

The Powell Memo: a little-known story in the neoliberal rise to power and influence

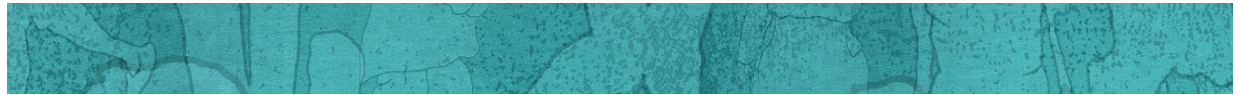
The greatest trick neoliberalism ever pulled was to make itself appear inevitable.

Of course, there never really was anything inevitable about how neoliberal ideas rose to power. It was the result of deliberate, long-term, coordinated planning, strategy and funding. One little-known example, the Powell Memo, illustrates this perfectly.

As the world responds to the coronavirus pandemic, suddenly Big Government is back, we're all in this together and [there really is such a thing as a society](#).

But for most of the last 40-50 years, we've seen the power of 'self-evident' ideals in the opposite direction: the individual is king, debt is bad, tax cuts are good, the unemployed are less worthy and the public sector is too big.

NEOLIBERAL Drivers of Transformational Change		
NEOLIBERAL VISION	LEVERS	SPECIFIC ACTIVITIES
<i>Gut the state</i>	De-taxation	<ul style="list-style-type: none"> ● Cut personal and company tax ● Destroy progressive taxation ● Create 'deficit bogey' ● Lower tax take + surplus obsession = 'no choice' but to cut public sector and services
<i>Demonise 'the public'</i>	De-legitimisation	<ul style="list-style-type: none"> ● Paint public sector activity as inherently bad and inefficient ● Paint private sector and markets as naturally good and efficient ● Corporatise and privatise public sector activities
<i>Markets rule</i>	De-regulation	<ul style="list-style-type: none"> ● Markets to be unfettered ● Cast regulation as inefficient 'red tape' ● Deregulate markets e.g. labour, finance
<i>Individuals first</i>	De-collectivisation	<ul style="list-style-type: none"> ● Primacy of choice over the universal ● No place in unfettered markets for 'extraneous voices' e.g. civil society ● Destroy labour movement



“As a free-market economy, successive governments of all persuasions for the past half-century have embraced the idea that government should not run commercial enterprise. They've preached privatisation, asset recycling and the fundamental belief that free trade and minimal government intervention will maximise wealth and lift society as a whole,” writes ABC journalist Ian Verrender as he asks, “[Is capitalism dying or just in isolation during the coronavirus pandemic?](#)”

However this orthodoxy wasn't always in charge – even in the home of hyper-capitalism and rugged individualism itself, the USA. What happened?




In the late 1960s, long before Ronald Regan would declare that ‘government is the problem,’ the US government believed it had an active role to play in making America work for everyone. President Lyndon Johnson had aggressively championed his ‘[Great Society](#)’ agenda for the total elimination of poverty and racial injustice. Washington was regulating business in the form of new protections for the environment, occupational health and safety, as well as consumer protection. Even Republican Richard Nixon’s election in 1969 didn’t turn this around – he started the Environmental Protection Agency. Those in the business community who were opposed to these measures (for whatever reasons) found themselves on the back foot.

It’s hard to imagine now, but until this point American corporations had relied mostly on informal access to politicians, via personal contacts. The main role of lobbyists in Washington was to “troll for government contracts and tax breaks,” according to Jacob S. Hacker and Paul Pierson, authors of [Winner Take All Politics: How Washington Made the Rich Richer--and Turned Its Back on the Middle Class](#).

“Before the policy winds shifted in the ’60s, business had seen little need to mobilize anything more than a network of trade associations,” they write.

Then, in 1971 a lawyer, [member of the Philip Morris Board of Directors](#) and Chair of a committee inside the US Chamber of Commerce decided to draft a call to arms to win America back, for corporations. His name was Lewis Powell, and the memo became known simply as [The Powell Memo](#).

The Memo begins, “*No thoughtful person can question that the American economic system is under broad attack.*”



Powell goes on to describe the attack against the American enterprise system, and urge business to be bold, ambitious, unapologetic and above all coordinated in their efforts to “fight back.” Powell wrote:

“Strength lies in organization, in careful long-range planning and implementation, in consistency of action over an indefinite period of years, in the scale of financing available only through joint effort, and in the political power available only through united action and national organizations...”

“This is the lesson that political power is necessary; that such power must be assiduously cultivated; and that when necessary, it must be used aggressively and with determination – without embarrassment and without the reluctance which has been so characteristic of American business...”

“There should not be the slightest hesitation to press vigorously in all political arenas for support of the enterprise system. Nor should there be reluctance to penalize politically those who oppose it.”


Powell identified six key prongs of attack for big business to mobilise around:

1. **Students:** “the campus is the single most dynamic source [for the assault on the enterprise system].” He urged business allies to demand equal time for their views, to provide scholars and speakers and to vet textbooks.
2. **The public:** “reaching the public ... may be more important for the shorter term.” He identified the need to hire communications specialists to reach the public via television, advertising, newspapers, etc.
3. **Politics:** “not... the slightest hesitation to press... for support for the enterprise system nor ... reluctance to penalise politically those who oppose it.”
4. **Courts:** “with an activist minded Supreme Court, the judiciary may be the most important instrument for social, economic and political change.”
5. **Shareholder Power:** “How can the weight and influence of stockholders—20 million voters—be mobilised?”
6. **Costs:** He told people upfront that this would require significant corporate funding.

From students to shareholders, politics, courts and the public at large – Powell urged those who agreed with him to mobilise, organise and pool their individual resources to advance their shared self-interests. His analysis wasn’t the only factor by a long shot, but it helped light a match. Surely not all business leaders were unhappy or unwilling to participate in greater consumer, labour or environmental standards. Powell galvanised those who were.

Big business learned to deploy their resources in a way they hadn’t previously, and thereby put pressure on previously cooperative business leaders, lest they succumb to a competitive disadvantage.

In 1971, only 175 firms had registered lobbyists in Washington. A mere 11 years later, that number ballooned to 2,500. The number of corporate “[political action committees](#)” (PACs) increased from [less than 300 in 1976 to over 1,200 by the middle of 1980](#). Today, the non-profit organisation [Open Secrets](#) tracks the millions of dollars these thousands of corporate PACs spend on candidates and elections every year.



American enterprise learned pretty quickly that they had barely begun to tap their power for political influence and leverage. Powell and those like him got clear that it was time to go beyond the old boys' club and build "a more modern, sophisticated, and diversified apparatus – one capable of advancing employers' interests even under the most difficult political circumstances," writes [Hacker and Pierson](#).

Not only could these corporations bring unrivalled financial resources to bear, but their hierarchical structures made it possible for a handful of decision-makers to deploy vast resources. These were the preconditions of what Hacker and Pierson call an "organizational revolution that was to remake Washington" and "in the process, lay the critical groundwork for winner-take-all politics."



It's ironic how these competitors and flag bearers for rugged individualism learned to pull together to achieve their shared political and economic goals. Of course, multinational corporations then cooperated beyond America's borders to further shape the rules of a globalised system, including making countries compete on the grounds of government subsidies, lower wages and reduced taxation.

"Corporate leaders became advocates not just for the narrow interests of their firms but also for the shared interests of business as a whole," Hacker and Pierson explain.

As for Powell, [he went on to become a Supreme Court Justice](#).

It's all about timing

Neoliberalism rose as first and foremost as a result of deliberate, well-funded and coordinated efforts. But it was also an example of preparation meeting opportunity; not just because of government regulation, but because of shocks to the political and economic order that occurred during this time.

In the early 1970s [sudden spikes in the price of petrol](#) along with '[stagflation](#)' – a mix of slow economic growth combined with relatively high unemployment – combined to challenge the [Kensyan economics](#), which had until then enjoyed broad support in the post-war period.

Neoliberal advocates saw these crises as a powerful opportunity to create change, and seized on these moments to push through ideas they'd had lying around for decades. Naomi Klein calls this [The Shock Doctrine strategy](#), and it's summed up well by free market economist Milton Friedman himself:

"Only a crisis – actual or perceived – produces real change. When that crisis occurs, the actions that are taken depend on the ideas that are lying around. That, I believe, is our basic function: to develop alternatives to existing policies, to keep them alive and available until the politically impossible becomes the politically inevitable." -Milton Friedman



Key take-aways:

1. **There always was, and always are, alternatives. There was nothing preordained, natural or inevitable about the rise to prominence of an ideology that prizes markets and money over people and planet.** It wasn't the natural result of superior ideas or irrefutable evidence about the best way to run a society. It was the result of very deliberate, well-funded, coordinated efforts at mobilisation.
2. **Never waste a crisis.** Friedman may have been wrong about many things, but he was right about the opportunity inherent in times of crisis. The response to the coronavirus pandemic has highlighted the role of government to protect people and serve the common good, vs 'leaving it to the markets'. Right-leaning governments in Australia and the UK have set aside free-market fundamentalism, at least temporarily, to deliver interventions that would have been unthinkable at the start of 2020.
3. **If corporations can learn how to work together, pool resources and organise, so can civil society leaders and citizens.** If they can effectively work together with their perceived competitors, so can we. If they can learn to cooperate and fund ambitious plans at scale in the pursuit of bigger shared goals, so can everyone else.
4. **Embedding transformational change takes commitment for the long haul.** Neoliberals didn't fulfil the vision and challenge laid down in Powell's memo overnight. The early evangelists of neoliberal thought had been [gathering and building their networks of influence since 1943!](#) (George Monbiot tells more of that early story, the beginnings of the Montpellier Society, in a [2007 Guardian Article.](#))
5. **Finally, for all their time, efforts and money – they still haven't won the world.** They're still just the 1%. Yet they continue to be bold about pushing self-serving ideas ('trickle down economics', 'government budget as household budget' or the idea that lower taxes leads to growth in government revenue) despite all evidence of their failures.

Where to from here?

Neoliberalism as a credible government approach to policy should be well and truly obsolete now. Yet there are still voices of free-market fundamentalism urging us to 'snap back' from the coronavirus pandemic as quickly as possible by pushing for greater corporate tax breaks, deregulation of the labour market or scrapping of environmental protections.

If we want this crisis to signal a positive [turning point](#), rather than a short hibernation, then it helps to understand that 'normal' was never predetermined or pre-ordained. It was fought for, articulated, planned, pushed, coordinated and funded. We unravel how we got what we got, because it helps us to reMAKE something new and better fit for purpose.



Reflection questions:

1. Lewis Powell identified six key areas, or prongs, to mobilise around: students, the public, politics, the courts, shareholders and funding. What would a 'people and planet' version of the Powell Memo look like today? What areas do we need to focus on?
2. Powell identified his *community* of business owners and executives, and helped turn them into a *constituency*. Who are your people (online, where you live, where you work, who you associate with most, etc)? What do they need, and what would change look like, in terms of real positive outcomes in their lives?
3. We often target government as the holders of power. What if we also looked towards each other? How would we think differently about our collective power, our capacity, our creativity – how would it change the way we work?

Lead Author Lilian Spencer, with the Australia reMADE team

Additional resources (www.australiaremade.org/remakeru):

- [THE RECOVERY BEGINS NOW](#)
- [COVID-19 MESSAGING GUIDE DEVELOPED WITH OUR FRIENDS AT AUSTRALIAN PROGRESS](#)
- [WE ARE THE PEOPLE WE'VE BEEN WAITING FOR: HOW TO ANSWER THE QUESTION, 'BUT WHAT CAN I DO?'](#)

Living, loving and working across this country, we respectfully acknowledge the Traditional Owners of the land and their continuing connection to land, waters and community. We pay respect to elders both past and present.