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# The corporate assault on democracy

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## The Corporate Assault on Democracy

SHARON BEDER

The revolutionary shift that we are witnessing at the beginning of the 21<sup>st</sup> Century from democracy to corporate rule is as significant as the shift from monarchy to democracy, which ushered in the modern age of nation states. It represents a wholesale change in cultural values and aspirations.

This eclipse of democratic values by corporate values is not a natural evolution but the consequence of a deliberate strategy employed by corporate executives who have combined their financial and political resources to spread free market ideology. Corporations, individually and in concert, have utilised all the major communication institutions of a modern society - including the media and education - to shape community beliefs, values and behaviour. This has enabled corporations 'to enthrall and becloud the understanding' of large numbers of citizens<sup>[1]</sup> so that it is commonly believed that large corporations are benevolent institutions that should be minimally regulated because what is good for them is good for society as a whole.

Throughout the 20<sup>th</sup> Century business associations and coalitions coordinated mass propaganda campaigns that combined sophisticated public relations techniques developed in 20<sup>th</sup> Century America with revitalised free market ideology originating in 18<sup>th</sup> Century Europe. The purpose of this propaganda onslaught has been to persuade a majority of people that it is in their interests to eschew their own power as workers and citizens, and forego their democratic right to restrain and regulate business activity. As a result the political agenda is now largely confined to policies aimed at furthering business interests.

The weight of corporate propaganda has been augmented by the growth of business networks and coalitions aimed at shaping policy outcomes. Alex Carey, author of *Taking the Risk out of Democracy*, argued that the 20<sup>th</sup> Century has seen three related developments; 'the growth of democracy, the growth of corporate power, and the growth of corporate propaganda as a means of protecting corporate power against democracy.'<sup>[2]</sup> However, viewed from a more recent perspective, it is clear that democratic power was progressively eclipsed by corporate power during the 20<sup>th</sup> Century. This was as the result of several factors: the growth of corporate influence; the public-relations orchestrated spread of free market ideology; and the proliferation of business networks and coalitions aimed at exerting political pressure (see Figure 1 below). As a consequence corporations now completely dominate the political process.

Figure 1 Corporate Power Equation

corporate resources / influence + market ideology + public relations + political mobilisation = corporate political power

### PERSUADING THE MASSES

In the early 1930s the heads of some of the largest US corporations—'the men who manage America's industry, trade and finance'<sup>[3]</sup>—started meeting regularly for dinner in New York. It was during the Great Depression when public confidence in capitalism was at an all time low and Roosevelt was threatening to regulate corporations and curb their power. The group called themselves the 'Brass Hats'.<sup>[4]</sup>

The entire project was original. Business men had sold goods and services; they had 'sold' individual companies, or industries, or even specific ideas (like the idea that the private ownership of utilities is best); but they had never undertaken to sell business-as-a-whole. Never before had they tried to sell that general philosophy which animates business, and which serves as a guide to social, political, and economic action.<sup>[5]</sup>

Companies that were supposed to be competitors colluded in a united effort to spread the free market message to the public using every available public relations avenue.

The new Deal involved high levels of government spending, high taxes and increased government intervention in business affairs, all of which were abhorrent to leading business people. The president of the US Chamber of Commerce claimed that the government was in the hands of an 'organized mob'. Yet the government had so much popular support that business could not attack the New Deal directly without seeming to attack the public; 'and for business men to attack the public is for them to confess their inability to "serve" the public'.<sup>[6]</sup> The answer, business leaders realised, was to change public opinion and undermine the support for New Deal measures. To do this

they sought to associate the New Deal with 'creeping socialism' and to promote the benefits of unregulated capitalism.<sup>[7]</sup>

The Brass Hats chose the National Association of Manufacturers (NAM) as their vehicle of battle and in 1932 big business took over the association and restructured it, under the presidency of 'Brass Hat' Robert Lund of Lambert Pharmacal Co., to ensure that large corporations were well represented on the directorate. NAM claimed the right to call itself 'the voice of American industry' because it represented 35,000 manufacturers, employing some 5 million people.<sup>[8]</sup>

Following its reorganisation NAM's 'propaganda activities... became one of its most important functions, absorbing more time, effort, and money than all the other functions of the association put together.'<sup>[9]</sup> It set out to 'sell the "American way of life" to the American people' and coordinate business opposition to the New Deal. It portrayed business interests as the same as worker interests and consumer interests: what was good for business was good for society.

In the immediate post war period, key business organisations in the US were again concerned about government intervention and controls but this time they were also concerned about union activity. Polls generally confirmed business fears that the public did not believe in the free enterprise system as wholeheartedly as business would wish. Although most people were in favour of private ownership and thought well of large corporations, a majority also thought that most businessmen did not have the good of the nation in mind when they made their decisions and therefore government oversight was necessary. Many believed that businesses made huge profits and, business leaders felt, few understood the relationship between profits and investment.

Business sought to deal with these threats by selling free enterprise on the basis that "if you control public opinion you have the government in your hand and labor behind the eight ball."<sup>[10]</sup> Large amounts of money were spent on lobbying, institutional advertising, philanthropy, research sponsorship and other public relations activities. The Advertising Council coordinated a major nationwide public 'education' campaign to sell the free enterprise system to the American people. It was augmented by similar campaigns by the NAM, the Chamber of Commerce and many individual companies. A number of organisations were formed to propagate free market economics so that people would be more pro-business and accepting of market values.

### *Economic 'Education' in the US*

The core of business efforts to change core community values and beliefs was their 'economic education' campaigns, that is, the selling of free enterprise in schools and workplaces. The campaign was based on the assumption that if Americans were taught to think correctly about the free enterprise system then they would approve of business activities and not call for government regulation of them. In economic education programs around the country school students and employees were indoctrinated with free enterprise ideology. Unions were portrayed as aligned with communism and communism was said to pose a grave threat to individual freedom and the American way.

NAM distributed materials into schools during the late 1940s including about forty different pamphlets, and six motion pictures with titles such as *The Price of Freedom*, shown in 1946 to about a million students. Their classroom materials identified economic freedom with political freedom and championed individual achievement over collective achievement through government measures. Some two thousand teachers attended a one week training course in the early 1950s to learn how to use NAM's materials correctly. One in eight high schools used one of NAM's classroom kits, *How we live in America*, which was adapted from free enterprise propaganda materials designed for employees.<sup>[11]</sup>

A number of individual corporations also developed school materials to this end. For example, Coca-Cola prepared and distributed eight units of curriculum material on *Our America* to some 30 million primary school children. International Harvester and the American Petroleum Institute sponsored classroom materials on the development of the US economy produced by an advertising agency and distributed them for free. General Mills decided that primary school students were not too young to be taught free market economics and it sponsored materials such as silk-screen panels telling the story of marketing bread; film strips; and a comic book on *Freedom of Choice*.<sup>[12]</sup>

Other companies pumping materials into schools—texts, filmstrips, teaching kits, movies—included U.S. Steel, General Electric, General Motors, American Cyanamid, Standard Oil and many others. In fact one in five corporations did so. In 1954 corporations were supplying about \$50 million worth of free materials to schools compared with an annual expenditure on regular textbooks in schools of \$100 million.<sup>[13]</sup>

Corporate sponsored classroom materials were also produced during the 1970s for the purpose of selling the free enterprise system to school children. Business was again

under attack; this time from public interest groups which were challenging the authority of business and seeking government controls over business activities. Confidence in free enterprise was in decline. The first-wave of modern environmentalists were blaming development and the growth of industrial activities for environmental degradation. Their warnings were capturing the popular attention, resonating as they did with the experiences of communities facing obvious pollution in their neighbourhoods. Worst of all, from a business point of view, governments were responding with new environmental legislation.<sup>[14]</sup>

Public respect for business was at an all time low and 'for the first time since the Great Depression, the legitimacy of big business was being called into question by large sectors of the public.'<sup>[15]</sup> A Harris poll found that between 1967 and 1977, at a time when the counter-culture movement brought with it a proliferation of public interest groups—including environmental and consumer groups—that challenged the authority of business and sought government controls over business activities, the percentage of people who had 'great confidence' in major companies fell from 55 percent to 16 percent.<sup>[16]</sup>

In various business meetings corporate executives lamented their decline in influence. For example, Carter Bales, Director of McKinsey, New York, stated: 'Around the world, there have been challenges to the authority of each corporate actor - a breaking down, if you will, of their legitimacy'. And the president of the National Federation of Independent Business, Wilson Johnson, claimed 'we're losing the war against Government usurpation of our economic freedom.'<sup>[17]</sup>

In response the opinion shaping machinery set up in earlier times went into action and a great deal of money went into what was euphemistically called 'education', particularly education aimed at young people and children, to reassert the dominance of free market ideology.

The Ad Council's extended campaign on economic education was far bigger and more ambitious than anything the Council had previously attempted. It was supported by so many major corporations that the Council boasted the list of supporters read like a 'who's who in American business'. It was also supported by the US Department of Commerce, not without some controversy at the time since the money had been earmarked for jobs and minority business opportunities.<sup>[18]</sup>

The campaign juxtaposed personal, political and economic freedom, arguing that constraints on economic freedom were tantamount to reducing personal and political freedom and that those who sought to 'intervene excessively in the play of market forces,' however well intentioned they might be, posed a major threat to those freedoms. Criticism of the economic system amounted to subversion of the political system.<sup>[19]</sup>

The Ad Council told the media that 'every communications technique that is appropriate for such a campaign will be used in this effort, which we anticipate will carry over for a three to five year period.' The multimillion dollar campaign included media advertisements, dedicated newsletters, films, teaching materials and training kits, booklets, point of sale displays, messages on envelopes, and flyers included with bank statements, utility bills and insurance premium notices. The media contributed \$40 million of free time and space to the campaign in the first two years.<sup>[20]</sup>

The campaign sought to get maximum distribution of a booklet on *America's Economic System... and your part in it*. The booklet was in colour and illustrated with *Peanuts* cartoons. It described the economic system in simple, idealised terms. It promoted the idea that everyone not only had a stake in the economic system but also had a say in it. It argued that everyone helps to make decisions in the system—governments, producers and especially consumers: 'the key role that really makes everything work is played by you, in your role as consumer.' Ordinary people also play a role as producers—'Workers are producers'—and as investors—'if you have a savings account, own life insurance, or are in a pension fund, you are helping to generate funds for investment purposes.'<sup>[21]</sup>

The booklet emphasized the importance of hard work and increasing productivity 'if we are to maintain competitiveness in selling goods and services both at home and abroad'. It reinforced the need for consumers to spend their money buying goods to ensure the security of their jobs: 'Remember when we buy less than our economy is producing, eventually production goes down and unemployment increases.' Naturally, it also defended the role of advertising: 'Those who supply the best goods and services at the best prices generally will be the most successful. And it is through advertising that producers inform buyers about their goods and services...'<sup>[22]</sup>

The Ad Council distributed millions of copies of these booklets to schools, workplaces and communities - some 13 million by 1979.<sup>[23]</sup> According to the Council, advertisements for the booklets were sent to every media outlet and every magazine in the country. It was advertised free:

- on over 400 television stations;
- on over 1000 radio stations;
- in over 3000 daily and weekly newspapers;
- in over 400 business and consumer magazines;
- on thousands of counter cards in libraries, banks and stores;
- on over 110,000 transit cards in subways and other transport venues (over \$25 million of measurable free time and space).<sup>[24]</sup>

The booklet was reproduced in full in over 100 newspapers and magazines. Over 1,800 companies, 1,300 schools and 500 organizations ordered bulk copies for employees, students, members.<sup>[25]</sup>

The Council's 'economic education' campaign was supplemented by the efforts of many individual corporations, trade associations and chambers of commerce. Some companies offered their own employees economic 'education'. Corporate sponsored classroom materials were also produced for the purpose of selling the free enterprise system to school children.

Four million packages of *Industry and the American Economy* (an 11 booklet package), were distributed to students and teachers all over the nation. Sears Roebuck produced classroom materials for elementary and secondary school children, including textbooks, teachers guides, audiovisual materials and classroom activities on economic and consumer education. Its booklet *Our Economic System - Essays and Teachers' Guides* included essays sponsored by the Business Roundtable. Eli Lilly and Company joined with the Indianapolis Chamber of Commerce to offer *Opportunities to Learn About Business* to high school students. It involved nine full teaching days of lectures, reading, discussion; a simulated business game where students formed businesses and competed in the market; and contact with prominent business people. The game was also sponsored by General Motors and other businesses.<sup>[26]</sup>

Various oil companies got involved. Phillips Petroleum Company supported the production of a series of five films entitled *American Enterprise* narrated by William Shatner (the actor who played Captain Kirk on the popular television series *Star Trek*) with an accompanying teachers guide. It cost \$800,000 and reached over 8 million students. Amoco Oil Company also produced a 26 minute film and teachers guide to explain how the free enterprise system works. The Exxon Company got together with Walt Disney Educational Media Company to produce a 22 minute film for high school students about two children that go into business.<sup>[27]</sup>

The US Chamber of Commerce also produced films, teaching materials and booklets on the economic system and a package entitled *Economics for Young Americans* that included film strips, audio cassettes, lesson plans and text on productivity, profits and the environment.<sup>[28]</sup> Local chambers of commerce participated in the campaign as well.

### *Exporting Economic 'Education'*

Economic 'education' spread from the US to other English speaking countries during the 1970s and 1980s with the active help of key US public relations people. The British Aims for Freedom and Enterprise group (AIMS) held an International Conference in London in 1978 on *The Revival of Freedom and Enterprise* and organised a Free Enterprise Day.<sup>[29]</sup> Conference goers were exhorted to use the media to promote the free enterprise message. School and university education was addressed at the conference. Frank Broadway, director of Facts about Business, a UK firm that supplied classroom materials, claimed that "apathy and hostility towards free enterprise begin in the schools". He argued that this was not because teachers were Marxists but rather because they didn't know enough to provide children with a good understanding of free enterprise and its benefits. The solution was to provide teachers with this material and his experience was that most teachers were willing to use "quality material supplied by business".<sup>[30]</sup>

Facts about Business had its own schools program launched in 1975, *Business and Profit*, which included a free booklet and purchasable wall charts and study folders. By 1978 the program was being used in a quarter of all secondary schools in Britain and they launched another called *Discover British Industry* which was taken up by over 400 schools in the first four months.<sup>[31]</sup>

Broadway argued that whilst companies provided literature and speakers to schools and arranged school visits to factories, "a more intensive, widespread and sustained effort" was needed to equip school leavers with "a substantial understanding of free enterprise". This would involve employer organizations, chambers of commerce, trade associations, and big companies at the national level as well as companies at the local level, all explaining the achievements of free enterprise. Such materials would have to be attractive to teachers and students, have some educational content, and "be intellectually respectable factual explanations of profit-earning" rather than "obvious political apologia for capitalism... The prize is not only the survival of free enterprise, but in many cases survival of the individual company."<sup>[32]</sup>

In Australia, after the election of a 'progressive' Labor government in 1972, the Australian Chamber of Commerce (ACC) reacted with a nationwide 'economic education campaign' to promote free enterprise.<sup>[33]</sup> Its 1972 Annual report stated: "The free enterprise story has to be told in a way that will obtain public recognition and understanding of the role of profits and individual initiative in the progress of this country."<sup>[34]</sup>

ACC's Economic Education programme was the "centre piece" of its "activities in public opinion forming about the role of business in the community, especially amongst the young" and, like the US campaigns, was a response to a supposed "widespread lack of understanding of economic facts of life by the general public". ACC ran a series of essay competitions for students; surveyed and evaluated existing economics and commerce courses in Australian schools; and recommended changes to the Departments of Education in each state to ensure that students would learn the 'correct' view of how private enterprise works.<sup>[35]</sup>

ACC produced some 15 videos and films "for instructional use in schools" in cooperation with the Productivity Promotion Council of Australia, the Institute of Public Affairs (a conservative think tank), the Sydney Stock Exchange and "two of Australia's major companies". Its first series of videos, entitled *Business in the Community*, was on the contribution of companies and specific industries to the wellbeing of Australian society with an emphasis on the role of adequate profit in maintaining employment and economic growth. The ACC wanted to "counter the view that the only concern of business is profits".<sup>[36]</sup>

The departments of education in each state agreed to use ACC materials and to include them in Department Resource Centres. The ACC also claimed "good relations with Teachers' Associations throughout Australia" and support from them for ACC programs. The ACC encouraged and facilitated city-based chambers of commerce to undertake their own 'educational' programs.<sup>[37]</sup>

Other organizations that actively sponsored economic education in Australia included the Australian Bankers Association, the Australian Mining Industry Council, the Australian Industries Development Association (later merged with the Business Roundtable to form the Business Council of Australia), the American Chamber of Commerce in Australia, and conservative think tanks such as the Centre for Economic Development in Australia (CEDA) and the Institute of Public Affairs (IPA). The activities of these organizations included conferences and presentations to teachers, business people and school students.<sup>[38]</sup>

Enterprise Australia (EA) was set up in 1976. EA sought to show that free enterprise contributed to "Australia's way of life" and standard of living and to "emphasise the dangers to our society of unnecessary regulations".<sup>[39]</sup> EA's schools and colleges programmes were "developed within schools systems in official association with Departments of Education" in each state. These included:<sup>[40]</sup>

- a core text book *The World of Business in Australia* (an adaptation of a Canadian text<sup>[41]</sup>) with teachers guide, student's workbook and audio-visual material;
- topic books for primary schools;
- 15 videos and films with titles such as *Profits, Advertising and The Market Economy*;
- a 22 module audio-visual course on economic concepts for secondary schools ("produced in cooperation with NSW Department of Education");
- work experience programmes for teachers and for students; conferences for secondary school students; workshops for teachers;
- a magazine for teachers;
- a clearinghouse of industry-provided 'educational' materials for schools;
- and a programme in which business executives spent one or two weeks in schools.

Various teachers' unions attacked EA materials as propaganda.<sup>[42]</sup> Nevertheless the educational authorities seemed to welcome this material into schools, and EA was careful to get the endorsement of selected teachers, public servants, academics and politicians of both major parties. An attempt by the teachers union to get the NSW Department of Education to stop cooperating with EA in 1982 was unsuccessful. Even after the Labor government was elected again in 1983 Enterprise Australia continued to have government support, and prime minister Bob Hawke's public endorsement.<sup>[43]</sup>

### *Economic Education Today*

Economic education has become mainstream. The process of changing cultural values



has largely been achieved although reinforcement is always necessary. Economic education today is no longer an obvious expression of a campaign to sell free enterprise. The groups that are pushing for economic and business education to be mandatory in schools have an ideological agenda and the economic standards they are promoting have an ideological bias but the promotion of business values is most evident in the enterprise education which has been proliferating in schools around the world in recent years.<sup>[44]</sup>

Enterprise education aims to give students an understanding of economics and business, to encourage them to be “enterprising”, and to view business enterprise as “positive and worthwhile”. In many cases enterprise education involves the students running a very small business, often a virtual business but sometimes a real one.<sup>[45]</sup> However enterprise education is not only aimed at turning students into entrepreneurs, it is also aimed at producing employees with the skills and characteristics that many employers are now looking for in their employees. In the name of personal development and improving their life chances, students are being given the values, motivations and skills that are good for business.

The characteristics of an enterprising graduate are spelled out in various educational policy documents and generally include characteristics that include being task-oriented, materialistic and personally ambitious. Enterprise-minded students are expected to seek self-advancement through making the most of opportunities, solving business problems creatively, taking risks, adapting to - rather than fighting - changed circumstances, and using others to achieve their goals. Such characteristics contrast with those expected of a good citizen which tend to be more community-oriented, with citizens cooperating to help each other and achieve a better future for all. Citizen education promotes critical thinking and give students an ability to politically oppose things that undermine their rights or are contrary to their values.

In the UK, the government has allocated £60 million per year for three years from 2005 to provide enterprise education in English schools. The aim is to provide enterprise learning for all 14 to 16 year olds. Moreover “businesses need employees with a ‘can do’ attitude, a willingness to take on responsibility, a creative and innovative approach to solving problems, and the ability to cope with uncertainty and change and make reasonable risk/reward assessments”.<sup>[46]</sup>

Enterprise education in the UK, as elsewhere, has been driven by business. In a paper on *Creating an Enterprise Culture*, Enterprise Insight and the Small Business Service argue that it is good for the business environment if school graduates have an “entrepreneurial mindset” and “positive attitudes towards enterprise. Although surveys showed that people admired those who ran their own business, most corporate executives felt that people in the UK didn’t regard entrepreneurs and entrepreneurial behaviour as highly as people in other nations and a significant percentage associated business success with low morals or ethics.”<sup>[47]</sup>

Junior Achievement (JA) is an enterprise education program that began its operations in the US in 1919 and has since become an international organization. It claims to reach over 6 million students each year in over 100 countries on 6 continents, 4 million in the US alone.<sup>[48]</sup>

We are the passionate people behind a movement that seeks to educate and inspire young people to value free enterprise, business and economics to improve the quality of their lives... From this, we articulate our mission: to ensure that every child in America has a fundamental understanding of the free enterprise system.<sup>[49]</sup>

JA’s funding comes from a variety of corporations including Best Buy, Deloitte, AIG, Mastercard International, 3M, PriceWaterhouseCoopers and Morgan Stanley.<sup>[50]</sup> JA’s programmes cover all school levels beginning with kindergarten. For high school there is JA Economics, a semester long course—complete with textbooks and study guides—teaching economic fundamentals such as “the nature of the free enterprise system”; “how voluntary exchange markets allocate resources” and set prices; and “the role of entrepreneurs”. The course is taught by business executives from Kraft Foods and over 2000 other companies.<sup>[51]</sup>

JA has equivalents in over one hundred countries. In Australia, Young Achievement Australia (YAA) was introduced by the American Chamber of Commerce in Australia and it is currently sponsored by BHP Billiton, Westpac, IBM Australia and hundreds of other corporations as well as various government departments. This amounts to some \$2.5 million in sponsorship and donations each year, and together with the voluntary labour of some 1,600 businesspeople as mentors, enables YAA to offer its programs free of charge, including to “youth at risk”, the unemployed and Aboriginal groups. It has state and regional offices throughout the country and claims to have reached 170,000 young Australians. It offers economics programs from primary school up and enjoys the glowing endorsement of Prime Minister John Howard.<sup>[52]</sup>

The Australian Commonwealth Government actively promotes enterprise education. It initiated an Enterprise in Schools programme in 1995 aimed at “the inculcation of

enterprising cultures, mindsets and qualities in young people” and allocated \$3.2 million for the 1997-99 triennium.<sup>[53]</sup> In 1999 the Ministerial Council on Education, Employment and Youth Affairs (MCEETYA) included enterprise education as “a priority area within the National Goals for Schooling in the Twenty-First Century”.<sup>[54]</sup> The Department of Education, Science and Training (DEST) also allocated \$10 million to the Enterprise Learning for the 21<sup>st</sup> Century Initiative between 2004 and 2007 in the hope of “fostering an entrepreneurial spirit among young Australians.”<sup>[55]</sup>

The state education departments also embraced enterprise education during the 1990s. In Victoria, the Curriculum and Standards Framework incorporated enterprise education at various stages and subjects from kindergarten to year 10. A dedicated subject *Industry and Enterprise Studies* was introduced for senior students. Enterprise education has also been integrated throughout the curriculum in South Australia and a program called *Ready Set Go* was implemented there at a cost of \$9 million over three years from 1997.<sup>[56]</sup>

## PERSUADING THE POLICY MAKERS

From the 1970s neoclassical economic theories such as monetarism, supply-side economics, contestability theory and public choice theory became influential, replacing Keynesian theories as the prevailing ‘truth’. The resurgence of market faith that these new theories represented was not merely a manifestation of the naivety of economists. The theories were embraced by big business because they provided a legitimation for their pursuit of self-interest—a legitimation for business activity—and avenues for business expansion.

The policy prescriptions that suited business best—including reductions in taxes, minimal regulations, and freedom to trade and invest anywhere in the world—were justified by this body of economic theory that represented such policies as being in the public interest. They enabled the corporate elite and corporate-funded think tanks to advocate government spending cuts, privatisation of government services and assets, and deregulation of business activities—all in the name of free markets, competitiveness, efficiency and economic growth.

There was some appeal in free market ideology for governments too in that it absolved them of responsibility for economic performance: ‘In a nutshell, the new classical policy package gave politicians the chance to abdicate, with a clear conscience, many of the responsibilities which the State had assumed in the preceding decades... Politicians in many countries seized eagerly upon the alibi thus offered for their failure to meet the economic expectations of their electorates’.<sup>[57]</sup>

Think tanks and policy groups played a major role in disseminating and popularising neoliberal ideas and ideologies. In the US in particular, conservative foundations and large corporations established and/or funded a new set of think tanks which were ideologically compatible with right wing causes and corporate interests, promoting the free market and attacking government regulation. The rise of Thatcherism in Britain and Reaganism in the US can be attributed in large part to the endeavours of these think tanks. Their influence remains strong today.

During the 1980s and 90s the free market sales spiel was used to promote and justify the privatisation of government enterprises, the liberalisation of trade, and the deregulation of labour, investment and business around the world. This ideology has ensured the support of a business-friendly agenda by governments, community leaders and large sections of the population despite the evidence that such policies result in growing inequities and the downgrading of public services.

By the end of the 1980s most Western countries were moving towards smaller government and market deregulation.<sup>[58]</sup> This was not because of the power of the free-market ideas themselves, or the efficacy of the policies in meeting their stated purposes. Rather it was because of the power of those who backed these ideas, the corporations. The multilateral development banks and the international financial markets also played a key role in disciplining governments that strayed from the free market path.<sup>[59]</sup>

### *Washington Consensus*

In 1990 John Williamson, an economist with experience working for the World Bank, the IMF, and the UK Treasury, compiled a list of free market policies that were being pressed onto Latin American nations ‘by the powers-that-be in Washington’. He called this package of economic ‘reforms’ the ‘Washington Consensus’.<sup>[60]</sup> The World Bank calls it the ‘market-friendly view’. These policies are a codified version of the policies being promoted by corporate-funded think tanks in the US and the UK. The ‘Washington Consensus’ was pushed by Washington policy networks supported by large corporations and international financial interests and incorporated into an economic reform agenda for most countries in the world.

The Washington Consensus benefited transnational corporations, large companies and



international financial institutions, often at the expense of small local businesses, and always at the expense of the poor. It placed an 'exaggerated faith in market mechanisms' for solving economic problems and it gave economic goals priority over social goals, destroying socially beneficial traditions and desirable aspects of cultures in the process. Progressive taxation systems were dismantled and government social services decimated. In the extreme governments were to be reduced to being responsible for little more than law and order and national defence.<sup>[61]</sup>

Williamson recognised the role of economic advisors in achieving the Washington Consensus. He used the term 'technopols' to describe the 'burgeoning breed of economic technocrats who assume positions of political responsibility'.<sup>[62]</sup> These people were not only 'able to judge what institutions and policies are needed in specific circumstances in order to further economic objectives' but also had the political skills, the ability to persuade others to adopt those policies.<sup>[63]</sup>

Technopols, like corporate-funded think tanks, played a key role in ensuring business-friendly measures were adopted in affluent countries by governments of many different political persuasions during the 1980s, including the conservative governments of Margaret Thatcher in Britain, Ronald Reagan in the US and Brian Mulroney in Canada, and labour/social democratic governments in Australia and New Zealand. They also played a major role in the major policy shift multilateral development banks and the IMF underwent during the 1980s.

The influence of US free-market thinking on the IMF and the World Bank is reinforced by the dominance of economists in the World Bank, and the IMF. More than 80 percent of the World Bank's economists, who are far more influential than the social scientists employed by the Bank, were trained in either Britain or North America: 'In the 1980s and early 1990s, their outlook, and that of virtually all of the remaining 20 percent, was increasingly based on the assumptions and methodologies of neo-classical economics.' These people in turn hired people of like mind so that economists of other persuasions were unlikely to be employed at the Bank. There is also a well-worn revolving door between these multilateral banks and the international financial firms such as Chase Manhattan, Deutsche bank and JP Morgan; something that is encouraged by the World Bank.<sup>[64]</sup>

The IMF had not started off with these free-market policies. It was originally established to maintain economic stability by loaning governments money raised from the taxes of wealthier countries. The former chief economist of the World Bank, Joseph Stiglitz, says of the IMF:

Founded on the belief that markets often work badly, it now champions market supremacy with ideological fervor. Founded on the belief that there is a need for international pressure on countries to have more expansionary economic policies—such as increasing expenditures, reducing taxes, or lowering interest rates to stimulate the economy—today the IMF typically provides funds only if countries engage in policies like cutting deficits, raising taxes, or raising interest rates, that lead to a contraction of the economy.<sup>[65]</sup>

Similarly there was a shift in emphasis at the World Bank in the 1980s from project lending to enable governments to invest in developing their public sector, to loans that were conditional upon governments implementing free market policies and encouraging the private sector to take over public services. World Bank policies now ignore the positive role of state intervention in favour of allowing the market to reign.

Other influential nations tend to go along with free market policy prescriptions because nations are represented on the IMF by their finance ministers and central banks and these tend to represent the financial communities and be staffed by people who have had careers, or hope to, with private financial firms and banks. In addition, economists in the bureaucracies of many countries have been trained in neo-classical theory as orthodoxy.

Imposing the Washington Consensus on developing nations 'undermined their national sovereignty' and the policy prescriptions of foreign bureaucrats overrode democratic decisions made by elected governments.<sup>[66]</sup>

### *Financial Deregulation*

Whilst the IMF and the World Bank have played a large role in enforcing the Washington Consensus on poorer countries in desperate need of capital, many developed countries adopted the pro-business free market policies prescribed by the Washington Consensus voluntarily, mainly because of the influence of business lobbies and their free market missionaries, the think tanks and economic advisors, as well as international financial markets and institutions.

Other affluent countries have also been forced into adopting the same formula by the world's financial markets. Their vulnerability to these markets has been facilitated by financial deregulation. Financial deregulation, in turn, has been demanded by business interests, particularly large financial firms and transnational corporations who want to

be free to move their money around. The economic argument for financial deregulation has been supplied by free market think tanks and economic advisors, who have argued that the free and unregulated movement of capital is more efficient, because capital can move to where it gets the best returns.<sup>[67]</sup>

Financial deregulation involves three actions: the opening up of a nation to the free flow of capital in and out of it; the removal of regulations on financial institutions operating within a country; and the removal of political controls from the central bank.<sup>[68]</sup> In this way the financial sector of a nation becomes part of the international financial sector rather than a part of the domestic economy and it serves the interests of global financial institutions rather than the interests of the local people or national governments.

Governments which follow this route are no longer able to set low interest rates, direct credit to where it is needed in the economy, or to differentiate between loans that are for productive purposes from those that are for speculative purposes. Rather than the banks being accountable to governments, governments become accountable to the international financial markets.<sup>[69]</sup> According to Indian Professor of Economics, Prabhat Patnaik:

The essence of democracy is the pursuit of policies in the interests of the people... An economy exposed to the free flow of international finance capital, however, is obsessed with the need to appease international financiers, to retain their 'confidence': the thrust of policies in such an economy therefore, even in principle, is not towards serving the interests of the people but towards serving the interests of the speculators, which represents an *inversion of democracy*.<sup>[70]</sup>

For example, governments have to keep tax rates low to attract capital and are unable to have large budget deficits as this scares away investors. The Economics Editor of the *Financial Times*, Peter Norman, observed:

Because they process the many billions of dollars worth of investments flowing across national borders each day, the markets have become the police, judge and jury of the world economy—a worrying thought given that they tend to view events and policies through the distorting lenses of fear and greed.<sup>[71]</sup>

Rising share prices have come to be the final arbiter of good policy. Forget opinion polls that show the public is opposed to privatization and deregulation and is fearful of massive corporate and government downsizing. The only real poll that counts is the stock market. And whilst such policies elicit positive market responses, politicians know them to be right. Countries can still retain a veneer of democracy with choice between major parties, but because of the constraints imposed by the need to please international financial markets, the policy differences between the major parties is minimal. Whether it is a Labour Party in Britain or Australia, or a Peronist President in Argentina, or the BJP in India, they all adopt the same free market policies.<sup>[72]</sup> Governments that try to deviate are punished by the markets.

The 'soundness' of policy settings in particular countries will be judged by those bodies that control international financial capital—particularly the major international banks, large transnational corporations with major financial dealing, fund managers within key private financial institutions, and the key credit-ratings agencies (such as Moody's). These judgements will be reflected in the value the 'markets' place on the currencies of the particular countries, on the attractiveness of various countries for foreign investors, and on the cost and availability of credit.<sup>[73]</sup>

Credit ratings agencies, particularly Moody's and Standard and Poors can make or break a nation's economy. For example, when these agencies downgraded the credit ratings of Brazil and Venezuela in September 1998 the financial markets of those countries collapsed. Direct investors, bond investors, pension and mutual funds all rely on credit agencies to tell them what investments are safe. The World Bank's International Financial Corporation also categorizes countries into those that are investable and those that are not. Countries are thought to be a higher political risk if their governments are likely to 'nationalize, change tax incentives, or give concessions to labor unions.'<sup>[74]</sup>

Thomas Friedman refers to the Washington Consensus prescription as the 'Golden Straitjacket'. He argues that 'As your country puts on the Golden Straitjacket, two things tend to happen: your economy grows and your politics shrinks.' It is a straitjacket because it 'narrows the political and economic policy choices of those in power to relatively tight parameters. That is why it is increasingly difficult these days to find any real differences between ruling and opposition parties in those countries that have put on the golden Straitjacket.'<sup>[75]</sup>

### *World Trade Organisation*

The third means of keeping elected governments in line, after the development banks and the financial markets, is through the World Trade Organisation (WTO) which now

presides over thousands of pages of corporate-friendly rules that governments have to comply with. Rules that protect and facilitate traders and investors are replacing those that were supposed to protect citizens, consumers and the environment.

From the late 1960s the GATT secretariat, though it was unconstitutional and temporary, had become 'the most powerful, entrenched non-organization the world had seen'. Today the WTO has greater powers than any other international institution including powers to punish non-complying nations; powers that are not even available to the United Nations. Over 130 nations are now members of the WTO. It has become a form of global government in its own right with judicial, legislative and executive powers.<sup>[76]</sup>

Because of the growing power of corporations, throughout the negotiations for the General Agreement on Tariffs and Trade (GATT) the negotiating positions of the dominant nations reflected business interests rather than a broad spectrum of democratic interests. No other NGOs had the access or influence accorded to business groups. Several large and powerful business organizations campaigned for the successful completion of the Uruguay Round and the expansion of free trade. They included the World Economic Forum, the International Chamber of Commerce, The Bilderberg Club and the Trilateral Commission and the European Round Table of Industrialists (ERT).

Originally GATT merely aimed to reduce tariffs on manufactured goods. In doing so it recognized that developing countries still needed to retain some tariff protection whilst they developed and some preferential treatment for entry into the markets of industrialized nations.<sup>[77]</sup> However the Uruguay Round went far beyond, in both power and scope, the limited objectives of lowering tariffs on manufactured goods. Pressured by transnational corporations, negotiators from the US and the EU sought to include services, intellectual property rights and investment rights as part of GATT despite the opposition of developing nations.

Through successive rounds of negotiations, the economically dominant nations, particularly the US and the EU, have bullied and coerced other nations into accepting rules that suit transnational corporations. They have done this using threats of economic and trade penalties and promises of aid and favoured treatment. Business coalitions have presented a united front through the networking efforts of several key, well-placed people.

[T]he WTO has come to rival the International Monetary Fund as the most powerful, secretive, and anti-democratic international body on earth. It is rapidly assuming the mantle of a bona fide global government for the 'free trade era,' and it actively seeks to broaden its powers and reach.<sup>[78]</sup>

The WTO has fairly extensive powers to discipline nation states—as well as local, state and regional governments—for regulations and controls that are claimed to interfere with trade. WTO rules also take precedence over other international agreements including labour and environmental agreements such as the Convention on Biodiversity and the Montreal Protocol on Substances that Deplete the Ozone Layer.<sup>[79]</sup>

The WTO is able to enforce its rules through its dispute settlement mechanism. If a country complains that another is not abiding by WTO rules, the case is heard by panels of unelected lawyers and officials 'with no education or training in social or environmental issues', behind closed doors with no public scrutiny. These panels are able to find countries guilty of breaking the rules and to impose economic sanctions as punishment.<sup>[80]</sup>

Such rulings can declare legislation put in place by democratically elected governments as illegal. Agreements such as the General Agreement on Trade in Services (GATS), originally driven by American Express and its allies, lock nations into opening up their economies to transnational companies in such a way that such concessions cannot be reversed democratically by elected governments.<sup>[81]</sup>

## CONCLUSION

Over the decades corporations have persuaded people that market values should extend into all areas of their lives and that market transactions should take priority over democratic processes. The rise of corporate power and the increasing importance accorded to markets mean that transnational corporations are eclipsing the nation state as the driving force behind policy-making.

So-called 'free' markets are becoming the new organising principle for the global order. The idea that governments should protect citizens against the excesses of free enterprise has been replaced with the idea that government should protect business activities against the excesses of democratic regulation. As a consequence, the ideals of the nation-state have been diluted and distorted.

Democratic ideals such as an adequate level of health and education for all have been

sacrificed to provide business opportunities for corporations. The tragedy is that by the time the world's citizens realize the consequences of this loss, their ability to regain power and reorder priorities democratically will be obstructed by the World Trade Organisation (WTO). The collective corporate ambition to rise above the reach of democratic controls will have attained its ultimate success.

Corporate values emphasise mass conformity, subordination to authority, obedience and loyalty. Ironically, these values, which undermine individuality and freedom of expression, have been encouraged in the name of individuality and freedom. The market values of competition, salesmanship and deception have replaced the democratic ideals of truth and justice. Economic relationships have replaced social relationships. The power of the state has become subordinate to corporate interests. The realm of politics has increasingly narrowed as all major political parties are enrolled in the service of corporate interests.

The conflict between democratic values and corporate values is even more evident at a personal level. In the new global culture - where people are rewarded for their greed, their ruthlessness and their ambition to climb career ladders, their ability to deceive and manipulate others, their willingness to suck up and network with the right people and keep their personal opinions to themselves - increasingly there is little room for the expression of higher human values and qualities such as generosity, compassion, selflessness, willingness to seek out and expose the truth, courage to fight for justice.

Clearly the corporate manipulation of community values over the past century, combined with the political mobilisation of business interests to exercise power over national governments through the WTO, international development banks and financial markets, runs counter to the development of an inclusive democracy. Unless this exercise of corporate power is countered, through the mass mobilisation of community movements, real change cannot be achieved. However mass mobilisation requires finding a way to help people see through the corporate propaganda that permeates modern societies today, from the mass media to the education systems.

NB: This article draws on Sharon Beder's recent books *Free Market Missionaries: The Corporate Manipulation of Community Values* (Earthscan 2006) and *Suited Themselves: How Corporations Drive the Global Agenda* (Earthscan 2006).

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