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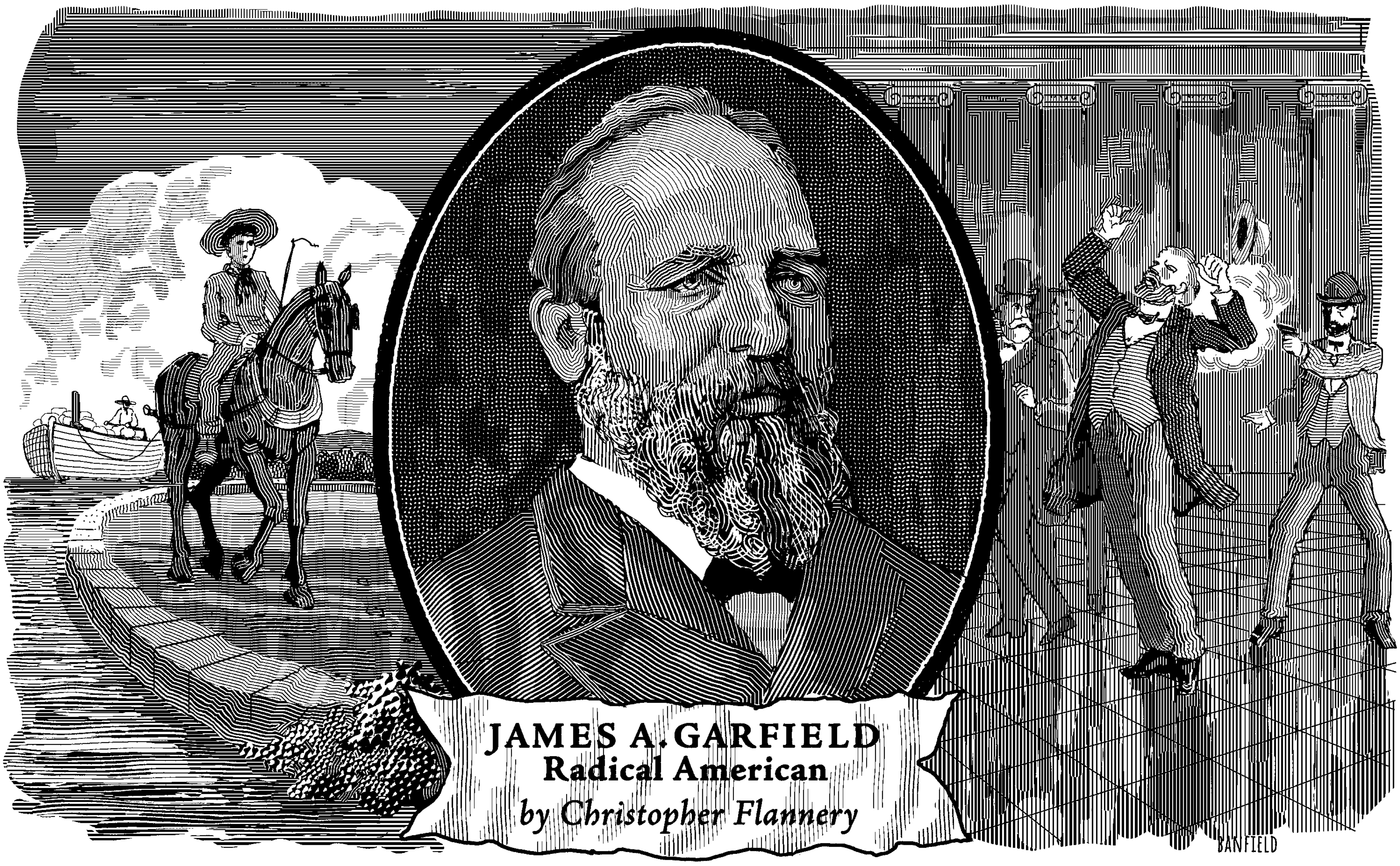

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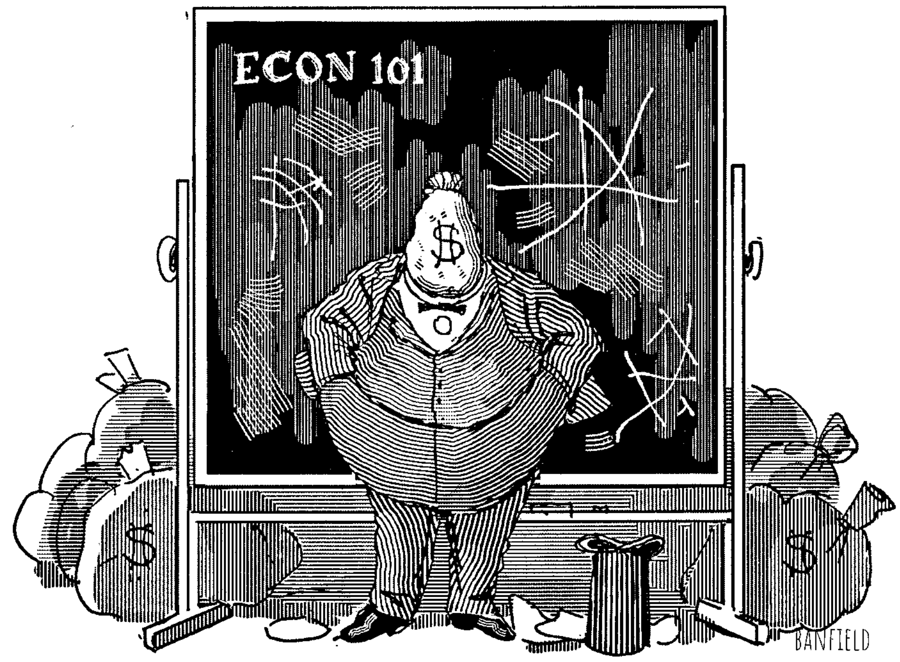
Book Review by Julius Krein

Plutocrats and Propagandists

The Big Myth: How American Business Taught Us to Loathe Government and Love the Free Market, by Naomi Oreskes and Erik M. Conway. Bloomsbury Publishing, 576 pages, $35



Discussions of ideological polarization can be oddly comforting. They imply that politics is an honest battle of ideas rather than an amoral competition between transient lobbying coalitions driven by material self-interest. They also flatter the sensibilities of professional intellectuals. Naomi Oreskes and Erik M. Conway's *The Big Myth* promises a different perspective, examining the role of business interests in creating and promoting the ideological constellation now known as "neoliberalism" or "market fundamentalism." The authors, a professor of history at Harvard and a historian of science and technology working for the California Institute of Technology, respectively, suggest that seemingly entrenched intellectual traditions and deep philosophical commitments are little more than the propaganda of 20th-century corporate lobbies.

At over 500 pages, *The Big Myth* is big, and in some respects remarkably thorough. Yet the book offers few original insights and falls far short of the ambitions of its subtitle—explaining *How American Business Taught Us to Loathe Government and Love the Free Market.* The unique contribution it advertises—examining the specific role of business in advancing certain policies and ideologies—is almost completely forgotten as the book's history approaches the present. Oreskes and Conway do reveal several fundamental misunderstandings of both Left and Right, but mainly by making the same errors themselves. In this respect, pointing out what they do not say is perhaps more illuminating than reviewing what they do.

The Big Myth begins in the early decades of the 20th century. These chapters—the book's best—focus on the activities of the National Electric Light Association (NELA), which developed a modern playbook for political influence that combined industry lobbying with the promotion of larger intellectual narratives. It may seem surprising that the electricity sector, highly regulated then and now, would champion laissez-faire economics. Yet, in both the past and present, the industries most vocally engaged in (selective) "free market" lobbying are often the ones most intertwined with the state—from finance to pharma to Big Tech, as well as utilities and energy.

Business lobbying is rarely a simple case of opposing government interference, though Oreskes and Conway often ignore this wrinkle. NELA's member companies essentially sought to protect their regulated returns while avoiding pressure to invest for public purposes, such as rural electrification, and warding off new state-owned electricity models. The association therefore launched "a great campaign of education" on behalf of the industry. Its early, direct efforts were mostly seen as ham-fisted propaganda, but NELA had more success introducing seemingly objective "educational" materials that promoted "markets" in general. This included sponsoring new textbooks, funding university faculty, studies, and lectures, along with other intellectual efforts. Offering what is easily the best line of the book, one NELA representative remarked in 1926 that "the professor, if you please, gentlemen, regards himself as being inspired by Jehovah…[but] the prophet is most amenable to inspiration." Although largely forgotten today, this early NELA advocacy pioneered the forms of future neoliberal campaigns as well as much of their content.

NELA accomplished its main goals. The industry largely avoided having to make investments in rural electrification during this period, and state-operated electric utilities (as seen in Canada, for example, at this time) failed to gain traction in the United States. Nevertheless, state intervention in the economy—and opposition to it—intensified after the New Deal and World War II. This story is, of course, the subject of countless histories, and as *The Big Myth* moves along, it begins to stumble.

For Oreskes and Conway, the history of postwar neoliberalism is essentially identical to the history of conservatism. The Democratic Party's relationship to big business and billionaire donors is scarcely mentioned at all. Figures like Robert Rubin, the former Goldman Sachs executive who promoted financial deregulation while serving as President Bill Clinton's secretary of the treasury, are criticized, but the book's discussions of Democrats' neoliberal turn are usually accompanied by hefty doses of special pleading. While Republican politicians are invariably presented as the evil dupes of greedy corporations, Democratic neoliberals are mostly portrayed as well-intentioned, if somewhat misguided, public servants. The authors take great pains, for example, to argue that Clinton's embrace of the "Washington Consensus," which called for fiscal austerity and free trade, was far more nuanced than it seems and would not have caused any significant harm, at home or abroad, were it not for Republican extremists redefining the concept later.

But neoliberalism was always more than a partisan affair. As historian Gary Gerstle shows in his recent, and far superior, book, *The Rise and Fall of the Neoliberal Order* (which I reviewed in the Winter 2022/23 *CRB*), there were left-wing currents behind neoliberalism from its earliest days, both ideological and material. At the intellectual level, progressive neoliberalism emphasized minority rights and individual self-expression against conservative social norms, rather than defenses of the free market. Yet, as Garry Wills observed decades ago, and as Samuel Moyn's forthcoming book, *Liberalism* Against *Itself*, explains, Cold War left-liberalism became singularly focused on individual liberty, and this focus gradually undermined the New Deal's communitarian ethos and legitimacy. Seen in this light, the donors pushing the American Right toward ever more rigid formulations of economic individualism were part of a much larger trend, one that is wholly ignored in *The Big Myth*.

Nor were left-liberals innocent when it came to corporate lobbies and wealthy donors. Oreskes and Conway criticize the Telecommunications Act of 1996, for example, but fail to note how Democrats actively used the occasion to court Silicon Valley donors and remake the financial base of their party, as described by Gerstle. At one point, as Linda Weiss recounts in *America Inc.?: Innovation and Enterprise in the National Security State* (2014), congressional Republicans actually discontinued a Defense Department technology program in order to prevent Democrats from using it to court business allies. Likewise, progressive causes such as the environmental movement, despite a surfeit of moralism, have always had a less-than-idealistic relationship with corporate interests. Initially, greens allied with the coal industry against nuclear power. Later, the natural gas lobby funded environmental groups' campaigns against coal, and now they align with renewables against all fossil fuels and (in most cases) nuclear. Throughout, major environmental organizations were allies of libertarian economists in pushing for electricity market deregulation, and many happily accepted contributions from Enron and testified on its behalf before regulators. Yet any scrutiny of progressive neoliberalism is absent from *The Big Myth*.

Nowadays, such partisan scholarship is too common to be especially distracting, and in this book it is too heavy-handed to be seriously misleading. It might even be forgivable if it were simply the price paid for a more fine-grained treatment of the Right. But it isn't.

To be sure, Oreskes and Conway unearth some fascinating anecdotes. They discuss the funding and creation of popular entertainment, like the radio show *The American Family Robinson* and the T.V. adaptation of *Little House on the Prairie*, intended to convey a libertarian message. The National Association of Manufacturers (NAM), a group initially formed to support protective tariffs, sponsored newspaper comic strips critical of government intervention. For academic audiences, meanwhile, donors sponsored the distribution of bowdlerized editions of Adam Smith's *Wealth of Nations*, stripped of Smith's own qualifications and complex moral theory, and reduced to a crude statement of market fundamentalism. Oreskes and Conway further argue that Friedrich Hayek's *The Road to Serfdom* was largely ignored before a well-funded distribution campaign, which included a rather ridiculous cartoon version. (Cartoons seem to have been surprisingly—or perhaps not—important in promoting neoliberalism.)

Amusing as these vignettes are, the authors miss an opportunity to explore some of the distinctions and internal tensions within right-wing neoliberalism. American libertarianism has always contained two strains, which operate in tandem but are not entirely compatible. The first is a sort of pure individualism, given fullest expression in the work of Ayn Rand. Rand essentially fits the Nietzschean *Übermensch* into the confines of bourgeois commercial life; she bestows on the wealthy entrepreneur a greatness that goes beyond conventional morality and society. On the other hand, the libertarianism of Hayek and Milton Friedman effectively has the same goal as the Keynesian economist or even the socialist—maximizing social welfare—while prescribing different means to achieve it.

What some commentators have called American "folk libertarianism" tends to celebrate the heroism, or at least the independence and self-reliance, of the individual, even if not taken to the extremes of *Atlas Shrugged*. The sturdy pioneers of popular imagination, or even the heroes of Rand's novels, do not have a theory of the market as a utility-maximizing information system; it is an arena for individual struggle and achievement. Corporate lobbies and donors, however, along with their sponsored intellectuals, have always preferred Hayekian-Friedmanite neoliberalism, which offers a convenient rationalization of incumbent economic power without requiring much in the way of heroism—and while employing many more professional economists. In practice, moreover, few corporate libertarians actually want to be left to their fate without any state intervention, as seen most recently in the calls for bailing out Silicon Valley Bank. This interplay between folk libertarianism and corporate-academic neoliberalism has at times expanded the audience for neoliberal policy, but it has also contributed to populist frustrations.

Oreskes and Conway's blurring of these ideological lines in part reflects their blurring of donor constituencies. In contrast to the book's early chapters on NELA, which carefully chart the activities of specific industry lobbies, the later chapters treat all right-wing donors alike as representatives of big business. But even if many of these donors were businessmen, they were not—especially in the 1940s, '50s, and '60s—representative of the mainstream of American corporate leaders, who had largely reconciled themselves to the New Deal economy. Any serious analysis of business's role in ushering in neoliberalism should explore the details of how an ideological vanguard—marginalized during the era that ran from Franklin Roosevelt to Lyndon Johnson—managed to recruit, at least temporarily, many more powerful interests into its coalition. But *The Big Myth* does not even acknowledge this distinction.

Despite their hostility toward money in politics, Oreskes and Conway almost always take lobbyists and donors at their word. On the one hand, they can't seem to imagine anyone adopting progressive moral posturing to make a buck. On the other, they assume that anyone who donates to right-wing causes must be a true believer in across-the-board extremism. Yet most corporate lobbies take a purely instrumental approach to ideology, adopting whatever slogans might suit their near-term interests at a given time, or often pushing contradictory ideological justifications of a preferred policy to both parties simultaneously. (Pick any issue involving Big Tech today and there is likely a think tank explaining why changing the status quo would be bad for progressives and another one explaining why it would be bad for conservatives.) There is a reason why a politician considered a "corporate Republican" or "corporate Democrat" is almost certainly a squishy moderate. Even among the most ideological donors, business concerns tend to be a moderating influence as often as not. The stereotypical Republican car-dealership owner benefits from rules requiring automakers to sell through dealership networks. (The exception for Tesla's E.V.s is becoming more controversial.) Do not expect the conservative campaign against the regulatory state to target this mandate anytime soon. Rural voters—perhaps the most loyal Republican voting bloc—rely on federal agriculture and other subsidies, and so, despite conservative think tanks' nearly unanimous disapproval, Republican farm-state senators consistently support them. During the heyday of neoliberalism, staunch conservatives like Newt Gingrich shilled for Fannie Mae and Freddy Mac, and Koch Industries has always had a more complex relationship with environmental regulation than one might expect. Oreskes and Conway generally assume that financial interests have pushed the Republican Party further to the right, but in many cases the opposite is true.

Lurking behind the myriad problems of *The Big Myth* is one cardinal error: an astonishing lack of interest in how neoliberalism actually reshaped the economy and American business. Oreskes and Conway basically accept neoliberals' own ideological account of their project—maximizing economic freedom and unleashing markets. But a growing body of scholarship, including the work of Gerstle, Herman Mark Schwartz, Erik Peinert, and others, indicates that it was about much more than that, especially for the corporate sector. The economic paradigm shift that occurred over the past 50 years was not simply about cutting taxes or removing constraints on capital. It was not only about changing the distribution of wealth, but involved changing how wealth would be generated.

By the 1970s, the U.S. economy faced profound challenges. Competitors from Europe and Japan were taking market share away from American manufacturers globally and, in part thanks to already asymmetric trade regimes, even domestically. U.S. oil production had peaked; inflation was high; real growth was stagnant. As a 1971 White House report put it, "the nation's economic superiority was gone."

Business leaders and policymakers responded—sometimes intentionally, sometimes unconsciously—by orchestrating a shift away from an economy dominated by integrated manufacturers, like G.M. and G.E., and toward a "fissured economy" that privileged intellectual property rights, intangible assets, and financial services. U.S. economic dominance would be restored not by strengthening domestic industry but by enabling American firms to capture the most profitable intellectual property and financial rents, while commoditizing the remaining parts of global value chains. Labor would be weakened not only by deunionization, offshoring, and immigration (legal and illegal), but also by the sequestration of most workers into the least profitable parts of the value chain.

In the ensuing decades, the offshoring of capital and labor-intensive businesses accelerated as the United States pursued trade agreements that cut tariffs and other protections for domestic production while imposing new protections on intellectual property (e.g., the World Trade Organization's Agreement on Trade-Related Aspects of Intellectual Property Rights, or TRIPS) and favoring the rights of foreign investors. The ability to extract intellectual property rents was further strengthened by changes in patent policy and the weakening of antitrust regulations against "vertical restraints." These changes allowed firms to exert strict controls on pricing and distribution, while capturing the lion's share of profits, without having to manufacture their own products (as Apple, for example, does today). Government Research & Development programs gradually dropped requirements for innovations developed with taxpayer support to be produced in the United States, while granting private firms the intellectual property. Tax policy itself allowed intellectual-property-based firms to shift profits to offshore havens and avoid U.S. taxes. Environmental and other regulations proliferated while regulatory arbitrage through trade increased. At the same time, the financial sector was strengthened by regulatory changes (including allowing asset managers to vote proxies and permitting share buybacks) as well as by the effects of swelling trade and fiscal deficits. As capital-intensive industry—and thus opportunities for capital investment—declined, financial market actors became increasingly focused on value extraction and speculation. Through the proliferation of stock-based compensation, financial market incentives also began to exert greater influence on corporate management.

Intellectuals might argue about abstract notions of fairness and freedom, and politicians fixate on headline tax rates, but the fundamental reshaping of corporate incentives and the resulting sectoral shifts in the U.S. economy are the neoliberal revolution's most important effects. These issues had the greatest effect on the corporate sector in the Reagan years, and that remains so today.

And if neoliberal policies have been discredited in recent decades, it is not because taxes are too low or entrepreneurs are too greedy, as Oreskes and Conway would have us believe, but because the structural incentives of the neoliberal economy have undermined the foundations of productive investment and broad prosperity. Although America experienced an economic boom through much of the 1980s and '90s, it is clear, in retrospect, that longer-term problems were growing beneath the surface. Entire industries and supply chains were lost to geopolitical rivals—not only "commodity manufacturing" but the capacity to lead in innovation—including in key defense-industrial-base and dual-use-technology sectors. Furthermore, as companies sought to separate intellectual property rents from capital investment and labor costs, much of the U.S. workforce found itself cut off from the main sources of corporate profits, while entire regions were devastated. Firms like G.E. went from industrial titans to financial services platforms, before inevitably being forced into humiliating restructurings. Vast resources went into designing ad-tech algorithms and dating apps while the country lost the ability to produce nuclear reactor components or generic drugs. Boeing and Intel went from world leaders to national embarrassments.

Contrary to *The Big Myth*, the conservative ideologues who did so much to usher in neoliberalism never really got what they wanted. They cut taxes, but never did much to shrink government spending. They inked trade deals, only to see Republicans fall out of favor with the sectors that benefited most. They won some regulatory battles, but most of U.S. society today—from health care to education to tech and finance—is more of a corporatist mélange than a libertarian utopia. And however one interprets the intersection of economics and culture, America hardly seems to have grown more socially conservative since the 1980s.

For the most part, conservatives have made—and continue to make—the same errors as Oreskes and Conway: they imagine that corporate lobbies are committed ideological compatriots rather than occasional allies of convenience. But like NELA in the 1920s, corporations not surprisingly favor government intervention when it suits them, and adopt libertarian dogma only instrumentally to minimize public obligations. Thus, lobbies like Big Pharma show great fondness for free-market theory whenever there are proposals to impose drug price controls, but seem much less interested when discussing, say, the repeal of Obamacare subsidies. Market fundamentalists complain about this hypocrisy, but their economic theory—in which private vices always lead to public virtues—cannot really account for or address it.

Ironically, Oreskes and Conway share the same goal of the diehard neoliberals: the separation of business and politics. In the authors' ideal scenario, the moralistic do-gooders in politics would be very active indeed, though the neoliberal imagination conjures little for them to do. But both ultimately desire the strict separation of the two realms, believing this would solve almost every problem—and this shared fantasy helps explain why progressive moralism often meshes so easily with neoliberal economics. Here, however, is the real myth, and such a division is neither possible nor desirable.

It is also bad history. In reality, determining which sectors and activities generate the most wealth and how resources are allocated is precisely what politics is (even if there are good reasons for states to avoid favoring one firm over another). One of the first issues that concerned the U.S. government after the Constitution's ratification was the decline of the cod-fishing industry, which occupied the attention of America's greatest statesmen, including George Washington, Alexander Hamilton, and Thomas Jefferson, for years. Not only did Congress pass a subsidy, but the Treasury Department specifically determined the amounts that would go to shipowners versus fishermen, after intense lobbying by both sides. Throughout the 19th century, the idea of separating politics from sectional economic interests would have seemed ridiculous.

It is possible to argue that the arrival of the large modern corporation—with a bureaucracy and power that could rival the state—led to the big myth that a government untouched by shadowy corporate interests was a worthy aspiration. NELA's early-20th-century pivot to "educational" campaigns, as opposed to straightforward patronage efforts, might be said to reflect this shift. Since then, at least, both Right and Left in America have been invested in this illusion. Oreskes and Conway seem to believe that progressive moralists and technocrats would have led us to the promised land decades ago, were it not for big business's nefarious influence. Many conservatives, on the other hand, still imagine themselves to be defending an immaculate free market from all varieties of Communists—even though many left-wing causes are funded by the largest corporations, while many right-wing donors are more interested in profiting off the government than eliminating it.

Instead of lamenting the necessary intersection of business and politics, as Oreskes and Conway do in *The Big Myth*, Americans of all persuasions would benefit from more realism on these issues. The book's criticisms of the contemporary Right are not all wrong, even if the history is flawed. Today's conservatism combines the worst of both a corporate rent-a-party and a chaotic populist insurgency; it seems incapable of offering a positive agenda or governing at the national level. A party less enthralled by the myth of the market, and consciously organized around an industry coalition with its own vision for economic development, would almost certainly be more effective at serving its constituents, or at least knowing who they are. A more self-aware Left—one capable of recognizing its own economic and cultural elitism—would also be more serious.

Addressing America's present challenges requires a deeper understanding of how corporate strategies and policy decisions combined to create an unbalanced, unproductive, and stagnant economy for most of the period since the year 2000. Better policy and a more productive business sector will require new coalitions with realistic approaches to political economy, and not a cartoonish celebration of the magic of markets or yet another partisan history of evil corporations.

Julius Krein is editor of American Affairs.