic Forum and Trilateral Commission. They find that Van der Pijl's (1984) notion of a North Atlantic ruling class still holds, that elements of fragmentation within neoliberalism "barely register,"⁶⁴⁰ that "a well-integrated global corporate elite or business community has formed, and that global policy groups have been instrumental in its formation."⁶⁴¹

⁶³⁴ Carroll and Carson 2003:97. In this study TC, along with other neoliberal internationalist (they use the term "structural neoliberalism") groups like WEF and the World Business Council on Sustainable Development "are deeply enmeshed within the corporate elite. They are substantially interlocked with each other as well as with common corporate boards..." TC in particular emerges as a central node for transnational corporate elite integration. It finds that "a few dozen cosmopolitans—primarily men based in Europe and North America and actively engaged in corporate management—knit the corporate-policy network together by participating in transnational interlocking and/or multiple policy groups. This inner circle creates the interlocks that make the network a transnational formation. A mere 17 corporate directors, some of whom serve on as many as four policy boards, create a plethora of relations among policy groups."

⁶³⁵ Gill 1990

⁶³⁶ Van der Pijl 1998

⁶³⁷ Fennema 1982

⁶³⁸ 2002:14

⁶³⁹ Robinson and Harris 2000:14

⁶⁴⁰ Carroll and Carson 2003:77, 98

⁶⁴¹ 2003:98

In facilitating an adaptable elite consensus, these entities act as Gramsci's "collective intellectuals" of the capitalist class "entrusted with the activity of organizing the general system of relationships external to...business itself."⁶⁴² The social structure that links corporate and policy elites allows capitalists to rise above immediate economic interests to take up "enlightened" concerns of global system stability. Van der Pijl (1998:5), Cox (1987), Gill (1990, 1992) and Overbeek and van der Pijl (1993) all emphasize the role of policy planning groups in developing the long term vision necessary for transnational capitalist class formation under conditions of restructuring and stabilizing capitalist fractions.

Transnational business tanks integrate globally economic, social, and political life into a "global governance" complex of authoritative state actors and nonstate actors including nongovernmental organizations and a denationalized capital class of international and national finance bankers. This is not the "integrated planning" instituted by Wilson through the War Industries Board or FDR through National Resources Planning Board, but is a type of planning nonetheless, visible at the level of the policy field as a whole. As Robert Cox argues, "There is no explicit political or authority structure for the global economy, there is, nevertheless, something there that remains to be deciphered, something that could be described by the French word *nebuleuse* or by the notion of "governance without government"⁶⁴³.

7.1.1 Case 31: World Economic Forum

The World Economic Forum (WEF) is today the largest such forum. It brings together the ascendant classes of developing states with the established elites of capitalism's core states. Begun in 1971 by Swiss business policy expert Klaus Schwab, its yearly forum in Davos, Switzerland brings world leaders in business and politics together on the assumption that "the best way to achieve progress is through interaction among those who really carry the

⁶⁴² Gramsci 1971:6

⁶⁴³ Cox 1996: 301

responsibility.” It is a key institutional nexus for the elaboration of neoliberal ideas and strategies, a comprehensive transnational body for the debate and creation of hegemonic concepts. Its membership includes foundation members, economic “partners” in government and international organizations, chief executives of industry, editors-in-chief and commentators from major media, academics and experts in social science and technological fields, and distinguished cultural and arts leaders. The membership structure is exclusive, “subject to strict conditions of admission in order to preserve their peer character,” and “participation in the activities of the WEF is reserved for its members and constituents...special guests [may be allowed] if their presence creates additional value for other members.”⁶⁴⁴ This structure ensures that participation occurs only among those that share or conform to WEF principles. It limits its elite “Foundation Membership” core to “1,000 of the foremost global enterprises, but its invited “constituents” include a wide range of scientific, academic, media, public, and NGO elites that participate in various work groups in WEF.⁶⁴⁵

By bringing together the established leaders of core American and European states with sympathetic elites in developing and newly industrialized states, WEF functions to integrate a “class-conscious transnational bourgeoisie.”⁶⁴⁶ According to its founder Schwab and managing director Claude Smadja, WEF is necessary due to the exigencies wrought by the global network society:

[The] economic globalization and the information-technologies revolution [is] a quantum leap from what we are used to.... It tests the to the limit the ability of political and economic leaders to manage repercussions of the changes.⁶⁴⁷

The WEF operates squarely within the neoliberal paradigm, urging competition as an inherent value promoted by further opening social and natural life to market discipline. Its general

⁶⁴⁴ Quoted in the July/August 1994 edition of WEF’s bimonthly publication *World Link*.

⁶⁴⁵ <http://members.weforum.org/site/homepublic.nsf/Content/Our+Organization%5CForum+Centres>

⁶⁴⁶ Quoted in Robinson, W.I. 1992:8

⁶⁴⁷ *International Herald Tribune*, January 30, 1997

tendency had been towards pure free market ideas, but as we shall see below, in response to the growing capitalist crises and globalization backlash of the 1990s, including surging worker strikes in France beginning in December 1995, WEF went further than TC in seeking a kinder gentler neoliberal variant.

7.2 Financial capital flows and the 1997-1998 Asian Economic “Flu”

In the summer of 1997, Thailand experienced a financial crisis that spread like a flu through Southeast Asia, then Russia, and Brazil. In the herd mentality characteristic of international investors⁶⁴⁸ panic selling ensued when the Thai baht began to devalue in August, sending the currency into freefall. The fears and selling quickly spread to regional countries (South Korea, Malaysia, Indonesia, Philippines) whose currencies devalued up to 80 percent in a matter of months. This sent Asian currency markets into free-fall, and prompted massive panic by foreign investors who quickly sold off stocks and bonds.

The IMF and U.S. Treasury quickly put together largest financial rescue plan in history, superseding the Mexico bailout of 1995⁶⁴⁹. To rebuild business confidence and persuade foreign investors to return, the IMF, World Bank, and other institutions sent \$120 billion to South Korea, Thailand, Indonesia, and the Philippines to help pay billions owed to European, U.S., and

⁶⁴⁸ Friedman 1999

⁶⁴⁹The bailout passed by large majority in Senate in March 1998, but not without firm opposition from both the left and the right, who challenged \$18 billion U.S. contribution to the IMF as taxpayer money to bail out international banks for bad investments. In the House, most opposition came from Republicans who argued the very existence of the IMF violated free market principles. Democrats like David Bonior (MI) and Barney Frank (MA) signed on condition that IMF pay more attention to labor and environmental issues. In response, the Treasury established an advisory panel for business and labor in the U.S. to review IMF programs. The global collapse a la ‘29-’32 was a representative anecdote for those wishing to justify bailouts. It became increasingly clear around the world that “rescue” of Asia was not for working people, but to make sure various countries could service their debt obligations to the same big foreign institutional speculators who had precipitated the crisis in the first place. Critics saw every crisis bailout leading to more speculation, and a bigger crisis later, resulting in perpetual indulgence towards rentiers – a vicious cycle that enriches handful of banks/brokerage houses, and increases their stranglehold over governments around the world.

Japanese banks. In return, the four countries agreed to restructure their economies, which meant shutting down insolvent businesses/banks, ending monopolies, phasing out restrictions on investment, and opening markets to even more foreign capital⁶⁵⁰. The IMF rescue effort -- loans conditioned on high interest rates, cutting government spending, and raising taxes—were unable to stem the outflow of foreign currency. As the IMF would come to admit itself, its actions had probably exacerbated regional instability by shrinking Japan’s most important regional export markets. Millions of laid off workers suffered serious hardship and impoverishment. As foreign companies bought Asian assets in massive amounts, states phased out controls on food prices and other goods, and food riots resulted in the overthrow of Suharto regime in Indonesia.

The crisis became an opportunity for centrist and ideological U.S. think tanks, the IMF and World Bank, and policy-focused NGOs in the countries most impacted by the crisis to rethink the pace of financial capital transactions between countries. The currency collapse surprised most economists, since for years the rapid growth in Korea, Malaysia, Indonesia, Thailand, Singapore, and Taiwan had engendered an image of Asia as a “miracle” growth region. The shock was severe enough to provoke a serious controversy over global governance in rarefied government and expert forums, the first in decades, opening the 20-year commitment to freeing international financial transactions to serious modification.

The most visible criticism of IMF piety within the global governance complex was World Bank Chief Economist Joseph Stiglitz’ accusation that when Asian banks began to topple as a result of a glut in real estate and slowdown in exports, the IMF made things worse by requiring austerity, when it should have stimulated the economies through social spending. On 15 September 1998 at the presentation of the WB’s annual “World Development Review”

⁶⁵⁰ Then Treasury Secretary Robert Rubin argued the IMF bailout was needed to restore economic stability and prevent a broader crisis that could affect the U.S. He also warned that social unrest could lead to U.S. military involvement.

document, Stiglitz noted that state intervention, not the orthodox prescriptions of austerity, privatization, and deregulation, facilitated East Asia's rapid growth. He also blamed the 1997 financial crisis on reckless private investors, not, as free market tanks (e.g., IIE) had argued, a lack of market liberalization or crony capitalism. He also pointed to "a fundamental change in mindset on the issue of short-term capital flows and these kinds of interventions – a change in the mind set that began two years ago."

Economists at mainstream publications such as *Businessweek* and *The Economist* echoed Stiglitz' blunt accusation that structural adjustment policies had exacerbated the crisis, and urged states to intervene to control capital flight. Authority still rested with US Trade Representative Lawrence Summers, who remained committed to an unrestrained free marketer-ism, but the open reconsideration of the globalization thesis meant the free market honeymoon was over. As Institute for Policy Studies President John Cavanagh put it, "Even though economies recovered somewhat, and the financial indicators are better, the most commentators, including elites, agree it's not good idea to run global finance like a casino."⁶⁵¹

7.2.1 Spackling cracks in the globalization thesis

The IMF and sympathetic think tanks worked overtime to entice politicians and the public to neoliberal ideas in the face of its increasingly unappealing side effects in advanced capitalist countries, as well as the rest of the world. Mainstream think tanks, whether they specialize in international trade and finance issues (IIE) or have research wings devoted to the issue (Brookings, AEI), continued to represent globalization as an inevitable *telos* with objective constraints, and understand opposition to globalization as an obstacle to be overcome.

IIE and other market ideologues saw the answer to financial crises to be more liberalization, not less, and used the Asian crisis to *discredit* state intervention. C. Fred Bergsten

⁶⁵¹ Cavanagh, interview by Amos Tevelow 1999

of IIE was explicit about “putting protectionist forces on the defensive” in order to “keep the bicycle [of free trade] moving,” lest it tip over from lack of inertia. The economists at Brookings also did not view the Asian flu as necessitating drastic reforms. The lesson taken was that the financial architecture should be amended only insofar as to “prevent and better manage” future crises committed to amending the Washington consensus rather than overturning it. *Globaphobia*, a pamphlet from the director of the economic studies program, Robert Litan, billed as a “common sense” rebuttal to those who fear globalization, depicted such thinking.⁶⁵² In a radio roundtable with Diane Rhem, Litan explained that capitalism is not “coming apart at the seams” (a reference to a comment by George Soros), rather “crony capitalism” is faltering, or, as in the case of Russia, they “never tried capitalism” really. In the same program, Catherine Mann of Brookings cautions against killing “the golden goose” of globalization, since its rapid growth and low inflation benefits everyone. Litan attributed increasing inequalities in wages and wealth over the past twenty-five years to technological change instead of globalization per se, and while willing to tolerate some controls on foreign currency borrowing, did not see the need for any sweeping reform.

The response of tanks sponsored by the international financial community was even less surprising. In a formal letter in April 1997, 2 months before Asian crisis, the Institute of International Finance (IIF), Washington, D.C. based think tank representing interests of some

⁶⁵² Brookings Institution Forum, [Asian recovery: is it for real?](#) Fri September 24, 1999. The discussion foregrounded questions of a surprising recovery in Asia. The participants were Michael Armacost (Brookings’ current president, former U.S. ambassador to Japan and the Philippines, and under secretary of state for political affairs), Robert Hormats (vice chairman for powerhouse investment firm Goldman Sachs), C.H. Kwan (visiting fellow in Brookings’ Center for Northeast Asian Policy Studies, and senior economist at Japan’s Nomura Research Institute), Edward Lincoln (Brookings senior fellow and author of *Japan’s Unequal Trade*), and Robert Litan (vice president and director of the Economic Studies Program at Brookings). In his opening statements, Armacost signalled his support for China’s entry into the WTO, and expressed wariness of “protectionist sentiments” in Congress. Robert Hormats commented that even though China’s insulation protected it, China recognized the crisis as a message, and is reforming/restructuring their own banking system (setting up asset management companies like Korea’s KAMCO, and U.S.’ RTC). C.H. Kwan argued that China’s lack of a liberal foreign exchange rate (tight controls on inflow and outflow of capital; no convertibility on capital accounts) protected it from the crisis.

290 global banks and brokerage houses urged the IMF to counter upward exchange rate pressures by allowing national currencies to slide. Just such a policy would contribute to the coming crisis, but one would not find IIF issuing any apologies. Instead, in April 1998, IIF proposed a “Private Sector Advisory Council” to act as a “watchdog” of the IMF. The intent was to strengthen private sector involvement in crisis management through a sort of power sharing between the IMF and global banks, and to transform IMF from an intergovernmental body to a bureaucracy serving global banks. To IIF, “transparency” means access to the details of IMF negotiations with member governments reason they want access to details of IMF negotiations with member governments as a way to strategize assaults on financial markets before and after IMF bailout agreements.

7.2.2 The IMF response

Rather than take responsibility for creating the conditions underlying the 1997 East Asian financial crisis, IMF leadership tried to spin the Asian crisis as a rebuke to “crony capitalism.” However, when IMF solutions seem to exacerbate the problem, economists in elite forums decried the “excesses” that external critics had been voicing for twenty years (and internal critics, famously WB Chief Economist Joseph Stiglitz, more recently). The failed IMF response led to a genuine debate among mainstream economists on the ability of the free market to mitigate the dislocations resulting from globalization.⁶⁵³ The notion that free markets and reduced government will not work if not embedded in civil society institutions began to emerge.

It produced deep self-questioning among officials and think tankers who had advocated neoliberalism in the region for years, who now had to admit that a less ideologically driven approach might have produced a better response.⁶⁵⁴ The Asian flu started a debate in the economics profession over whether markets were too open. The result of the debate was a

⁶⁵³ E.g. Rodrik, 1997; Krugman, 1999.

⁶⁵⁴ Kristof and Sanger 2003

consensus strongly around free trade, even though citizens have halted their agenda (fast track, MAI). The consensus around financial liberalization was much more porous. A new consensus emerged that recognized governments' needs to put controls on short-term international borrowing, lending, investment, and conversion of currencies. Advocates believed such "capital controls" would allow governments the flexibility to restrict the amount domestic banks and firms could borrow in foreign currency, especially in the short-term.

Where the bulk of opinion among economists and policy networks had been that currency controls cause "distortions" in the "natural" prices of the market, high profile statements began to veer away.⁶⁵⁵ Following internal and external criticisms, the IMF conceded its handling of the Asian crisis was wrong.

Mainstream economists who limited their definition of the "Washington Consensus" to the steadfast commitment by the IMF to liberalize portfolio investment rapidly (a group that includes the economist who coined the term)⁶⁵⁶ was careful to limit their criticism of the system to opposing further opening capital accounts. However, IIE economist John Williamson would come to regret that the terminology he coined⁶⁵⁷ "invited the interpretation that ideas emanating from Washington were being imposed on developing countries (2000). Williamson has said his ideas were "caricatured" by "those who have lost the intellectual war" to "re-fight the battles that seemed to... have been decisively settled."⁶⁵⁸

⁶⁵⁵ "On the finance side you saw these big cracks in the actual consensus, Joe Stiglitz (wb), etc. saying the unthinkable, which is that govt has a role in putting some constraints on capital," Cavanagh, interview.

⁶⁵⁶ Williamson 1994: 26-28

⁶⁵⁷ Williamson 1994: 26-8

⁶⁵⁸ "I regret my choice of terminology in part because I do not believe that there was anything special about the extent to which views had coalesced in Washington; actually I think it more interesting that a similar intellectual evolution had occurred among the economists and policy makers in many developing countries.... It is doubtless too late to restore the term to its original meaning, but I would at least ask of those who use the term in this populist way that they have the integrity to recognize that others have used it differently" (2000). Williamson also said he meant to describe a consensus around the parts of Neoliberalism that had survived the end of the Reagan-Thatcher political regime (such as privatization and a recognition of the positive role markets can play) rather than extremist

He was referring to the ability of NGO networks, connected through both strong and weak ties to the global protest movement, to expand the meaning of “Washington consensus” to a geographical metonym for the whole array of policy prescriptions uttered with orthodox regularity by the IMF and its most influential shareholder, the U.S. Treasury Department.⁶⁵⁹ More broadly, they used the moniker signified predictable statements issued by the World Bank, Davos Forum, WTO, G-7, and key think tanks and public relations firms. These institutions’ policy positions, argued the protesters, worked generally to reduce public control over development by restricting states from acting to manage their own economies.

7.2.3 Case 32: Hong Kong based Regional NGOs

Regional policy elites in Latin America and East Asia reacted to the crisis by developing increasingly negative attitudes towards IMF-US Treasury prescriptions. For policy researchers and analysts in the areas affected by the crisis, a fundamental question was to what extent flaws in structure of the international economic order were responsible for the crisis, and for the increasing gap in global income distribution.

From June 15-18 1998, 25 representatives from local and regional NGOs in Thailand, Korea, Indonesia, Philippines, Malaysia, and Hong Kong, met at the Hong Kong YMCA on the theme “Financial Crisis: Our Response.” The Final Statement issued by the attendees⁶⁶⁰ offers an analysis of the crisis very different from that put forth by the IMF defenders.

Where the IMF thought the “currency crisis” would only require a minor tune up in financial transparency, a network of Pacific Rim NGOs emphasized the IMF and U.S. Treasury’s continuing commitment to the view that global economic growth is best promoted through more

versions that “would certainly not command a consensus in Washington or anywhere else except a few “right-wing think tanks” (such as a fixed growth rate in the money supply, or the idea that re-distributive taxation amounts to plunder), (2000).

⁶⁵⁹ IMF decision making authority is distributed according to the member nations’ contributions to the fund.

⁶⁶⁰ Regional NGOs in Hong Kong (1998)

open trade, export oriented growth, deregulation, and liberalization of financial markets. The participants described the situation as

...not just a financial crisis but an economic crisis.... While it is true that the crisis first made itself known in the Asian monetary values and exchange rates, participants of this conference do not believe that it is simply a currency crisis. It is a crisis of the *economic structures and paradigms* promoted by the economic elites, the multilateral financial institutions such as the IMF and WB and the governments subservient to their interests.⁶⁶¹

By broadening the analysis from currency to paradigms, the NGOs offer a picture that called into question the very basis of the global economic system. The roots of the crisis are not merely financial, but are

...related to the kind of economic models that many Asian societies have been pursuing for many years, the inability of national governments to exercise leadership that is responsive to people's needs and interests, the dominant role that multilateral financial institutions have had in shaping economic and social policies of Asian countries, and the entire globalization process which has aggressively pushed for 'free market' economic policies and practices worldwide in the service of global capital and the economic elite.⁶⁶²

From the Hong Kong NGOs perspective, a solution that reoriented policies towards meeting basic needs lied in hands of grassroots organizations, and the Asian people who were the victims and real stakeholders in the crisis.

The Hong Kong TT group rejected the major western media's most frequent explanation of the crisis. They argued that the "cronyism" explanation concealed the involvement of the IMF/WB and financial speculators in the collapse of East Asian economies.⁶⁶³ Instead, they the real culprit to be the integration of national economies in a system of economic liberalization, structural adjustment programs, export-oriented growth, and profits for the few, in other words, globalization itself. They refer to "elites and the private sector" who seek to profiteer from currency fluctuations, exacerbate instability through speculation, and then force governments and the people to bail out the accumulated debt burden.

⁶⁶¹ Ibid p.1-2, my emphasis

⁶⁶² Ibid p.1

⁶⁶³ Corporate Watch, 10/28/99, "Global Financial Crisis", www.corpwatch.org/trac/globalization/financial/

The Hong Kong tank group did identify a *certain type* of cronyism—“poor governance” and “no substantive democracy”—as structural causes. By this, they meant that the authoritarian regimes remaining in the region after de-colonization in the 1950s and 1960s had integrated their countries into the world market by using education, military violence, media, and meaningless general elections to repress politics and labor unions. The Asian high growth “miracle” depended precisely on export-led development policies crafted by a tiny group of elites exercising social control. The Hong Kong group argued that the identical strategies that built up the image of Asia as a model for developing countries pushed the Asian economies over the edge. They decried US analysts who hypocritically denounced the corruption and opacity of Asian capitalism even though they made big investments and raved about the “Asian Miracle” before the decline, and then, “posing as saviors,”⁶⁶⁴ enacted the same policies short-term recovery programs and bail out packages⁶⁶⁵ in what amounted to a form of re-colonization. What the Asian flu showed the Hong Kong think tank was that dictatorial regimes can no longer handle the situation, and therefore participatory democracy should be a key policy concern.

The NGOs referred to China and in particular, Malaysia as representative anecdotes of what countries could do by resisting incorporation into the global regime. Mahathir used George Soros to personify a system of capital flows run by a small number of hedge fund managers whose profits came from relatively small differentials in currencies produced by sudden outflows of capital, often to the detriment of the affected countries, and that therefore capital controls were

⁶⁶⁴ Hong Kong NGOs, p.1

⁶⁶⁵ These policies and their effects were: 1) capital accounts liberalization, deemed necessary by the IMF to encourage foreign capital to finance economic projects at growth rates, led to massive short-term capital flight and rendered the economy vulnerable to sudden movements 2) high interest rate regimes espoused for years by the IMF as a way to attract foreign capital, fueled speculative economic activity and undermined domestic production 3) the privatization promoted to raise government revenues by commercializing public services undermined safety nets for the poor 4) trade liberalization was pursued to stimulate market, but marginalized small producers and consumers.

necessary. At the time, he was ridiculed; conventional economics had it that such controls would devastate the economy. However, when IMF/WB actions backfired in other parts of Asia, while Malaysia (and China) remained relatively secure, the necessity of capital controls received near universal acknowledgement, and the country showed what you could do if you rejected IMF prescriptions. The Malaysian case refocused from the Asia-specific roots of the crisis to alleged defects in the international system, allowing Mahathir and others to depict the crisis as originating from the failure of the international financial architecture structures to manage international currency flows.

7.2.4 Case 33: Liberal left think tanks

Liberal left tanks mirrored the GJM critiques of the international financial architecture in that they addressed root causes and proposed radical change. They point out that as productivity has increased fifty percent in the past thirty years, the social safety net, standard of living, and average wage have declined.

The Campaign for America's Future (CAF) launched in the summer of 1996 to counterbalance the DLC's economic conservatism with a populist message that promoted unionization, workplace reforms, restrictions on corporate power, and an international trade regime to protect Americans' wages and benefits. Along with the EPI, the CAF provided a much less rosy picture of employment in the United States: "Inequality has risen to heights not seen since before the Great Depression. CEO salaries have soared, while wages have fallen.... America, which once grew together, is now growing apart."⁶⁶⁶

The Center for Budget and Policy Priorities (CBPP) suggested an acknowledgement that deregulation of financial markets is a problem, not a solution, and substantial IMF reform to prevent sudden flights of capital. Proposals in labor and progressive organizations include a

⁶⁶⁶ As quoted in Greenberg and Skocpol 1997:4.

“Tobin” transaction tax,⁶⁶⁷ a requirement that capital remain for at least a year,⁶⁶⁸ an International Credit Insurance Corporation,⁶⁶⁹ making IMF procedures more transparent, and conditioning future IMF lending on political reforms in recipient countries.

The Center for Economic Policy and Research (CEPR) is a D.C. based nonprofit organization dedicated to explaining the impact of economic policies on the least advantaged in the U.S. and around the world. It seeks to counter the intuition on the part of most who write about the issue that “globalization is an inevitable, technologically driven process that is increasing commercial and political relations between people of different countries [and]... it is not only a natural phenomenon, but primarily good for the world....”⁶⁷⁰ Like the Hong Kong regional NGOs, the CEPR identified the main cause of the Asian crisis as

...the international financial ‘liberalization’ of the previous decade. In other words banks, other financial institutions, and corporations in South Korea, Indonesia, and elsewhere were allowed to borrow large amounts of money in international markets. Furthermore, a large proportion of this debt was short-term debt. This created the situation in which a falling currency sets off a panic: investors, both foreign and domestic, have reason to fear that they will not be able to convert their domestic currency into ‘hard’ currency -- e.g. dollars or yet. As everyone heads for the exits, the government runs low on foreign exchange reserves -- these are sums of foreign currency held by the central bank. This causes even more panic and further downward spiraling of the domestic currency.⁶⁷¹

7.3 The Multilateral Agreement on Investment

Objections from developing countries prevented rules for direct foreign investment from being included in the postwar General Agreement on Tariffs and Trade (GATT), and at its renegotiation in the Uruguay Round in the 1990s. After failing to incorporate direct investment rules in 1995, industrialized states shifted discussions to a friendlier institutional context, the

⁶⁶⁷ This is a small tax on overseas capital flows used as an emergency fund for future crises.

⁶⁶⁸ Chile

⁶⁶⁹ George Soros’ idea to force banks to finance a private bailout fund.

⁶⁷⁰ Weisbrot 1999

⁶⁷¹ Weisbrot 1999

OECD, which had been studying and preparing for negotiations to liberalize investment rules since 1991.⁶⁷²

However, a Multilateral Agreement on Investment (MAI) agreement never came. Negotiations collapsed towards the end of 1998 after delays caused by intense public scrutiny. The international campaign to defeat the MAI exemplifies the ways that heterogeneous NGOs in different countries can draw on and build bonds of trust through social mobilization activities based on shared values. Someone leaked a draft text of the MAI in February 1997. A network of NGOs took informal leadership positions and quickly distributed the text with analysis through email lists.⁶⁷³ Feeling purposely excluded from negotiations, and outraged at the antidemocratic terms of agreement, a coalition of over 600 NGOs banded together with sympathetic politicians and trade unions dedicated to halting the MAI negotiations by publicly exposing its flaws.⁶⁷⁴

One explanation of the MAI failure is an accumulation of distrust between the OECD and civil society, due to OECD structural consultation procedures. Its 1960 convention mandates OECD act more like a think tank to promote “the further expansion of world trade.”⁶⁷⁵ OECD has a limited tradition of negotiation and no official role for NGOs.⁶⁷⁶ An independent Negotiating Group bypassed any ties environmental, fair trade, and human rights NGOs might have to OECD committees. The Negotiating Group was a homogeneous group of investment experts, policy makers and diplomats sent by the member countries, and business and trade union

⁶⁷² Tieleman 2000:8

⁶⁷³ Martin Khor of the Third World Network obtained a document from the May 1995 OECD Ministerial Meeting indicating that multilateral investment negotiations might proceed in the OECD. Khor passed this information out to various colleagues, including Tony Clarke of Canada’s Polaris Institute in Canada. Clarke got a draft of the MAI, translated it into a readable document, and posted on an international email distribution list, along with his own analysis and interpretation. Lori Wallach of Public Citizen’s Global Trade Watch engaged in similar interpretive efforts (Tieleman 2000: 12-13).

⁶⁷⁴ Tieleman 2000: 8-15

⁶⁷⁵ OECD 1960

⁶⁷⁶ Business has permanent representation in the OECD through the Business Advisory Committee (BIAC), labor through the Trade Union Advisory Committee (TUAC) (Tieleman 2000: 6).

representatives who, as Dutch assistant chair Huner observed, "...were not used to viewing from a political perspective the concepts that they consider logical and essential parts of an investment discipline."⁶⁷⁷ Seeing their actions as largely technical in nature, the negotiators saw the benefits of the treaty as obvious, and the controversy genuinely surprised them. They also clearly underestimated NGOs capacities to coordinate an international campaign to educate and mobilize citizens and public officials.

When negotiators invited NGO participation in late October, mistrust was so deep that most decided to fight the MAI instead of consult. Even though OECD signaled its openness to incorporating environmental and labor considerations for the first time into an investment treaty, NGOs felt that their involvement would merely legitimate a pre-decided agenda. When solicited for a seminar with business and labor a year later,⁶⁷⁸ many in the NGO network were not even on speaking terms with OECD negotiators, and saw the meeting as designed to split the movement. They reasoned that since the OECD had seen fit to meet with transnational corporations rather than civil society groups for two years, NGOs could not trust it to take their concerns seriously now.⁶⁷⁹

Had the OECD respected the competencies of NGOs, they might have channeled regular and accessible information back and forth in a continuous accountability system. Instead, a spiral of mistrust led to a campaign to "kill the MAI." When the MAI was finally pulled, activists hailed it a victory of millions of web-based Davids versus Goliath, and it became a representative anecdote of a sort of ideal form of public participation characterized by publicity and information-sharing activities of informally-linked NGO networks, representing diverse geographic zones, to achieve legislative victories.

⁶⁷⁷ Huner 1998: 1

⁶⁷⁸ December 2, 1998.

⁶⁷⁹ Tieleman 2000:16

7.4 The WTO “Battle in Seattle”

Transnational justice tanks saw the mobilization against the MAI as a proving ground for the 1999 WTO meeting in Seattle. The meeting of trade ministers from its 134 member countries, the largest such meeting ever in the U.S., mobilized a broad base of environmental, labor, human rights, and other groups to protest in large numbers. The “mobilization against corporate globalization” marked a significant expansion of trade and other global governance controversies from elite policy circles into popular awareness. Extensive press attention enabled protesters to publicize the argument that the WTO, which came into existence with little fanfare four years earlier, favored corporations over developing countries and workers in developed countries. NGOs in the “50 Years is Enough” network viewed the WTO as extending privatization and deregulation from finance into trade by making IMF-style conditions into prerequisites for entry into the world market.⁶⁸⁰ Activists also pointed out that the authority to determine whether national laws on things like environmental protection and labor standards violate international trade rule infringed on the sovereignty of all nations because it shifted the burden of proof on to *countries* to prove that their regulations did not infringe on rights of transnational corporations.⁶⁸¹

The international business community took seriously the widespread resistance to neoliberalism, and the need to counter the rhetoric of the global backlash.⁶⁸² They worried that, on the heels of the campaigns to defeat MAI and “fast track” authority for the president, a stream of news stories about protest preparations for protests and activists “stunts” would mean that

⁶⁸⁰ Activists in the American continents similarly viewed Free Trade Agreement of the Americas embodies the market fundamentalism found in the IMF, WB, and WTO. It is the latest codification of the similar structural adjustment rules and enforcement mechanisms, allowing corporations, for example, to sue governments that impose pollution regulations on factories.

⁶⁸¹ Protest NGOs pointed out for example that in 1997 under the WTO Venezuelan gasoline producers successfully challenged the EPA’s standards on gasoline quality at WTO, and in 1998 the Endangered Species Act sea turtles protection from shrimp fishing boat nets was overturned by WTO as unfair trade practice.

⁶⁸² French 2000: 168-9

business views would not receive equal coverage. Concerned over the effect media coverage of protesters “wearing rubber chicken suits and rappelling down the Space Needle,” and disappointed at the reluctance of the Clinton administration Host Committee to take on the job of “message” aggressively, big companies and trade associations sent PR tanks to engage in a war of words to defend free trade principles. US Trade⁶⁸³ and the U.S. Alliance for Trade Expansion (USATE)⁶⁸⁴ arrived in Seattle to “provide a reasoned and rational explanation of the benefits of global trade expansion to both workers and consumers.” They dismissed the protesters claims as irrational explanations of the disadvantages of global trade to workers and consumers. Scot Montrey, spokesperson for the USATE, said they wanted to make “sure a lot of the crazy things they say don’t go unanswered.... All you have to do is read the newspaper to know that the anti-WTO forces have been more effective, thus far, than we have, and that’s why we’re here.”⁶⁸⁵

US Trade took a less nuts-and-bolts approach than USATE, focusing on general benefits of free trade rather than the technicalities involved in the WTO. Chairman Scott Miller was candid about the hegemonic need to represent specific business interests as universal values:

We have not done a good job of presenting our case to the American people. There’s now a real understanding in the business community that a lot of our agenda has not moved forward the way we would like it because we haven’t addressed ourselves in a clear way to answering ‘What’s in this for Americans?’⁶⁸⁶

It supplied journalists and the public with statistics and anecdotes supporting unfettered trade, arguing that global trade produced the long period of low unemployment and booming economy, lowers prices, and creates American jobs.

Despite the visibility of the Seattle protests, the arena of trade has not been as subject to internal criticism or actual reform as the IMF, WB, or United Nations. This is both an effect and

⁶⁸³ funded by Proctor & Gamble

⁶⁸⁴ a national corporate coalition that includes Boeing, Paccar, GE, and IBM

⁶⁸⁵ Paulson 1999

⁶⁸⁶ Paulson 1999

cause of the relative insulation of WTO from NGO actors. The U.S. State Department instituted a largely symbolic “Trans-Atlantic Environmental Dialogue” to broker a peace with global trade discontents after Seattle. WTO efforts to solicit limited NGO input into trade deliberations are an effort to use “good governance” and “social capital” rhetoric to alter the perceptions about the lack of participation by developing states while continuing to dictate a neoliberal approach in those states. For its part, the business community agrees the WTO penchant for secrecy is regrettable, not because it hurts workers or the environment, but because it made it more difficult for business to control.

7.5 The World Bank

20 years of NGO activism has been a major factor impacting Bank⁶⁸⁷ projects (e.g. dams, highways, thermal plants, natural resources) and systematic reforms (e.g. public information policies, structural adjustment conditions, inspection panels, joint evaluations, and NGO liaisons). Over the last ten years, 150 public interest NGOs collaborated in the “Fifty Years is Enough” campaign for greater transparency and responsiveness at the WB/IMF. NGOs from all continents focused attention on the harmful actions and secrecy of the institutions.

The pressure exerted by the NGO networks throughout the 1990s also correlates with increasing levels of NGO involvement in multilateral debt and development talks at the Bank. Where NGO involvement in WB lending projects averaged 6 percent between 1973 and 1988, by 1998 about half of the lending projects provided for NGO involvement.⁶⁸⁸ When the aim is to control project damage or shape local implementation, grassroots organizations directly affected

⁶⁸⁷ Parallel reforms have developed at other multilateral development banks like the Interamerican Development Bank, see Chiriboga 2000

⁶⁸⁸ Simmons 1998:3

by Bank projects tend to spearhead opposition.⁶⁸⁹ When the main concern is systemic reform of bank policies and institutional arrangements⁶⁹⁰ transnational NGO issues networks exert sustained pressure, and benefit from advice and information offered by sympathetic reformers within the Bank.⁶⁹¹

Religious and development NGOs vigorously promoted the cancellation of the 2.2 trillion dollar (1999) third world debt burden because of the unconscionable burden it places on humane economic development, and because corrupt authoritarian governments accumulated much of the debt. They argued that by demanding countries pay down debt with hard currency earned through exports (“export-led growth”), the IMF/WB function more as international collection agencies than engines of domestic investment. The debt thus functions like a credit card on which the interest is simply too high to service and can never be paid back.

Rooted in econometric analyses⁶⁹² showing the North’s domination over the South has arrested and even reversed development, NGOs focused on debt alleviation and equitable development strategies as reparations for IMF and World Bank failures in Africa and the South. Efforts to increase transparency and incorporate civil society into global governance have also been at the core of NGO activist demands since the Rio Earth Summit in Jun 1992. Rio a watershed for inroads into global governance, where there were at least twice as many (20,000)

⁶⁸⁹ E.g. dams, thermal plants, and natural resources.

⁶⁹⁰ This focus may have a greater impact in the long term since it alters the context in which project managers act by allowing opponents to challenge and influence projects early in the design stage and leverage public opinion against Bank’s failures to meet their own policies (Brown & Fox 2000: 6).

⁶⁹¹ Brown & Fox, 2000: 2-3

⁶⁹² E.g. the Center for Economic and Policy Research report *The Emperor Has no Growth* (Weisbrot, Naiman & Kim, 2000) which demonstrated that growth rates over last 20 years were slower than previous 20, when Keynesianism not purist Neoliberal models, ruled the day. Or, as Walden Bello (2001) puts it, “As for the so-called positive relationship between free trade and growth, the emerging consensus is laid out by Dani Rodrik, professor in international political economics at Harvard University: ‘Do lower trade barriers spur greater economic progress? The available studies reveal no systematic relationship between a country’s average level of tariff and non-tariff barriers and its subsequent economic growth. If anything, the evidence for the 1990s indicates a positive relationship between import tariffs and economic growth. The only clear pattern is that countries dismantle their trade restrictions as they grow richer.’ This finding explains why today’s rich countries, with few exceptions, embarked on modern economic growth behind protective barriers but now display low trade barriers.”

activists from around the world than official representatives.⁶⁹³ The Narmada Campaign around the Sardar Sarovar Dam Project shows how mobilization for a project turned into a longer and larger mobilization to change central WB policies regarding public information and participation.⁶⁹⁴ In 1990, a partnership of local and international NGOs rallied against the WB's role in constructing the Sardar Sarovar Dam on the Narmada River in western India. An Internet alliance of fewer than twenty people pushed for a policy of early access to Bank information, and an inspection panel to investigate project damage. World Bank staff in favor of a more open disclosure policy supported the struggle, as did U.S. Congress members, who threatened to withdraw future funds if the Bank did not comply. The WB pulled out in 1991, setting the stage for future reforms. An independent inspection panel was created in 1994 to provide an impartial forum for board members and citizens to protest bank projects (World Bank, 1994). In contrast to the WTO, the World Bank in the 1990s began to readily disclose many documents. Further steps to dialogue with NGOs were taken when James Wolfensohn became president of the Bank in 1995. Wolfensohn has also moved the Bank away from massive projects like hydroelectric dams toward education and small-business credit-assistance programs.

One measure of the enhanced effectiveness of international NGOs is the willingness by IFI complex to allow NGO input during deliberations.⁶⁹⁵ Where NGO involvement in the bank's lending projects averaged 6 percent between 1973 and 1988, by 1998 about half of the lending projects provided for NGO involvement (Simmons 1998, p.3). While both the IMF and WB are starting to require that borrowing countries consult with civil society groups, the IMF still holds ultimate control over development strategies, hasn't diverged from its standard macroeconomic and structural adjustment policies. Even the super secretive IMF has made some efforts to

⁶⁹³ Hinrichsen 1992

⁶⁹⁴ Chiriboga, 2000

⁶⁹⁵ Spiro 1995; Simmons 1998

publicize its documents. In June 1998 the IMF Board of Directors met with several NGO heads to discuss proposals to increase transparency in the IMF. Still, the IMF has more than the UN and World Bank, neglected to make strides towards incorporating NGOs.⁶⁹⁶ The World Bank is better than IMF or WTO in its incorporation of NGO input.

Throughout the 1990s, the World Bank responded to popular pressures from NGO networks, which were able to successfully publicized debt and development issues, exacting significant concessions from the Bank in areas of debt relief,⁶⁹⁷ transparency, and participation. The popular pressure exerted by the NGO networks throughout the 1990s correlated with increasing levels of NGO involvement in multilateral debt and development talks at the bank. The World Bank in the 1990s began to readily disclose many documents, and in 1994, an independent inspection panel was created to provide an impartial forum for board members and citizens to protest bank projects.⁶⁹⁸

7.6 The United Nations

The United Nations has been NGOs' best ally in building social capital between themselves, the global justice movement, and the global governance. The United Nations has a culture of international assistance, equal voting rights for developing countries,⁶⁹⁹ and structural

⁶⁹⁶ Sachs 1997; Alexander 1999; Scholte 1998

⁶⁹⁷ In the Lusaka Declaration of May 1999, Jubilee 2000 and other civil society groups established a framework for an "Africa Consensus" to replace the Washington Consensus structural adjustment programs, and its response to Third World debt relief.

⁶⁹⁸ World Bank 1994

⁶⁹⁹ Contrast this with the IMF/WB/WTO complex, which distributes disparate voting rights to developed and developing countries. The North/South divide is an issue in the NGO sector as well. Cooperation between Northern and Southern NGOs appears essential to successful campaigns. But at-risk groups in international alliances against WB loans for example are often controlled. This is a fundamental consideration for NGOs when environmental priorities between northern and southern NGOs conflict, as became clear at the UNCED in Rio in 1994. Southern NGOs emphasized environmental impacts of multinationals and the debt crisis while northern NGOs expressed commitments to preserve certain resources. Nonetheless, the north-south divide eroded at Rio, as Northern NGOs began to learn about and incorporate Southern concerns (Meyer, 1999). The divide may be problematic when Northern NGO dominance bolsters interests in economic protection (cf. turtles, dolphins, tropical timber), but an

participation mechanisms⁷⁰⁰ that can lay the basis for sustainable, democratic governance. After decades of lobbying the United Nations, NGO groups have gradually attained access to the organization. At the 1972 Stockholm Conference organized by the United Nations, environmental NGOs were for the first time recognized by nation-states as legitimate actors on the global stage. Over the years, they have deepened ties with the U.N. Conference on Environment and Development.⁷⁰¹ A watershed for inroads into global governance, at least twice as many (20,000) activists went to the 1992 Rio Earth Summit and placed transparency at the core of their demands.

Given the continued commitment to deregulation in the IMF, WB, and WTO (albeit tempered by a PWC), NGOs might be able to articulate a democratic and environmental vision of global governance at the United Nations if institutional reforms along the lines suggested by a recent United Nations University study were adopted.⁷⁰² Stiglitz and others in the study call for a significant reorientation of the practices and ideologies in the Bretton Woods institutions, including greater transparency and public participation, more equal voting rights for developing countries in the IMF and World Bank, and civil society participation through a global parliament under UN auspices. An Economic Security Council and a Global Peoples Assembly would run parallel to the UN General Assembly, and take on tasks now performed by the WB and IMF. Down the line, perhaps a reinvigorated United Nations could oversee the Bretton Woods institutions.

overemphasis on the divide may also delegitimize NGOs generally, diminishing a focus on the affluence/poverty divide that cuts across North and South.

⁷⁰¹ Conca 1996; Gençkaya 2000: 74

⁷⁰² Nayyar 2000

7.7 Variants of neoliberalism – the Post-Washington Consensus

Out of the various post-Cold War neoliberal crises has emerged a consensus on the need for a new paradigm that takes a strict separation of state and market to be analytically and practically problematic—a “Post-Washington Consensus” (PWC).⁷⁰³ The various interpretations of what a PWC should look like each occupy a niche in the organizational ecology of the tank field. The pluralistic polyarchy of neoliberalism ensures that the consensus is flexible and adaptable to new exigencies.

Many in the global justice movement⁷⁰⁴ responded to the crisis with calls to withdraw from global governance institutions altogether. For these “abolitionists,” the neoliberal pattern of production is unsustainable, and only a new synthesis beyond capitalist relations of production through an inversion of the priority of economy over society can counter it. However, abolitionist positions did not prevail among policy makers, and currently three mainstream versions of the PWC vie for supremacy. The variants represent a strategic response with how best to “re-embed the recently liberated market forces into a well-functioning market society.”⁷⁰⁵ Each of them vary in the degree of structural intervention into the global economy, but none questions the basic tenets of global economic liberalization.

The first variant we might call *regulatory neoliberalism*. Exemplified by former World Bank Chief Economist Joseph Stiglitz, it represents the biggest departure from standard

⁷⁰³ Stiglitz 1998

⁷⁰⁴ Think tanks like the Institute for Policy Studies, and affiliated transnational organizations like Jubilee, Focus on the Global South, and the 50 years network saw the IMF, WB, and WTO as beholden to elites in rich governments, always foisting self-serving solutions, protecting creditors and assuring that costs of adjustment are borne by its dependent clients. It is not necessarily contradictory to hold this abolitionist position, while pressing the institutions for greater public accountability, restricting IMF activities, canceling third world debt, and removing conditions attached to structural adjustment prescriptions. Activists who complain that client countries are more accountable to the IMF than their own citizens, abandon the IMF altogether, many who consider themselves abolitionists have complained that client countries are more accountable to the IMF than to their own citizens. Many consider themselves “abolitionists” and would abandon (especially) the IMF altogether unless structural mechanisms for broader public participation made it more directly accountable to civil society (Wood 2001).

⁷⁰⁵ Jessop 2000

neoliberalism, calling for a broad global regulatory system to stabilize finances and ameliorate its sharp social dislocations. Stiglitz and others did represent a significant departure from the narrowly technical models for decision-making in place; however, they continued to embrace fully the principle of opening markets. Moreover, this moderately progressive position was quashed, as Stiglitz was fired after making one too many uncouth statements about the IMF. When the wording of the World Development Report was too radical for Treasury Secretary Larry Summers, head author Ravi Kanbur also had to resign. Rather than taking big steps to rescind structural adjustment policies, or include NGOs, the governance complex has preferred to expel dissidents.⁷⁰⁶ Stiglitz' moderately progressive position⁷⁰⁷ has become a marginal one in the emerging PWC.

The second variant we might call *unreconstructed neoclassicism*. This is the GW Bush administration position, readable in conservative think tanks like the Heritage Foundation, and the majority of the congressionally appointed and highly critical Meltzer Commission. They support the IMF, WB, and WTO insofar as they deregulate and privatize, and are wary of using the IMF/WB as aid agencies for the poverty alleviation and financial bailouts.⁷⁰⁸ Drawing on neoliberal (Milton Friedman) ideas of monetarism, deregulation, market piety, and individual greed, this variant calls for total *laissez-faire* in global economics.

The third variant we might call *internationalist neoliberalism*, a position embodied in Treasury Secretary Larry Summers, The Trilateral Commission, Bilderberg, World Economic

⁷⁰⁶ Sachs, 1997; Alexander, 1999; Scholte, 1998; Their response to the Asian crisis earned the WB a more caring image, but the firing of economists Stiglitz and Kanbur from the World Bank after one too many unorthodox statements was another indication of the limits of acceptable discourse in that arena.

⁷⁰⁷ Others in this network include minority House leader Richard Gephardt, the AFL-CIO leadership, and think tanks like the labor-backed Economic Policy Institute, would, enact a "Tobin tax" on speculative financial flows, and force the WTO to allow countries to enact labor and environmental standards, and generally pull the IMF and WB towards the Keynesian principles of state managed development characteristic of Robert McNamara's tenure as WB President in the 1960s.

⁷⁰⁸ Judis 2000

Forum, World Bank President James Wolfensohn, *New York Times* columnist Thomas Friedman, and economists at the Institute for International Economics and Brookings Institution. It acknowledges limits to market solutions, and urges modest reforms in global institutions such as more “transparency,” more cautious prescription of high interest rates at IMF, and a greater focus on poverty and AIDS at the WB. It still accepts the basic tenets of neoliberalism, flatly denies neoliberalism is responsible for the crisis, and opposes considering of environmental and labor standards in trade treaties, and support loans with structural adjustment conditions attached.⁷⁰⁹ This variant proposes a new world architecture that could stabilize financial volatility without disrupting the global economy. In contrast with unreconstructed neoclassicism, this variant recognizes that “ideology and market power are not enough to ensure the adequacy of neoliberal restructuring...[and must be] institutionalized at the macro-level of power in the quasi-legal restructuring of the state and international political forms.”⁷¹⁰ WEF, for example, shifted its rhetoric to a more cautious tone and a more regulatory track. Financier George Soros decried shortly before its 1997 meeting “the destruction of those values which do not produce commercial return” and “the totalitarian tendency of unregulated market capitalism.” The 1997 meeting produced a project on “human social responsibility,” headed by theologians, new AFL-CIO head John Sweeney, and others,⁷¹¹ and a recognition of a wide spread perception “that the benefits of the changes so far have gone to shareholders and financiers, while workers were left to bear the costs”⁷¹²

⁷⁰⁹ Judis 2000

⁷¹⁰ Gill 1995:421

⁷¹¹ *International Herald Tribune*, January 30, 1997

⁷¹² *International Herald Tribune*, January 31, 1997

7.8 Conclusion: Governance and sovereignty

For the global justice movement, the debate around capital controls represented a long overdue break from dogmatic insistence on opening financial markets, and a seam than can be pried open to adopt measures that are more fundamental. However, the controversy did not necessarily address globalization's most significant failings. Capital controls⁷¹³ are only a small part of the global financial architecture, so even reforms in this area do not necessarily get at the most significant dislocations of globalization, which may be due more to trade dogma (harmonization of labor and environmental standards with deregulation) than the insistence on opening financial markets. Capital controls may stabilize the financial system, but not reverse trends towards poverty, inequality, harmonization of labor and environmental standards "race to the bottom" since corporations are still able to avoid regulation by playing governments off one another. Thus, the debate over capital controls appears to be another case in which the TT field structures problems and solutions in a way that secures the long-term stability of the system.

We see a similar dynamic in the WB and WTO approaches to transnational justice tanks. While it is clear that norms and networks of trust or "social capital" appear to be an important condition for effective NGO campaigns,⁷¹⁴ the use of social capital as a policy model can incorporate and deflect criticism. Its use a development concept at the Bank in particular shows the extent to which it can sidestep issues of power and overcome resistance, and prevent

⁷¹³ Krugman 1998

⁷¹⁴ For sociologists, social capital refers generally to advantages gained by being active in networks that solidify trust and shared norms over time (Bourdieu, 1986; Granovetter, 1985; Coleman, 1990; Putnam, 1993). Investing in inter-organizational chains across differences in culture, geography, and economic and political power, has made productive coalitions. Transnational coalitions built on trust and mutual influences are able to respond quickly and cohesively through the Internet. A small number of people connected together in a global public policy network can exert power disproportionate to their resources by bridging major gaps in culture, power, and resources. By drawing on and fostering public demands for transparency, transnational justice tanks have rendered closed-door negotiations led by corporate elites in global governance institutions increasingly controversial.

fundamental reforms by “humanizing” governance without addressing rigorously and explicitly issues of equity and justice.

The Bank maintains a website dedicated to the notion of social capital (<http://worldbank.org/poverty/scapital>). The site is organized around sources of social capital (family, communities, civil society) and topics such as economics, trade, finance, health, nutrition, technology, sanitation, water supply, and urban development. Nowhere on the site is social capital used to critique existing structural adjustment policies, or call into question basic economic assumptions at the Bank. Fine⁷¹⁵ shows how social capital rhetoric at the WB represents a minor tweaking of economic theory, and functions to broaden the scope of intervention into non-market spheres. As orthodox economics becomes applicable to previously untapped areas of “the social,” impoverished neighborhoods, cities, regions, and countries may “converge” not just on the economic norms of structural adjustment, but now also on a set of socio-political norms imposed by the WB. Good government may come to entail the manipulation of public participation and democratic accountability as variables towards efficient and effective outcomes.⁷¹⁶

Its language is friendly to both state and social institutions, and thus palatable to both state clients and once-marginalized social theorists. It is true that Washington consensus hardly countenanced equity and justice as normative concerns to begin with, so even addressing them obliquely through buzzwords like governance, capacity building, social capital, institution building, safety nets etc., represents a subtle improvement on neoliberal conceptions of market dynamics. However, as Fine cautions, the Post-Washington Consensus opening is small, and

⁷¹⁵ Fein 2001

⁷¹⁶ Reinecke 1998

sociologists and anthropologists should not mistake their newfound rush of legitimacy and acceptance within the bank for a substantive challenge to the economists.⁷¹⁷

The cases in this chapter suggest that the global governance complex will continue to view civil society, not as a deep seat of representation and accountability, but as a location or effect of market imperfections – a type of manageable capital (social)⁷¹⁸ that can make governments and intergovernmental institutions efficient and effective.⁷¹⁹ While the proliferation of transnational justice tanks has incubated new forms of political opposition, and played a role in resurrecting democracy on emerging structures of global governance, their newfound power rests on a claim to represent cross-national interests such as environment health, sustainable development, and human rights, and exacerbates tension with the traditional authority of states and interstate institutions.

The growth in transnational alliances has enhanced the claim to representation, but it is not clear to whom NGOs are accountable. Accelerated flows of commerce and information already strain sovereignty. NGOs can still only approximate the legitimacy claimed by national states, especially in cases when NGOs are less democratically organized and accountable than their participatory rhetoric suggests.⁷²⁰ Their lack of formal representation and accountability makes it difficult to avoid cooptation by powerful state and corporate actors who incorporate NGOs or not according to their adherence to a range of ready-made agendas and solutions. For

⁷¹⁷ Fine (2001; 2000) explains that the notion of social capital derives inescapably from rational choice theories, and should be understood in the context of the colonization of the social sciences by neoclassical economics. This mainstream economic theory, a reaction to the stagflation crisis of the 1970s, is based on the idea that optimizing and efficient actors counteract state intervention by rationally anticipating its impacts. This “rational expectations” model suggests that all human activity, including non-market, social, and even irrational behavior, can be understood on the basis of methodological individualism, thus widening the analytic scope of economics to include the other social sciences (2001:10). Although social capital “purports to civilise economists by forcing them to take account of the social ... it opens the way for economists to colonise the other social sciences by appropriating the social in ... ways with which it is entirely comfortable” (2000:199). This process has been facilitated by the social sciences’ retreat from postmodernism and return to material reality (2001:12-15; 2000:7).

⁷¹⁸ This managerial perspective is most clear in, for example, corporate campaigns.

⁷¹⁹ Phillips & Higgott 1999

⁷²⁰ Most NGOs do not elect their leaders, for example. Simmons 1998; Gordenker 1995

the Global Justice Movement to assume the responsibility that comes with authority and legitimacy, the principle of sovereignty may have to be adapted to multi-lateral interdependence.⁷²¹ This seems unlikely to occur if the Global War on Terrorism (GWOT) proceeds apace. I conclude my study in the next chapter with an analysis of the role of think tanks in responding to the attacks of 9/11.

⁷²¹ Commission on Global Governance 1995: 68-72

8. Think Tanks and the Global War on Terrorism

We saw in chapter 5 how from 1945-1950, think tanks funded by internationally oriented capital helped plan the grand strategy to secure safe markets for American producers. They advocated containment, deterrence, and the maintenance of a global balance of power and multilateral institutions and agreements to promote free trade and democratic values. During the early Cold War, a faction of the U.S. right advocated a move beyond the containment doctrine proposed by George F. Kennan to a “rollback” agenda advocated by John Foster Dulles. The idea that America should use its military early and often to advance its interests is an idea that did not carry the day. Instead, the idea that nuclear deterrence and diplomacy would manage the incontrovertible fact of a cold war became the consensus position. The rollback fraction reinvigorated somewhat in Reagan’s “evil empire” foreign policy of large military budget increases, Star Wars, and covert operations,⁷²² but retreated to TTs in the 1990s. After the collapse of the Soviet Union, the anticommunist right broke up, with neoconservatives like Charles Krauthammer⁷²³ pushing empire and new justifications for military buildup, and libertarians and isolationists pushing instead to complete Reagan’s rollback of the U.S. welfare state. The neoconservative faction began to articulate terrorism and “civilization clash” as the

⁷²² Ideological scholars and partisans of the 1970s housed in conservative think tanks and media outlets helped fuse diverse conservative constituencies around a shared foreign and defense policy through sophisticated public outreach and media campaigns. Their targets were Carter, détente, and arms control agreements. They provided the blueprints what became the operational doctrine of the Reagan administration in Central America, Angola, and Afghanistan (Reagan brought Perle and Wolfowitz into his administration) (Diamond 1996).

⁷²³ Krauthammer 1990-91

main threats to America and Judeo-Christian values, replacing communism as the main rhetorical figure to advance a foreign policy agenda⁷²⁴ based in American supremacy.

Today we see a return of the rollback faction, and a “radical break with 55 years of bipartisan tradition.”⁷²⁵ This is not a direct result of 9/11, though the attacks did establish the pretext for and accelerated the break. The new imperial stance represents a correction of the disoriented drift of the conservative movement. The radical utopian character of its vision is indicative of a general tendency within the TT stratum to take a utopian-totalitarian approach to open opportunity structures. It reflects the “missionary and didactic” pathos that informed early think tanks, the systematic bombing of Vietnam, and the comprehensive planning and imposition of universal norms of development on the entire world under the “Washington Consensus.”

Given the administration’s heavy reliance on the staff and boards of neoconservative TTs, it is perhaps not surprising that their analysis (along with sympathetic media like the editorial pages of *Wall Street Journal* and the *Weekly Standard*) coincide with administration rhetoric and behavior. A small number of experts, news media, ideologues and operatives have captured the US foreign policy apparatus. They are therefore both creating and reflecting policy.

8.1. Preparing the ground: the neoconservative network

A cursory network analysis of those most directly involved in shaping current foreign policy shows an interlocking directorate among organizations affiliated with the new right social movement of the 1970s, especially its “neoconservative” wing.⁷²⁶ Ideological foundations like Bradley, Olin, and Scaife, and right wing media organizations shared a sense of purpose with

⁷²⁴ missile defense, counterinsurgency in Columbia, Likud militarists in Israel, Central Asian oil supplies, Saddam Hussein

⁷²⁵ Former UN ambassador Richard Holbrooke quoted in Purdum 2002

⁷²⁶ They are so called because many were former members of the anti-Stalinist Trotskyist movement of the ‘30s and ‘40s, and Democrats of the Henry “Scoop” Jackson variety, before moving right. They openly ally with the Likud Party in Israel.

Christian and social conservatives. A network of defense experts at the Project for a New American Century (PNAC), Center for Security Policy (CSP), American Enterprise Institute (AEI), Washington Institute for Near East Policy (WINEP), and others provided an infrastructure of advice and personnel to promote a hard right shift in foreign policy.

Some names are familiar from routine appearance on television and other major media, congressional committees, brown bags and other D.C. policy symposia.⁷²⁷ William Kristol heads PNAC and edits *The Weekly Standard*, which echoes the defense posture of Netanyahu and Ariel Sharon's in Israel. Richard Perle, longtime AEI fellow, helped establish the CSP and the Jewish Institute for National Security (JINSA). As the chair of the Defense Policy Board (DPB) under Bush II,⁷²⁸ he refashioned the Pentagon advising office into a haven for hawks. Frank Gaffney, a former Reagan appointee, PNAC signatory and senior AVOT adviser (see below), directs CSP, which has close connections to weapons manufacturers and contractors. Gaffney celebrates the return of "Peace through strength." Many CSP personnel were involved with US military policy under Reagan. According to its web site, some 22 center advisory council members occupy key national security posts in government. James Woolsey, former CIA director, has consistently argued that we are engaged in "World War IV." Vice President Cheney was an early board member, and Rumsfeld won its Keeper of the Flame award.

Others work behind the scenes but are just as central in the network. About a dozen are in the state and defense departments (John Bolton of AEI pedigree, Undersecretary of State for

⁷²⁷ Members include Richard Perle, AEI Middle East studies head David Wurmser, Wurmser's wife Meyrav of the Middle East Research Institute, the Hudson Institute (where Perle recently joined the board of trustees), and Middle East Forum, Laurie Myroie author of *Saddam Hussein's Unfinished War Against America* that claims he was responsible for the 1993 WTC bombing, *NYT* journalist Judith Miller, Michael Rubin of the Washington Institute for Near East Policy.

⁷²⁸ The Charter of the Defense Policy Advisor Committee Board states it will serve the "public interest" by providing "independent" advice and "research and analysis of topics, long or short range." Its staff includes significant representation from the Hoover Institution, SAIS, CFR, CSIS, JINSA, and the Foundation for Defense of Democracy

Arms Control, assigned to State to keep Powell on a leash; Doug Feith, a protégé of Richard Perle, is No. 3 at the Pentagon⁷²⁹). As head of the transition team Cheney handpicked most of these hawkish and staunch supporters of the conservative Israel Likud party. Cheney's picks dominated Colin Powell, much of America's national security establishment in the State Department, CIA, and Joint Chiefs of Staff, especially in gathering and interpreting intelligence.⁷³⁰ In Colin Powell's 1995 memoir *My American Journey*, he recalls that Cheney and Wolfowitz turned Bush senior's Pentagon policy staff into "a refuge for Reagan-era hardliners." For Bush junior, Wolfowitz and Cheney have done the same to the entire top civilian staff of the Pentagon.

Perhaps no one is more relevant as an intellectual mastermind of the current defense posture than Deputy Secretary of Defense Paul Wolfowitz is. His well worked out and consistent post cold war grand strategy dates at least 10 years before GW Bush to a 1992 strategy document initiated by Defense Secretary Cheney in 1990 and drafted by Wolfowitz and Lewis "Scooter" Libby⁷³¹ for the Bush I Pentagon in 1992. The *Defense Policy Guidance* (DPG) stated the US "must maintain the mechanisms for deterring potential competitors from even aspiring to a larger regional or global role."⁷³² Potential competitors included Russia and China as well as Germany, Japan, and rogue states. Post cold war US primacy would persevere with massive increases in military spending, preemptive force to stop states suspected of building WMDs. DPG called for military dominance over Eurasia, downplayed alliances, failed to mention the UN, and suggested, "We should expect future coalitions to be ad hoc assemblies, often not lasting beyond

⁷²⁹ In 1996 Feith chaired a study group sponsored by a right wing think tank in Jerusalem that produced a report calling for incoming PM Netanyahu to strongly resist a "land for peace" settlement with Palestinians or Syria.

⁷³⁰ In Colin Powell's 1995 memoir *My American Journey* he recalls that Cheney and Wolfowitz turned Bush senior's Pentagon policy staff into "a refuge for Reagan-era hardliners." For Bush junior, Wolfowitz and Cheney have done the same to the entire top civilian staff of the Pentagon.

⁷³¹ Vice President Cheney's current chief of staff

⁷³² Fitzgerald 2002

the crisis being confronted....” The document predicted that US militarism overseas would become a “constant feature” of world affairs.⁷³³ Someone in the military brass concerned about the downsides of such a sweeping vision apparently leaked the document to the NYT in early March 1992. It caused a firestorm that led Bush Sr.’s foreign policy advisers Brent Scowcroft, James Baker, Lawrence Eagleburger to tone it down to make it more modest and multilateral, reflecting American public opinion on the issues. The ousting of the hard right faction of Bush Sr.’s administration from government in 1992 led that faction to continue strategic planning, with money from military, energy, and security complex and right wing foundations, in an organization known as the Project for a New American Century

8.1.1 Case 34: The Project for the New American Century

The new conservative coalition’s most concrete institutional form outside of the government itself is the Project for a New American Century (PNAC). A couple dozen neoconservatives and military industrial complex types who perceived a lack of leadership in advancing “a strategic vision for America’s role in the world” formed PNAC in 1997 to “set forth guiding principles for American foreign policy.”⁷³⁴ Communicating through a series of public letters whose signatories included Wolfowitz and other future foreign policy team members, PNAC sought “A Reaganite policy of military strength and moral clarity.”⁷³⁵ In September 2000 before Bush came to office, PNAC drew a blueprint for US global domination that included a premeditated attack on Iraq. Commissioned by Cheney, Rumsfeld, Wolfowitz,

⁷³³ Fitzgerald 2002

⁷³⁴ www.newamericancentury.org Spearheaded by *Weekly Standard* editors William Kristol and Robert Kagan, the original signatories to the statement of principles were Elliot Abrams, Dick Cheney, Jeb Bush, Donald Rumsfeld, Paul Wolfowitz, Gary Bauer, William Bennett, Eliot Cohen, Midge Decter, Paula Dobrianski, Steve Forbes, Aaron Friedberg, Francis Fukuyama, Frank Gaffney, Fred Ikle, Donald Kagan, Zalmay Khalilzad, Lewis Libby, Norman Podhoretz, Dan Quayle, Peter Rodman, Stephen Rosen, Henry Rowen, Vin Weber, George Weigel. The social conservatives associated with PNAC are Gary Bauer, Bill Bennett, Steve Forbes, Dan Quayle, and Vin Weber. PNAC is not technically think tank in that it does not conduct social science research, though it certainly draws on the work put out by the network, but it does fulfill common think tank functions such as the issuing of timely policy statements, op-ed articles, and open letters to political leaders, etc.

⁷³⁵ Statement of principles, 1997, <http://newamericancentury.org/statementofprinciples.htm>

the strategic plan *Rebuilding America's Defenses* (2000) referred to the 1992 *Defense Policy Guidance* draft as “a blueprint for maintaining U.S. preeminence, precluding the rise of a great power rival, and shaping the international security order in line with American principles and interests.” In the peaceful 1990s, this group observed that the “global Pax Americana will not preserve itself,” and that “the process of transformation [to a secure foundation of unquestioned military preeminence] is likely to be a long one, absent some catastrophic and catalyzing event—like a new Pearl Harbor.” It called for unprecedented military spending, planting bases in Central Asia and the Middle East, taking out bad regimes like Saddam Hussein’s, militarizing outer space, abrogating international treaties, controlling world energy resources, and the will to use nuclear weapons. Many of the conclusions and recommendations are reiterated in the 2002 White House *National Security Strategy Document*.

8.2. The new sovereignty

Neoconservatism’s core paradigm idea is an American exceptionalism that borders on a theological belief in America’s god given mission and blessings. It is a vision of US supremacy, a “New sovereignty” in diplomatic, cultural, economic and military spheres.⁷³⁶

Diplomatically, the new sovereignty sees unilateralist or “selective multilateral” action as an American responsibility and prerogative. In this view, the US should set the rules and norms of international law (as it did in the Bretton Woods economic organizations and the United Nations) but, because of its inherent goodness and redemptive mission, not necessarily be subject to those rules itself. The New Sovereignty embraces multilateral action pragmatically as a cover for stark national interests, but discards it when it proves constraining or inconvenient, as in Iraq. Drawing on deep roots in American political traditions, it also expresses outright contempt for

⁷³⁶ Barry and Lobe 2002

the rhetoric of transnational issues like HIV/AIDS, environmental standards, and new multilateral organs like the ICC as “globaloney” that constrains US prerogatives. The growing intellectual following of anti-internationalism attached to prestigious academic institutions and think tanks rails against collective responses to arms control, the environment, human rights, war crimes, and other emerging global issues.

Culturally, the new sovereignty sees the free market democracy of the US as a manifestation of the supremacy of its political, moral, religious, and social institutions. In this view, the US system represents the triumph of Western civilization, in Fukuyama’s phrase, “the end of history.” The thesis rearticulated the familiar cultural conservative attack on political correctness in the academy, which had since the 1960s promoted the view that American culture (Judeo-Christian values and patriotic virtues) was under siege by a counterculture, secular humanism, environmentalism, and feminism. The global threat of civilization clash between the West and the “rest” (for Huntington, the Islamic world and China) is paralleled by a domestic threat. The New Right institutionalized the exploration of links between internal and external threats to Judeo-Christian culture in 1976 when the Ethics and Public Policy Center, which incorporated “to clarify and reinforce the bond between Judeo-Christian moral tradition and the public policy debate over domestic and foreign policy issues.”⁷³⁷ The organization tried to find common ground on which conservative Catholics and Jews could bond with the Christian right. In the 1990s, neoconservatives continued to think very hard about connections between these internal threats and external threats to US culture. The most theoretically informed example of such thinking is the now classic *The Clash of Civilizations and the Remaking of World Order* by Samuel Huntington.

⁷³⁷ Eppc.org/about

The war on terrorism has given new impetus to forging links between an aggressive foreign policy and cultural wars at home. A new group headed by PNAC signatory and veteran cultural warrior Bill Bennett, Americans for Victory over Terrorism (AVOT, www.avot.org, an offshoot of Bennett and Jack Kemp's empower.org) has been most forceful in making the local-global links in the culture war. The organization warned in a March 10, 2002 *New York Times* full-page ad that “the threats we face are both external and internal.” AVOT focuses on “public opinion.” It warns of the internal threats “who are attempting to use this opportunity to promulgate their agenda of blame America first.” For AVOT, the internal threats are tantamount to ideological support for terrorism, and therefore have to be defeated in the public mind.

Leading the charge to root out harmful ideologies in the academy is Lynne Cheney, wife of the vice president and AEI associate. She leads the American Council of Trustees and Alumni, an organization that “outs” professors who are not sufficiently patriotic. Likewise, the Washington Institute and Middle East Forum recently launched a project to discredit middle eastern studies departments, based on a book *Ivory Towers of Sand*. The strike at the academy is preemptive, since the ability of academics to influence policy pale in comparison with think tanks. TTs can hire staff without committee procedures to develop a coherent political outlook, publish books without academic referees, and do not have to worry about publishing in peer reviewed academic journals, allowing them to spend all their time seeking avenues of direct and indirect influence.

The doctrine of cultural supremacy views the growing army of transnational NGOs and activists involved in challenging and reshaping global governance institutions as “globaloney” and a prime threat to US prerogatives. The conflict is thus the transnational equivalent of the domestic culture wars, and the NGO networks are tantamount to the domestic subversives

identified by Bennett's AVOT and Lynn Cheney's ACTA. *Wall Street Journal* features editor Kimberly Strassel declared that the attacks had upended

America's liberal activist groups—the environmental radicals, the animal-rights protesters, the archfeminists and the antiglobalization protestors. The indulgent world in which these groups had operated collapsed on Sept. 11. Most found themselves floundering for a message and searching for funds; all are facing the realization that a decade of shenanigans may be over.⁷³⁸

Assistant Secretary of State and AEI veteran John Bolton likewise claims

...for virtually every area of public policy there is a globalist proposal consistent with the overall objective of reducing individual nation-state autonomy, particularly that of the United States.⁷³⁹

John Fonte of the Hudson Institute approaches the post-9/11 milieu as “a window of opportunity for those who favor a reaffirmation of traditional norms of liberal-democratic patriotism.” The emergent global civil society in diverse areas of environmental, economic, human rights, etc., are conducting an ideological civil war within western civilization over the concept of sovereignty.⁷⁴⁰ Transnational networks of social justice NGOs in other words are part of the problem not part of the solution to global governance.

Economically, the prevailing conservative approach is the equivalent of selective multilateral action in diplomatic areas, appealing to free trade philosophy only when it benefits US corporations.⁷⁴¹ One of the more blatant instances of this has been the attempt to link the coalition against terrorism with efforts to unfetter economic globalization through a free trade agenda by presenting them both as an expansion of modern democratic values. Before September, the administration and other neoliberal advocates were arguing that “trade is good for the poor” (Bush to the G-8 in Genoa, Italy: protesters are “no friends of the poor”). Now they

⁷³⁸ PR Watch vol.8 #4 p.5

⁷³⁹ Spiro 2000

⁷⁴⁰ Fonte 2002

⁷⁴¹ The paradigm of economic divides right wing ideologues into true believing free traders like those at Cato, and nationalist populists like Pat Buchanan more likely to favor protectionism and economic sanctions in response to human rights and other international norms violations or ideological commitments like anticommunism in Cuba, and conservatives who prefer to liberalize and enforce free trade only when it clearly supports corporate interests.

argue that trade is good for anti-terrorism. Shortly after the attacks, US Trade Representative Robert Zoellick and the heads of seven major D.C. think tanks⁷⁴² said a good response would be to grant Bush Trade Promotion Authority (TPA, formerly Fast Track), allowing the president to negotiate controversial trade agreements like FTAA without impediments from labor or environmental advocates in congress. Writing in the *Washington Post*, Zoellick said that “Throughout the Cold War, Congress empowered presidents with trade negotiating authority to open markets, promote private enterprise and spur liberty throughout the world—complementing U.S. alliances and strengthening our nation” (2001).⁷⁴³ “Earlier enemies learned that America is the arsenal of democracy. Today's enemies will learn that America is the economic engine for freedom, opportunity and development. To that end, U.S. leadership in promoting the international economic and trading system is vital. Trade is about more than economic efficiency. It promotes the values at the heart of this protracted struggle.”⁷⁴⁴ In a speech to the

⁷⁴² At a Sept. 27 press conference at the National Press Club Heritage Foundation president Ed Feulner, American Enterprise Institute president Chris DeMuth, Brookings Institution president Michael Armacost, Institute for International Economics president C. Fred Bergsten, Center for Strategic and International studies president William Niskanen, Cato Institute chairman John Hamre, and Progressive Policy Institute president Will Marshall, made the linkage between trade promotion authority (TPA) and antiterrorism. Feulner opened the program with the assertion that “In the spirit of unity and bipartisanship, that is rightly permeating Washington...we believe it is appropriate for us to come together...to discuss an issue, on which we all agree. [TPA is] an issue that finds no intellectual disagreement among the Washington think tank community.” Armacost argued TPA would help the U.S. assemble anti-terrorism alliances, and “send a message of defiance” to the terrorists that the U.S. would not back down from its global leadership role. Parroting a refrain we’ve heard often recently, DeMuth said terrorist attacks were in part attacks on “the spread of global freedom,” so “for us to assert that a strong new commitment to expanded global commercial freedoms...is an important part [of the U.S. response to the attacks] is perfectly appropriate.” Furthermore, noted DeMuth, TPA is likely to be an important component of any program for economic recovery and anti-terrorism mobilization.” For Bergsten, “What is more sensible and appropriate, than for the world’s countries who trade with each other to such an extent, to try to improve [the trade] component of their relationship, as part of this overall [anti-terrorism] initiative?” (Rugaber 2001).

⁷⁴³ Zoellick was explicit about using sticks and carrots could secure allegiance from key countries through the war (the strategy seems to have worked with Pakistan). Threats of economic sanctions, promises of debt relief, IMF loans, and trade privileges were used to buy consent from different UN members. Calling for a new WTO round and TPA (fast track), Zoellick said, “America’s trade leadership can build a coalition of countries that cherish liberty in all its aspects” (2001). If the G-8 and UN could be brought along so quickly to back military force, so the logic goes, then why not use the unity to pressure developing countries into a new round? The WTO/IMF/WB are now official partners in the US/G-8 pledge to “end terrorism.” This is the new economic and foreign policy dialectic. “You are with us, or you are with the terrorists” will be articulated to a free trade agenda, a dialectic that smacks of Empire.

⁷⁴⁴ Zoellick 2001

pro free trade Institute for International Economics (IIE), Zoellick not-so-subtly linked the 9/11 bombers with the opponents of corporate globalization, saying

On Sept. 11, America, its open society and its ideas came under attack by a malevolence that craves our panic, retreat and abdication of global leadership.... This president and this administration will fight for open markets. We will not be intimidated by those who have taken to the streets to blame trade—and America—for the world’s ills.

He continued,

Terrorists hate the ideas America has championed around the world.... It is inevitable that people will wonder if there are intellectual connections with others who have turned to violence to attack international finance, globalization and the United States.⁷⁴⁵

For the administration, neoliberal economics clearly is the flipside to antiterrorist efforts, both being aspects of “freedom.”⁷⁴⁶

Uncontested *military* supremacy based on superior power and the will to not just contain enemies but also defeat them before they can threaten the US, is the operational doctrine of the neoconservatives. The New Sovereignty jettisons the balance-of-power doctrine in international relations, and deems international security treaties (e.g. arms control) that might constrain US action irrelevant or unnecessary. Adherents believe that the war to bring this state of affairs about will be global and unending. The hawk vision, which views any coalition building as a drag on moral clarity, has a heroic ring to it. PNAC’s name itself, “a new American century,” draws on the memory of Time editor Henry Luce’s observation that WWII marked the beginning of the American century. As AEI’s Michael Ledeen said at an October 29 panel moderated by Perle,

This is total war. We are fighting a variety of enemies.... If we just let our own vision of the world go forth, and we embrace it entirely, and we don’t try to be clever and piece together clever diplomatic solutions to this thing, but just wage a total war against these

⁷⁴⁵ Zoellick 2001a:1-3

⁷⁴⁶ As Mokhiber and Weissman (2001) point out, “Zoellick did not explain how adopting a procedural rule designed to limit Congressional debate on controversial trade agreements advances the democratic and rule-of-law values he says the United States must now project.”

tyrants, I think we will do very well, and our children will sing great songs about us years from now.⁷⁴⁷

The vision is a heroic Pax Americana. It is truly sweeping and Hobbesian, if not Manichean: a world order based on a Leviathan US military and rooted in the self-evident righteousness of the US.

8.3. 9/11 and political opportunity

The ascension of George W. Bush to the presidency is undoubtedly a central factor in neocon influence. Raised in a Texan militarist frontier society with a southern machismo, Bush embodies the Southern base of the current Republican Party.⁷⁴⁸ Unlike his father, he was not a “Washington insider” and had little knowledge of foreign affairs. Bush’s lack of foreign policy experience provided a blank slate upon which a wish list of experts and advisers could be imprinted. Things neoconservatives told him during the election cycle struck more of a chord with him than his father. He drew on over 100 experts from the Hoover Institution, American Enterprise Institute, Manhattan Institute, and Center for Strategic and International Studies. Tanks deflected criticisms of his knowledge deficit before and during the 2000 presidential campaign, and provided opportunities for experts to wield influence. Bush’ novice skills in foreign policy became explicit in a Bush *New York Times* interview:

I may not be able to tell you exactly the nuance of the East Timorian situation, but I’ll ask people who’ve had experience, like Condi Rice, Paul Wolfowitz, or Dick Cheney. I am smart enough to know what I don’t know, and I have good judgment about who will either be telling the truth, or has got some agenda that is not the right agenda.⁷⁴⁹

⁷⁴⁷ Vest 2001

⁷⁴⁸ The difference between Bush I and Bush II parallel the differences between the Republican Party of Eisenhower and the more ideologically coherent Republican Party of the 1970s and 1980s that drew its strength from the South and Southwest. Well represented in the Reagan White House, Bush I marginalized this alignment somewhat by rebuffing their demand that troops go all the way to Baghdad in the first Gulf War. Neocons did not find favor with Clinton either, though they lauded Clinton’s air strikes against Bosnia and Kosovo, and the passage of the Iraq Liberation Act

⁷⁴⁹ Schmitt 1999; See also Kitfield 1999:2293, Van Slambrouck 1999, Hager 1999.

In the months before 9/11 his “go it alone” foreign policy included halting negotiations with North Korea, withdrawing from Middle East peace negotiations, refusing to sign the Kyoto Protocol on global warming, blocking a number of international arms control treaties, breaking a promise to mutually reduce US and Russian strategic nuclear weapons, and deploying national missile defense. Yet without a pronounced enemy, the American public was hard to sway. The administration was having trouble selling its foreign policy and defense priorities, getting resistance from both Congress and the military.

The search for a new policy rationale came on 9/11/01. The attacks provided neocons with the “new Pearl Harbor” they had been looking for. They could now reprise the Reagan “rollback” doctrine; only in the absence of a Soviet threat, U.S. supremacy would now be global. Condoleezza Rice was explicit about the new opportunity GWOT offers: “this is a period not just of grave danger, but of enormous opportunity...a period akin to 1945-1947, when American leadership expanded the number of free and democratic states...to create a new balance of power that favored freedom.”⁷⁵⁰

Iraq would prove to be the first major tests case for the New Sovereignty. Neocons saw Iraq as the first stop in a remaking of the Middle East, which in some scenarios include transforming countries like Egypt and Saudi Arabia, and collapsing OPEC. As PNAC’s *Rebuilding America’s Defenses* (2000) had urged,

While the unresolved conflict with Iraq provides immediate justification [for a more permanent US role in Gulf regional security], the need for a substantial American force presence in the Gulf transcends the issue of the regime of Saddam Hussein.

Blueprints drawn up in the neocon network included putting Iraqi National Congress INC head Ahmed Chalabi in charge, and denationalizing and parceling Iraqi oil out to American companies. A propaganda front prepared for an Iraq invasion portrayed Chalabi’s INC as the

⁷⁵⁰ Fitzgerald 2002

prime force involved, essentially liberating its own people with cover bombing by the US. As WINEP's Clawson said, "I want to create the national story that Iraqis liberated themselves.... It may have no more truth than the idea that the French liberated themselves in World War II, but it is a story that will resonate with Iraqis."⁷⁵¹ While PNAC offered the blueprint, it would be up to neocons operating through the Pentagon to turn it into policy.

8.4. Iraq: the strategic use of misinformation

After 9/11, neocons urged the president to see the Israeli and American wars as coterminous, and therefore necessitating a war on Hussein, or as they preferred to put it, "the road to peace runs through Baghdad."⁷⁵² They saw Iraq as a sort of domino that will cause other bad regimes in the Arab world to tumble. Putting American troops and oil companies in charge of the region will be a fulcrum for enhancing US global hegemony. Asked if destabilizing those regimes may result from an Iraq invasion, Pentagon Defense Policy Board member Ken Adelman replied, "...all the better if you ask me."⁷⁵³

The failure to locate WMD stockpiles, links between Al Qaeda and Iraq, or throngs of Iraqis greeting US troops as liberators showed a discrepancy between the administration's

⁷⁵¹ See Dreyfuss 2002. The neocons lost this battle to the State department. A government-in-exile never materialized, though Chalabi remains a force in post-invasion politics.

⁷⁵² An interesting example is an advertisement produced by the Foundation for the Defense of Democracies (FDD), a neoconservative group founded two days after 9/11 and closely tied to pro-Likud administration hawks. The FDD board of directors includes Steve Forbes, former HHS Secretary Jack Kemp, former UN Ambassador and AEI Jeane Kirkpatrick. Its board of "distinguished advisors" includes Newt Gingrich and James Woolsey, and Israel Hawks like Richard Perle. Members include CSP president and former Perle aid Frank Gaffney, Charles Krauthammer, *Weekly Standard* editor and PNAC chair Bill Kristol. FDD aired 30-second TV spots in spring 2002 designed to conflate Palestinian suicide bombings and 9/11 hijackings. They aired shortly after Bush called on Israel to withdraw troops re-occupying West Bank towns, and sent Powell to the Middle East to negotiate a ceasefire that would allow renewed Israel-Palestine negotiations. The ad producer was FDD VP Nir Boms, former Israeli Embassy public affairs officer. The spot opens with "The Suicide Strategy" in bold letters. The narrator says, "It was used by terrorists against America on September 11. It's being used by terrorists against Israel day after day." The images include a brutish scene following a suicide bombing. The narrator continues, "If we let the suicide strategy succeed anywhere in the world, it will succeed everywhere." The video shows Palestinian children dressed in suicide bomber costumes at a Hamas demonstration, and a burning U.S. flag. The video fades to bold type: never Appear Terrorism.

⁷⁵³ Marshall 2002:8

prewar assessment and today's reality. It also revealed the administration's obtuseness towards the superior assessments provided by the UN inspections teams, the International Atomic Energy Agency (IAEA), State department, and CIA. How did the U.S. end up in a long-term occupation without an internationally supported nation building and exit plan? How did peculiar, stretched, and falsified pieces of intelligence find their way into presidential speeches, expert commentary, and other forms of public discourse? How did the administration deceive and co-opt a large segment of Congress?

The answer lies in a relatively small and coherent group in and around the administration who promoted intelligence without traditional oversight mechanisms. By the time of war, nearly all data justifying US action had come from ad hoc intelligence collection techniques that bypassed the American intelligence community. These alternative channels or "stovepipes" funneled information and requests for action directly to higher officials without subjecting it to rigorous scrutiny, allowing hawks to "cherry pick" the data they liked even if it was not corroborated by available intelligence, filter out opposing points of view that did not "fit," and elevate narrow opinions into consensus facts.

Two Defense Department agencies in particular, the Near East South Asia (NESA) and Office of Special Plans (OSP), operated in concert with neocon tanks and GWB political appointees⁷⁵⁴ throughout the national security bureaucracy. The bureaus integrated an informal network of political appointees and think tank allies to circumvent the standard interagency

⁷⁵⁴ Appointees in both offices included: Michael Rubin, Middle East specialist previously at AEI, David Schenker previously at Washington Institute for Near East Policy (WINEP) which functions as a think tank for the powerful pro-Israel/Likud AIPAC lobby, David Makovsky, Chris Lehman.

vetting procedures and convey findings to high-ranking officials who were prepared to believe the best⁷⁵⁵ or worst⁷⁵⁶ case scenarios, depending on the topic.

Created by Rumsfeld and Deputy Secretary Wolfowitz after 9/11 for the specific purpose of sifting raw information provided by intelligence agencies before passing it to the White House, Office of Special Plans was ad hoc office run by Abram Shulsky under US Undersecretary of Defense for Policy Douglas Feith. OSP based staffing decisions on ideological coherence with Rumsfeld and the hawks. Most staffers were not intelligence people but congressional staffers. Feith and political appointees shared close identification with the right wing Likud party in Israel.⁷⁵⁷ Several appointees were Richard Perle protégés. The vague name of the office avoided the impression of a special Pentagon unit doing its own intelligence work. As Feith admitted to BBC, “We didn’t think it was wise to create a brand-new office and label it an office of Iraq policy.”⁷⁵⁸ OSP sifted raw information provided by intelligence agencies before passing it to the White House. The routine was that data classified “secret” would make its way directly from OSP to upper policymakers in the vice president’s office, the president’s national Security Council, and deputy defense secretary Wolfowitz *without* evaluation by intelligence professionals.

Most OSP intelligence came from debriefing Iraqi exiles. Its main data source was Ahmed Chalabi, former banker and head of an umbrella group of Iraqi exiles formed in 1992 to overthrow Saddam Hussein, known as the Iraqi National Congress (INC), currently heading

⁷⁵⁵ For example, Feith and colleagues focused not on what could go wrong but what could go right in an Iraq invasion. This revamped the traditional planning based on “branches and sequels,” i.e. developing plans B and C for contingencies. As one official in the office noted, “Their methodology was analogous to tossing a coin five times and assuming that it would always come up heads.” Hersh 2003:3

⁷⁵⁶ For example, the same neocon network that estimated massive stockpiles of Iraqi WMD, in the 1970s and early 1980s saw the USSR as an ominous and powerful presence set to overtake us, and used this argument to justify brutal interventions in Central America and Africa (Angola, Mozambique). We know now that the internal weakness of the Soviet system had brought it to the verge of collapse.

⁷⁵⁷ Feith’s law partner is spokesman for settlement movement in Israel, staunch opponent of oslo peace process

⁷⁵⁸ Rieff 2003:2

Iraq's governing council.⁷⁵⁹ Despite deep skepticism towards INC from the national security operatives at State, CIA, and the Joint Chiefs, Chalabi had support where it counted, in Wolfowitz, Perle, Doug Feith, David Wurmser, Michael Rubin, Don Rumsfeld, and the network of tanks associated with hard right partisans in Israel.⁷⁶⁰ Chalabi had become close to Richard Perle in the early 1990s. In the mid-90s, Chalabi attended conferences organized by Perle and AEI on a post-Hussein Iraq. At AEI, he integrated with neocon and conservative intellectuals prominent in the Reagan-Bush administrations, including Cheney, Rumsfeld, Feith, and Wolfowitz, whose views cohered nicely with his. All viewed overthrowing Hussein as an essential first step in realizing a vision of a radically reconfigured (“democratized”) Middle East. He regularly appeared on think tank panels at AEI, Heritage and elsewhere, and lobbied Congress to take out Hussein. Chalabi and his American supporters were successful in getting the Iraq Liberation Act passed in 1998, making “regime change” in Iraq official US policy.⁷⁶¹

OSP worked alongside Near East and South Asia (NESA) bureau. Retired naval officer and protégé of DPB member and AEI fellow Newt Gingrich, Deputy Undersecretary, Bill Luti headed NESA., Luti hired former Gingrich staffer William Brunner, retired lieutenant colonel, anti-abortion activist, and former Senate Intelligence committee staffer Chris Straub; Yousef Aboul-Enein to pore over Arabic-language papers and CIA transcripts of Arabic radio broadcast for evidence of al-Qaeda-Saddam ties.

⁷⁵⁹ Other defectors who had low credibility at CIA and State but friends where it counted included nuclear scientist Khidir Hamaza, who claimed that through the 1980s Saddam ordered nuclear sites dispersed to 400 locations across the country, and Gen. Hussein Kamel who headed Iraq's weapons program.

⁷⁶⁰ WINEP, JINSA, MEF (Lobe 2003)

⁷⁶¹ Through PNAC, some 40 neocon experts, including Bill Kristol, Wolfowitz, Rumsfeld, Doug Feith, Scooter Libby, David Wurmser, Richard Perle who would become advisers to Governor Bush and staffers of President Bush, sent a letter to Clinton in 1998 urging him to oust Hussein. They argued that if Hussein got WMD, he would pose a threat to American troops in the region, Israel, moderate Arab states, and world oil supply. Their argument structure was a mechanistic syllogism: Saddam is evil tyrant with weapons of mass destruction; he is trying to get bigger weapons and the means to deliver them; if he does, he will use them against allies or us; therefore, we must stop him.

Karen Kwiatkowski, a retired Air Force Lieutenant colonel who worked from May 2002-February 2003 in the Pentagon's office of Under Secretary of Defense for Policy, saw the alternative intelligence network at NESA first hand.⁷⁶² She noted a “functional isolation of the professional corps” in which Israel and Iraq work was done primarily by political appointees rather than civil service and active duty military professionals, and “cross-agency cliques” who operated “solely with its membership across the various agencies—in particular the State Department, the National Security Council and the Office of the Vice President.”⁷⁶³ Inter-agency communications occurred almost exclusively with groupthink allies, rather than official counterparts, including the Pentagon DIA.⁷⁶⁴

Since most State and CIA bureaucrats viewed the idea of reducing the threat to Persian Gulf oil trade by creating an Iraq allied to Israel and encircling Iran as dangerously based on flawed intelligence, NESA and OSP cut them out of the intelligence loop. Instead of collaborating with the State Department Bureau of Intelligence and Research (INR),⁷⁶⁵ Near Eastern Affairs bureau, or Iraq desk, neocon appointees went to John Bolton, Undersecretary of State for Arms Control and International Security (and former AEI executive vice president). The disarmament expert Powell assigned to be the daily intelligence liaison to John Bolton and the State Department INR, Greg Theilmann, noticed Bolton “seemed troubled because INR was not telling him what he wanted to here.”⁷⁶⁶ After shutting Theilmann out of his morning staff meetings, Bolton demanded direct access to raw sensitive intelligence that in previous decades

⁷⁶² Kwiatkowski 2003

⁷⁶³ Kwiatkowski 2003

⁷⁶⁴ There are also unconfirmed reports that OSP worked with a parallel ad hoc group in Israeli Prime Minister Ariel Sharon's office. Kwiatkowski recounts escorting six Israelis including some generals into Feith's office. They “knew exactly where they were going and [were] moving fast.” Feith's secretary said “No these guys don't have to sign in” (Lobe 2003).

⁷⁶⁵ Pilloried by CSP's Gaffney as “obstructionists,” neocons considered the State Department INR to be “a hotbed of covert and occasionally overt opposition to much of President Bush's foreign and defense policy agenda” (Raimondo 2003:1).

⁷⁶⁶ Hersh 2003:2

had been subject to INR review. “He surrounded himself with a hand-chosen group of loyalists, and found a way to get CIA information directly.”⁷⁶⁷

Feith, in charge of postwar planning, rejected months-long studies by exiles and Middle East experts in State and CIA that anticipated many problems with the occupation. The State Department “Future of Iraq Project,” run by longtime official and special adviser to its Office of Northern Gulf Affairs Thomas Warrick, considered all questions concerning a post-Hussein Iraq, and reported that prospects for democracy after Hussein were bleak. However, since Defense oversaw reconstruction, it did not heed the project’s warnings of “killing, plunder and looting.” Rumsfeld instructed Gen. Jay Garner to ignore the report, and rejected Garner’s request to add Warrick to his staff. In fact none of the senior officials involved in the project were taken on board, a considerable loss of expertise.⁷⁶⁸ OSP also prevented Middle East experts in the State Department from participating in the Coalition Provisional Authority (CPA) in Iraq, recommended companies for massive no bid contracts to firms whose consultants or officers often serve on the Pentagon’s DPB, also staffed by Feith appointees.

CIA staff had specific instructions *not* to contact counterparts at State or NSC because decisions would go through a different channel. Direct communication with CIA was rare and left to those with more stature like Gingrich, Cheney chief of staff and national security adviser Lewis “Scooter” Libby, and Cheney himself. CIA analysts reportedly felt the visits amounted to pressure to couch analysis in hawkish language. NESAs and OSP in some cases bypassed Pentagon line of authority, supposedly separate from VP office, by passing memos directly to Cheney and Libby. As the drive to war heated up in early 2002, Cheney, like Wolfowitz and Bolton, became more reluctant to let military and civilian analysts vet intelligence. He made a

⁷⁶⁷ Thielmann quoted in Hersh 2003:2

⁷⁶⁸ Hersh 2003

series of trips to CIA to pressure analysts to come up with information providing worst-case assessments of Iraqi weapons. Eventually they just said, “fuck it” and began providing the requested conclusions.⁷⁶⁹

NESA and OSP worked closely with Perle, Gingrich and two Defense Policy Board members (former Director of Central Intelligence James Woolsey, and Kenneth Adelman) to ensure the intelligence developed reached a wide public audience. They created “talking points” and distributed them to the network, then revised them as the press poked holes in the points. They gave information to sympathetic media outlets like FoxNews Network, *The Weekly Standard*, *Wall Street Journal* editorial page, syndicated columnists like Charles Krauthammer. Classified reports would go to think tanks through people like AEI’s Michael Ledeen, who leveraged contacts in government to get information, and from there to newspapers.⁷⁷⁰ At AEI breakfast meetings, people such as Perle and Woolsey would talk about the ideas and current thinking based on highly classified information available to DPB members, thus allowing the essential conclusions or “talking points” to be divulged without giving away national secrets.⁷⁷¹

8.5. Conclusion: political competence and the New Heroism

The full-blown wars in Afghanistan and Iraq have not as of this writing expanded into Iran, Syria, and other states. Still, many Americans believe a decades-long house cleaning of geopolitical adversaries entailing a massive military buildup and the installation of new political regimes abroad is desirable and/or unavoidable. As we have seen in this chapter, elite manipulation of a compliant media partially explains the road to perpetual war: a narrow policy community exploited the president’s foreign affairs naiveté, stretched intelligence, mobilized

⁷⁶⁹ Hersh 2003:5

⁷⁷⁰ Grichar 2003

⁷⁷¹ Lobe 2003

fear and vengeance, and intimidated critics and journalists. The major media in turn reported events uncritically, prioritized public anger and warfighting, underplayed official secrecy and civil liberties intrusions, and fully cooperated to re-image Bush as a wartime president because “he is the only president we have.”

We have also seen how a division of labor among tanks fused various strands of conservatism in a dynamic reminiscent of Reagan’s first term. As Christian Josi, executive director of the American Conservative Union said of the Conservative Political Action Conference in D.C. in January, “I’ve never seen the conservative movement more energized.” Much as its predecessors did during the 1970s and 1980s, PNAC, CSP, and Empower America (AVOT) in the late have been able to congeal right wing luminaries from the Christian Right and other social conservatives behind an imperial foreign policy and a strategic vision of American global hegemony. Under the tutelage of Bennett, Elliot Abrams, and others, social conservatives have adopted a new identity as imperialists, founded on a Biblical vision of Middle East apocalypse.⁷⁷² The united neocons (foreign policy advisers) and social conservatives (Bennett) fight against internal and external threats to Judeo-Christian values, confidently asserting the goals of the New Sovereignty, from national missile defense to Likud militarism to Central Asian oil security, Iraq, to targeting “blame America first” dissidents. So far, a 9/11-shocked American public has ceded the hard right shift.

Yet the reasons a semi-permanent war against “evil” feels so good and right to so many people extend beyond simple manipulation by neocons and news outlets. The problem of war fever extends to the *political competence*⁷⁷³ of the public. The war on terror is a *collective* social

⁷⁷² See Bertlet and Lyons 2000

⁷⁷³ The skills, knowledge, and attitude necessary for political participation

accomplishment, organized in language, produced in contingent relations between political, commercial, and civil society institutions.

As people grope for a way to talk and think about 9/11, they have adopted a ready-made language that does not require a lot of complex content or a new competence. Focused on techniques of retribution, self-defense, and victory, hero talk saturates national discourse. In our need to narrate a vision out of the tragedy, we have identified with a series of themes⁷⁷⁴ that filter the event through a *mythical heroism* that has run through American culture.

The search for heroism may be what we crave when the means for achieving a more complicated and cautious political discourse is not available because we simply have not learned the competence. We find it much easier and more comfortable to stay within traditional identities, and tend not to have the patience for developing truly innovative approaches. We have patience to smoke the “bad guys” out of their caves, but not the kind of patience to listen to people who talk about the experience of Muslims and others of the “global south.” Mainstream political discourse labels any acknowledgement of *any* American role in creating misery “unpatriotic and inappropriate during wartime” because it legitimizes the actions of the bombers, and sends the message that terrorism works. Ready-made experts and standard operating procedures in the media reinforce the mythology, offering scripted references to Pearl Harbor as the opening act of a heroic war in which *we won*.

Everyone knows the emotional significance of the attack on America is potentially revolutionary, and that many people have an interest in rearticulating American heroism. A set of

⁷⁷⁴ Heroes went to put the fire out. Heroes died in the buildings and on the planes. Heroes are plumbing the mountains of Afghanistan and alleys of Baghdad. We are a vital country that doesn't quit and can rebuild itself. Al Qaeda has aroused a sleeping beast. When a fighter gets knocked down you find out how tough a fighter he is. We build monuments to heroes, write books about them, and cry for them every night.

key figures⁷⁷⁵ has emerged whose charisma expresses national solidarity and a unified commitment to heroic values. Bush is obviously one. He came to office under conditions of surplus and stability that quickly ran out after his tax cut and the terror attack. With Afghanistan and Iraq as the opening acts of America's New War, his political career blew wide open.

Yet in leading the charge to reclaim a heroic identity, the administration is failing to respond in a way that would create a truly *interesting* heroic period, one that opens up a dialogue about who we are and what we can become. Content to leverage every possible advantage from the tragedy while learning only some of the important lessons, the president has framed nearly his entire policy agenda (from taxes to trade, energy, and drug enforcement) as war by other means.⁷⁷⁶ His approach, which amounts to “go shopping, get a flag, join the military, be afraid, and shut up while I beat the shit out of some people,” lacks the expansive vision of a Lincoln or an FDR. Calls for radically “new thinking” and observations that “the world will never be the same again” sound grandiose, even apocalyptic, but are typically couched in *narrowly technical* terms: “How can we smoke the bastards out of their holes and kill them? How should I open my mail? How should we recalibrate civil liberties and the security apparatus? What do I do under an orange security alert? What is the proper way to display the flag?”

The seductiveness of this approach is that it is half-true—we *do* need technical solutions, more security, law enforcement, intelligence reform, and smart military actions. However, as part of our general approach to solving terrorism, the country's leadership has to call for a more complex vision, one that is not just technical, but *moral*. The U.S. must seek justice for the acts

⁷⁷⁵ Rudy Giuliani, Tony Blair, Colin Powell, John McCain, Donald Rumsfeld

⁷⁷⁶ A clear example is the attempt link a free trade agenda to counter-terrorism by presenting both as an expansion of modern democratic values. Before the attacks, the administration and other neoliberal advocates were arguing that “trade is good for the poor” and that globalization protesters are “no friends of the poor.” Now they argue that trade helps fight terrorism, and wonder aloud whether there are “intellectual connections” between protesters and “others who have turned to violence to attack international finance, globalization, and the United States” (Zoellick 2001a).

of September 11, and a defense from future attacks in a way that does not *accelerate* a cycle of rage. This must include efforts to address the roots of anger and oppression, to treat the growing perception of our callousness as more than just a public relations problem, and to understand why violent fundamentalism is on the rise in the world today.

For what is fundamentalism but the *inability* to form a moral vision adaptive to the complexity of human experience? Instead of responding to violent fundamentalism with a Manichean ideology of our own, we can easily stand up and say we need to think about the conditions that make people turn to terrorism, and can do so in a way that *in no way* expresses sympathy for mass murder, or ties our hands in defending ourselves. Our reluctance to take even baby steps in this direction feeds the perception around the world that the only thing you can do to jog Americans out of their complacency is to bomb them. Hyper-nationalism and flag waving may be sending exactly the *wrong* message: that we are just as smug and arrogant as ever, and have no interest in what others define as oppression.

Our political competence creates simple distinctions that are highly problematic. Good and evil is a much too simplistic dualism for the problem we are dealing with. Bin Laden calls America evil and does not reflect on why we are the way we are. Our government, in turn, calls people evil and refuses to reflect on why large swaths of the world are rooting for them, or what it may be doing to provoke them. Rather than talking about good and evil, forward and backward, modern and pre-modern, civilized and uncivilized, we can explain what the terrorists did and our response symmetrically. While we may not share the global south's precise experience of being left behind or trampled by a security and economic regime that does not respect local rights, we do experience a parallel type of alienation—an erosion of cultural roots, civility, trust, and solidarity, in which low grade forms of terrorism erupt (e.g. Columbine, James

Byrd, Matthew Shepherd). The stresses on our civic institutions result not so much from political oppression, but an ideology that constitutes citizenship as consumerism and entrepreneurship. Our civic life is now the culture of the marketplace, where technical solutions pervade the political discourse, and heroic questions of American identity—who are we? Where are we going?—are rarely posed.

After WW II, we learned a new political competence: *rebuild your enemies*. If instead of invading Iraq, we quashed Al-Qaeda, and pledged to match global reconstruction aid to Afghanistan, we might have won over tens of millions of moderate Muslims, not to mention historic allies. It is too late for this exact sequence. The invasion of Iraq will have to stand as the historic blunder that it is. Yet it is not too late for an ambitious effort to “smoke out” hunger and infectious disease, dirty water, and indecent living conditions. Pursued with the same zeal with which we chased phantom weapons of mass destruction, it could go a long way towards drying the swamp of alienation and humiliation that even the Pentagon now acknowledges is a breeding ground for terrorism. A fraction of the Iraq cost to date would provide universal access to basic social services in all developing countries.⁷⁷⁷

I am not optimistic about the prospect of the administration making this turn. More likely is a ratcheting up of violence, intervention, and military technology. The U.S. has 4% of the world’s population and control 40% of the resources, but for the ultra-hawks, it is not about sharing our power. It is about spending some money, sacrificing some lives, and killing many people. This is model of governance premised on the cooperation between powerful nations and corporations to secure their access to natural resources, increase the concentration of global wealth, and repress reactions to that concentration.

⁷⁷⁷ A 1998 United Nations Development Programme report estimates that \$34 billion annually would provide water sanitation, reproductive health care, basic health and nutrition, and basic education for every person on Earth.

If the opportunity to construct a truly heroic vision out of the tragedy of 9/11 still exists, it will not occur under our current U.S. volition, but from American citizens and the global justice movement. An inclusive agenda that addresses the conditions of resentment without claiming them as an “excuse for terror” can raise the political competence of the public, and open a truly heroic dialogue about who we are, where we are going, and what we can become.

9. Conclusion

This project has been an historical analysis of the role of think tanks in shaping landmark social, economic, and foreign policy outcomes. We can now make some tentative generalizations about when and how think tanks function in the American and global political systems, and evaluate the potential in the present historical moment for invigorating the democratic effects of the TT field.

First, recall that the pluralist model of the policy process posits an ontologically prior and neutral “umpire state” that mediates competition between wide varieties of groups in a rough equilibrium, and proposes that think tanks generally contribute to a rational and enlightened public discussion. Insofar as the cases in this study show the U.S. state acting as an autonomous force shaping expert involvement in policymaking, they confirm the pluralist thesis.⁷⁷⁸ However, while the cases confirm the ontological primacy of the state, they *do not* show that the state acts neutrally in this regard. The experts chosen by the U.S. government to involve in policymaking over one hundred years shows a pattern of containment and cooptation of radical (mostly economic but also political) ideas, suggesting a structural bias in the state’s employment of tank knowledge. The state-centrism that characterizes pluralist analyses (especially in international relations literature) thus fails to understand the process of state formation in relation to dynamics of capital accumulation and class formation.

In addition to biases in the use of expertise, the cases demonstrate structural advantages of capital in the TT field, undermining the notion of an American polity made of an interest group anarchy in which no players are dominant. For those active in elite policy communities, witnessing personal rivalry and chaotic technocratic activity daily, the strata of society they

⁷⁷⁸ See also Skocpol 1992

operate in may appear highly fragmented. Ben Wattenberg responded in interview that it was “salutary” to charge conservative think tanks with putting so much money into publicity versus scholarship, since they were just trying to get the word out. What his comment does not take into account is the uneven playing field created by unrepentant ideological marketing. A disproportionate distribution of resources (money, access to public administration) distorts a system of allegedly neutral adjudication of interests. The fact that corporations and conservative philanthropies populate the tank field at a far greater rate than other sectors is *prima facie* evidence of an imbalance in the benefits flowing from the 501c3 U.S. tax code incentives. Ironically, the coffers of so-called “liberal” foundations like Ford, Rockefeller, Carnegie, and MacArthur dwarf those of the right wing philanthropies (Coors, Olin, Scaife, Lynde and Harry Bradley). Yet while conservatives have spent the last three decades targeting investment in sustained and programmatic policy research and advocacy in a self-conscious war of ideas, the liberal foundations have operated on the assumption that contributions to grassroots activities, demonstration projects, and relief efforts are the best way to fulfill their public mandate.

In addition, at the purely rhetorical level, liberal foundations are not “liberal” in the same way that conservative ones are conservative. They have no explicit ideological program, other than the vague commitments to education and public service that characterize all nonprofit organizations. Where a Scaife foundation feels no compunction about giving money to an organization dedicating itself to the repeal of the welfare state (Heritage), a Ford or a Carnegie is much less likely to commit funds to organizations expressing even the mildest language about mitigating the negative effects of an unbridled free market. They will give to centrist

organizations for politically safe policy research, but not to a network of committed activists seeking to proclaim loudly in national media outlets a wide-ranging program of social justice.⁷⁷⁹

Given the need to make analytic arguments in order to affect the policy process, the lack of policy tanks among those unable to afford them reduces citizen capacities to participate in formulating agendas and constructing problems.⁷⁸⁰ The issue of those who do not have the power and resources to do policy analysis directs attention to the ways in which think tank practices may distort public debate and deepen inequalities, rather than provide an enlightened discussion of alternatives. Liberal foundations, such as George Soros' Open Society Institute, have begun to make inroads into a field dominated by conservatives. In what amounts to an emergent and self-conscious (if belated) response to the right wing infrastructure, groups like Americans Coming Together (voter registration), MoveOn.org (internet advocacy), Air America (talk radio), and the Center for American Progress (a quintessential full-service think tank) have been the beneficiaries of significant largesse from financiers like Soros.⁷⁸¹

Finally, recall the pluralist assumption that tanks help people understand public issues and act rationally based on sound knowledge is at the root of most tank practitioners' self-understanding. The cases demonstrate that most think tanks are not and have never been loci of impartial thought. Instead, tanks inhabit carefully crafted sets of paradigm ideas expressing what I have called corporate- and neo-liberal policy regimes. We saw, for example, how underlying the economics of monetarism and Keynesianism were fundamentally different conceptions of the world and assumptions about the economy not subject to empirically testing. The conversion of the Republican Party to monetarism turned as much on its *political* appeal as on its economic

⁷⁷⁹ See Callahan 1995

⁷⁸⁰ Parsons 1995:167

⁷⁸¹ See Capital Research Center 2004

validity.⁷⁸² The variations in what constitutes “economic wisdom” regarding the role of the state in driving growth thus reflect a recursive relationship between the state, civil society, and market.⁷⁸³ Today, more than ever, the cacophonous spectacle of public life, proliferation of experts far removed from public view, climate of partisan rancor, and a lack of trust between citizens makes it difficult to speak of think tanks as contributing in any simple way to the accumulation of collective practical wisdom.

Let us also now reconsider the elite model of the policy process in light of the empirical work done here. In several senses, the notion that think tanks parrot capitalist class initiatives turns out to be as unsatisfying as the pluralist notion that they are neutral representatives of equally competitive social groups. The cases do *not* indicate tanks are able to translate elite (either big “C” capital or social elites) consensus seamlessly into supportive policies. Furthermore, tanks are *not* ideologically homogeneous on any issue—defense spending, free trade, tax policy, budget deficits, etc.—among or even *within* themselves. There is significant diversity in the field as a whole (just as there is in the professional managerial classes generally), and, as we have seen, individual organizations themselves can drift significantly between ideological poles over time, mostly as a matter of institutional survival.⁷⁸⁴ Many do not seek to advance elite agendas. In addition, the growing array of transnational tank networks rooted in that have formed in opposition to corporate groups have been able to exert influence far in excess of their material backing.

On the other hand, the cases do lend some empirical support to the claim that corporate and philanthropic funding exercise a gate keeping influence that lends a structural unity to the

⁷⁸² As Peter Hall (1990: 66-70) wrote of the British case, “The monetarist critique of activist economic policy was highly congruent with Conservative arguments that state intervention in the economy should be reduced.”

⁷⁸³ See McCloskey (1985); Kuhn 1962

⁷⁸⁴ The most clear-cut case is Brookings’ move from staunch opposition to the New Deal to avid proponent of the Great Society).

TT field.⁷⁸⁵ Corporate- and neoliberal think tanks have functioned historically to concentrate decision-making. In cases of both crisis and stability, tank-led cooperation between government agencies and large functional groups overshadows pluralist institutions. Functional elites do not exist and act in simple autonomous competition with one another, but through formal and informal mechanisms that shape elite consensus and forge popular consent. Sociologist William I. Robinson understands this as a “polyarchic” system in which

A small group actually rules and mass participation in decision making is confined to choices carefully managed by competing [business and business-approved] elites.... [The system] is an effective arrangement for legitimating and sustaining inequalities within and between nations (deepening in a global economy) far more effectively than authoritarian solutions.⁷⁸⁶

One virtue of this explanation is it accounts for the *nexus* of elite and popular ideology but also shifts our attention *disjuncture* between the population and the professional managerial stratum, and explains the ability of multiple elites to *bypass* public acceptance of their ideas their own consensus is sufficiently strong. Desai suggests, “The most important function of hegemonic ideology is to subject the subordinate ranks of the *ruling classes*, and secure the congruence of *their* practices to the requirements of hegemony.”⁷⁸⁷ This is precisely the strategy neoliberal godfather Ludwig von Mises sponsored in 1962 when he charged, “What is needed to turn the flood is to change the mentality of the intellectuals. Then the masses will follow suit.”

We can then understand the trends in think tanks towards ideology and marketing over the past few decades as a strategy for bringing about *elite* not an *electoral* realignment.⁷⁸⁸ The rhetoric employed by think tanks, candidates, consultants, and fund raising PACs overshadowed people’s

⁷⁸⁵ For example both centrist (pro- state planning/detente) and rightist (pro-free market/hard-line) economic responses to the 1970s economic crises agreed that state action should transfer resources to capitalists, and that workers should endure the most of crisis management solutions.

⁷⁸⁶ Robinson 1996:385

⁷⁸⁷ Desai 1994:39

⁷⁸⁸ Blumenthal 1986:312

progressivism with appeals to vague emotionally charged messages. The effort to crowd out or otherwise delegitimize competing ideas is also evidence of a self-conscious hegemonic project.⁷⁸⁹ To prevent the emergence of a serious rival, the proliferation of conservative media creates feedback loops or an “echo chamber” that reverberates with ideas until they take on the patina of common sense or legitimate concern. A group like AEI will send a paper to Congress and opinion leaders in the major media. As think tanks feed the media reportage back to congressional staffers, the issue begins to seem like a growing national concern, and Congress people become inclined to vote with an apparent consensus.

This tank modality enabled market fundamentalism and Christian fundamentalism to achieve electoral and policy outcomes without achieving widespread popularity.⁷⁹⁰ Republicans could never garner a strong majority in favor of operational conservatism (which stood at only 14 percent in 1968). The large Republican presidential victories in 1972, 1980, and 1984, similar congressional victories in 1994, and the rightward swing of the Democratic Party do not therefore necessarily indicate a fundamental shift in political loyalty, but rather the culmination of an ideological crusade carried out primarily among elites. The apparent long-standing trends of Republican majorities are in reality contingent artifacts of a restructured institutional environment.⁷⁹¹ The voting patterns prove conservative candidates were *marketing their products better*, but not necessarily responding to public needs. Tanks structured the identities of consumers of policy ideas so that they craved the product sold to them, creating, in essence, their own demand.

⁷⁸⁹ As Leys (1990:127) argues, “For an ideology to be hegemonic, it is not necessary that it be loved. It is merely necessary that it have no serious rival.”

⁷⁹⁰ Free and Cantril noted in 1968 that while 65 percent of voters were “operational liberals” favoring *policies* like Social Security and unemployment insurance, 50 percent of voters were “ideological conservatives” favoring *principles* like individualism, private enterprise, and limited government (Free and Cantril 1968:15-32).

⁷⁹¹ See Walter Dean Burnham, “The 1984 Election and the Future of American Politics,” in Sandoz and Crabb 1985:204-260. See also Martin P. Wattenberg 1991.

Ironically, the zealous neoliberal critique of government economic intervention produced a greater degree of centralized planning (this time in corporate monopoly boardrooms) than ever before. The prospect of an economic totalitarianism of cartels, oligopolies, and conglomerates is eminently imaginable. Yet things can change. While there is a path to history discernable in the structures that constrain and enable opportunities at any given conjuncture, structures are contingent entities. In this study, I have found that the deeper one goes into structures the more one finds the process of structuration. Like a Socratic dialog of deconstruction, the structure-action problem cannot be resolved because the apparent structures of governance—states, communication systems, social factions, ideologies, etc. — are emergent properties, institutions, limned and fluid characters.

In historical retrospect, it may seem like think tanks never fail to develop rhetorical adaptations to crisis conditions—accumulation processes, interstate rivalries, and domestic politics. The system-calibration function of think tanks always seems asserts itself at moments of crisis: as hyper-accelerated levels of private accumulation start to break down social cohesion, tanks develop a set of policies to predict and control future crises, saving capitalism from its own self-destructive impulses, coopting political dissent, and maintaining the basic assumptions of wealth distribution. In most cases, their critiques go only so far as necessary to secure the long-term stability of the system. This phenomenon suggests that, whatever their impact, tanks play an objective role in sustaining social order.

Yet, the precise political orientation of any given order is never determinate. While cooptation is at one level a typical crisis management strategy, it also signals a tear in the ideological fabric. Even if the recent rediscovery of social needs (“sustainability” “social capital” “global governance”) over profit is superficial, or “merely” rhetorical, the normative shift does

open possibilities for democratizing the public sphere and enacting fundamental transformations in the state-market-society complex. It is a dynamic recurs throughout TT history: democratic forces capitalize upon an initial rhetorical opening in order to bring about major changes, with at least a tinge of democratic improvement. Even though the general response of 20th century tanks to crises has been to coopt subordinate class anger and aspirations, the fact that think tanks *sometimes* follow path distinct from ruling class prescriptions points to cracks in the architecture of U.S. capitalism. Even if the “general interest” that think tanks claim to represent is in practice the specific interest of a dominant historical bloc, the tendency of think tanks to look beyond strict class antagonism creates a perpetual opening for significant elements in the TT field to unify with working and other subordinate classes to produce a new historic bloc. One cannot easily predict the adaptations to the TT field engendered by the crises of globalization and terrorism. The outcome of the current adaptations will depend in large part on whether new and old forces in the field seek to uphold privilege or reverse the priority of economy over society characteristic of the neoliberal regime.

The success of the conservative movement in subsidizing an institutional infrastructure to propagate people and ideas curtailed the ability of corporate liberals to articulate a competitor to the free market paradigm, and severed almost any ties between leftist tanks like the Institute for Policy Studies and the Washington D.C. planning elite. While corporate liberals simply capitulated to the new paradigm, leftists retreated into greater obscurity. As the cases demonstrate, centrist organizations like Brookings Institution have always been able to work with rightists, whether with AEI on regulatory reform, IIE on defending the global financial architecture, or PNAC on prosecuting the global war on terrorism.

Conservative tanks' avowed ideology and well-developed marketing advantages them over their corporate liberal and leftist competitors, which tend to be more open-minded and deliberative in their thinking. As Featherman and Vinovskis note,

It is perhaps ironic that academics in disciplines such as economics, political science, and sociology—in their quest for professional integrity and scientific objectivity—may have unintentionally undermined these disciplines' long-term relevance to policy and thereby conceded the main battlefield to the private, often partisan, think tanks.⁷⁹²

It may also be the case that conservative rhetoric possesses an inherently greater capability to capture the narrative of threat. The perspective, which views good-hearted Americans as under or potentially under siege by enemies within or without appeals to a very basic impulse to look for differences and defend the heartland against threats to our common heritage, the gene pool, or national security. The nature of conservative rhetoric, in the form of catch phrases, ideas, narratives, and myths thus targets not just the base of the Republican Party, but also uncommitted and uninvolved people. The appeal to deeply ingrained icons and myths, such as the paradigm idea of competition and the heroic exploits of Horatio Alger, John F. Kennedy, or Cornelius Vanderbilt, offer people a robust dog-eat-dog vision of America and its role in the world. In this vision, ideals of sharing and sacrifice for the poor seem quaint or even anti-American. The vision resonates with a narrative of a masculine, prideful, even chauvinistic American exceptionalism that says, "We are the best."

It is difficult to imagine a transition to a different policy paradigm in which elements of the U.S. and professional managerial class do not play a significant role. At the same time, it may be a mistake to believe the contemporary global "antiglobalization" movement can follow the model set by think tanks in any stage of their evolution. The movement against corporate globalization is potentially appealing and powerful precisely because it is *not* waged as a

⁷⁹² Featherman and Vinovskis 2001:2

campaign in the narrow corporatist sense, but from a broad popular struggle of diverse constituencies favoring, not socialism per se, but social goals, democracy and popular sovereignty.

Any “counter-hegemonic” project will require the sort of social science research done at places such as the Institute for Policy Studies, which seeks to broaden an institutional base beyond the “vertical ghetto” of single-issue politics to support a more movement-oriented politics. Such a coalition of policy analysts might keep the TT field under public scrutiny and hold it accountable for its exercise of power. To do so, it would have to point out that the heavy investing in advertising techniques reveals a commitment to the movement, not to advancing social scientific understanding. It would recognize that New Right tanks assert ideas with a force and uncompromising confidence that lends a transcendental quality to them, and that because neoliberal ideas derive from a higher, almost Kantian principle, they are rarely open for discussion or subject to amendment. Indeed, the claim to act on “principles” masks an intensely ideological project that makes little room for introspection, compromise, or dialogic politics in a traditional sense, and leads to many research products that are pure propaganda. They use a pre-determined analytic lens, and executive management selects researchers to find the results that comport with that lens. Working in an environment of like-minded individuals, tank personnel reinforce “one another’s preconceived notions and rejecting any thinking that does not fit the mold—practicing what consultants call the art of ‘directed conclusions.’”⁷⁹³

Such a coalition would also be unwilling to cede the rhetorical ground of American nationalism. If globalization implies the intensification of capital, then the “nation,” as a binary term to the “global,” also intensifies, and becomes re-imaginable. As Eric Hobsbawm suggested in his 1996 E.P. Thompson memorial lecture at the University of Pittsburgh, despite its

⁷⁹³ Easterbrook 1986

imperialist past, the state may remain the best or last bastion against the encroachments of transnational capital. The odd Buchanan-Nader-Perot alliance on international trade agreements suggests that it is possible at least to *prevent* policy outcomes in such a manner. Criticism of the global governance complex resonates with those on both the left and right who sanctify national sovereignty. Conservatives argue global governance institutions waste taxpayer's money, while liberals oppose the imposition of painful economic restrictions, and lack of environmental and social considerations. Around October 1999, just such a left-right coalition came together in the House of Representatives to assault the IMF/WB by introducing five bills⁷⁹⁴ within a month that would have radically changed their practices. Liberals were upset at structural adjustment policies,⁷⁹⁵ conservatives at the very idea of taxpayer money going to a seemingly endless pit of debt and misery.⁷⁹⁶

While the commitment to defeating outcomes is intriguing, it remains in a defensive mode. Moreover, it would be unfortunate if opposition to transnational capital were limited to purely nationalist responses. While activists in the U.S. cannot leave the national imaginary up for grabs, they must resist a narrowly drawn nationalism. The opposition to corporate-led globalization offers an opportunity to construct identities in industrialized states against *capital*, rather than against the South, the East, or other "rogue states." The paradoxical position requires social justice tanks to contest their neoliberal brethren on the *very idea* of America. Whether the

⁷⁹⁴ Ecosystem and Indigenous Peoples' Protection Act, Rep. Christopher Cox (R., Calif.) requires U.S. to cut funds if World Bank violates environmental and social policies; Debt Relief and IMF Reform Act of 1999, Reps. Jim Saxton (R., N.J.) and Dennis Kucinich (D., Ohio) Forces U.S. to oppose IMF's low-interest loans to poor countries; Debt Emancipation to Enable Democracies Act, Reps. Cynthia McKinney (D., GA.) and Dana Rohrabacher (R., Calif.) forces IMF to forgive debts owed by poorest nations without tough economic reforms; Foreign Money Laundering Deterrence and Anticorruption act, Rep. Jim Leach (R., Iowa) forces U.S. to oppose IMF and WB loans to corrupt countries; Russian Economic Restoration and Justice Act, Reps. Curt Weldon (R., Pa.) and Neil Abercrombie (D., Hawii) creates joint U.S.-Russian push for IMF reform.

⁷⁹⁵ For example, Georgia Democratic Representative Cynthia McKinney said that while she believed in the role of multilateral institutions, "that role doesn't need to hamper the development of basic institutions and values that I believe we as Americans ought to foster," such as human rights and equal economic opportunity (Michael Phillips 1999).

⁷⁹⁶ For example, Steve Forbes and Gary Bauer would describe IMF policy advice as "socialist."

globalization backlash can alter the momentum behind free trade and the global war on terrorism hinges on who controls the discourse.

A discourse that counters the post-9/11 paradigm in America by linking economic and foreign policy to an inclusive vision economic globalization that addresses the conditions that breed resentment without claiming them as an “excuse for terror” would approach security threats through international intelligence, smart military operations and the peaceful building of democratic institutions globally. As much as neoliberals would like to equate bin Laden with global justice activists, protests in which broken windows in Starbucks or McDonald’s are the greatest damage cannot compare to the attacks of 9/11. The GJM may throw a pie in the face of a World Bank president, but they do not kill people. Nor does GJM even oppose trade per se, or blame America for the world’s ills. The opposition to the neoliberal agenda is not necessarily even anti-capitalist, being comprised of diverse organizations and agendas. Rather, it advocates solutions to common problems should be approached from the perspective of those that suffer the most destructive effects of economic development and political violence. The deep advantage of the GJM may lie precisely in this discursive position.

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