

MEMORANDUM

To: Grantees and Partners of the Economy and Society Initiative
From: Jennifer Harris, Brian Kettenring, and Larry Kramer
Re: Progress So Far and Priorities Ahead
Date: March 18, 2021

The Hewlett Foundation has been working for the past three years to formulate and promote an intellectual paradigm to replace neoliberalism, the overarching framework that has dominated economic and political debate for the past half century.¹ Our work began in March 2018, with a two-year, \$10-million exploratory effort to investigate whether philanthropy generally, and Hewlett in particular, could play a meaningful role in developing a successor to neoliberalism—a framework better suited to the political, economic, and social conditions of the 21st century. Our investigation yielded an enthusiastic “yes” to that question: Philanthropic support had been pivotal in the rise of neoliberalism, and has an equally important role to play in replacing it—including supporting relevant actors; helping forge them into an intellectual movement; and funding the development, translation, and transmission of new ideas.

In December 2020, we launched the Economy and Society Initiative publicly with an initial allocation of \$50 million over five years to develop a new “common sense” about how the economy works, the goals it should promote, and how it should be structured to serve those goals.

Next month, Brian Kettenring will step in to lead the initiative while Jennifer Harris serves in the Biden Administration on the National Security and National Economic councils. In her post, Jennifer will focus, in part, on advancing a post-neoliberal international economic agenda—an appointment that affirms the growing reach and importance of the work Hewlett has undertaken with all of you—our grantees, peers, and partners. As we make the transition in leadership, we wanted to express our gratitude to you for the ideas and energy you bring to this movement, and thought it might be helpful to take stock of what we believe has been achieved thus far, and what we believe lies ahead.

Why Intellectual Paradigms Matter and How They Work

To understand the import of the Economy and Society Initiative, one needs first to understand why and how intellectual paradigms like neoliberalism matter. Indeed, understanding this may actually be the most important condition for our work.

1. For purposes of a working definition, we define neoliberalism here as an approach to political economy that rests on three core beliefs: (1) society consists of individuals with a natural right of liberty that they exercise by seeking to maximize their own welfare; (2) the overall aim of a good society is to maximize wealth through economic growth; and (3) to protect liberty while enabling competing individuals to maximize wealth, the proper role of government is to encase and protect free markets.

At any given time, how we think about policy, law, and the proper role of government is shaped by a broadly shared, overarching framework of ideas that structures how people across the ideological spectrum think about the nature and aims of society, and the role of economics and government in it. It is this overarching framework that we refer to when we speak of an intellectual paradigm.

A critical, and oft-missed, point is that these paradigms are not solely prescriptive theories, nor descriptive depictions, but have elements of both. They are *pragmatic constructions* of the world that offer *explanations* about how things *do* work that, in turn, supply arguments for how they *should* work. An extant intellectual paradigm helps people—from politicians and policymakers, to ordinary citizens—make sense of an always complex world. It helps them to understand how things happen, and to identify what is as it should be, what needs to be changed, and how it should be changed. In so doing, an intellectual paradigm influences the outcomes of politics by structuring the arguments among competing players, and by tilting the playing field for or against different claims—putting tailwinds behind certain positions, and headwinds before others.

This is not to say that intellectual paradigms ipso facto determine political results. The eventual outputs of politics are dictated by political interests, cultural beliefs, material needs, and any number of other contingencies and factors—not least the talent and tactical decisions of the various players. And ideas. The power and importance of an intellectual paradigm lies in how it structures the rules of the game, and shapes how the various political and lay actors understand their interests, beliefs, and material needs: putting a thumb on the scale in favor of some arguments and against others, while concealing or obscuring options that fall too far outside its central premises.

Paradigms evolve and change, and rise and fall over time. As explored more fully in the Economy and Society Initiative's [Grantmaking Strategy](#), neoliberalism is but the most recent in a line of successive intellectual paradigms and governing philosophies. From the mercantilism of the 18th century Enlightenment, to 19th century's laissez faire liberalism, to post-Great Depression Keynesianism, and on to neoliberalism, each paradigm has lasted for a time, until some combination of changing facts on the ground and evolving understandings and practices caused it to lose explanatory power—at which point it gave way to a successor that people found more persuasive, albeit typically after a turbulent period in which different alternatives competed to achieve acceptance. (Consider in this respect, the appeal of communism and fascism in the 1920s and 30s, or of New Left radicalism in the late 1960s and early 1970s.)

Over the past three years, we encountered broad agreement that we are in the throes of one of these disruptive transition periods: neoliberalism has outlasted its usefulness and needs a replacement. We see this, for instance, in the broad rejection of the elite institutions on both the left and the right that have sustained and embedded neoliberalism in our systems over the past four decades. At present, however, the only things that look remotely like alternatives are China's harsh system of state-controlled capitalism without individual rights or democracy, and the noxious ethno-nationalism that underlays the election of right-wing, illiberal governments in countries around the world in recent years. That neoliberalism will be replaced is, at this point, inevitable. But you cannot beat something with nothing, and we need a better alternative than the ones currently on offer.

Just what this means and requires is not yet widely understood. There is, for instance, still little appreciation for the fact that replacing neoliberalism is very different from simply developing better policies. The point of the Economy and Society Initiative is distinctly *not* to wage and win a suite of policy battles that will immediately address the problems we care about right now, such as climate change and economic inequality. Or not just that. We favor such policies, of course, but as we have seen over and over in recent decades, any wins we achieve lack staying power and tend to be unstable and short term. And that's precisely *because* they are not grounded in an alternative, widely embraced intellectual paradigm, but must instead be muscled through in the face of powerful headwinds generated by a paradigm with which they are at odds.

The purpose of the Economy and Society Initiative is to change that dynamic by developing and promoting a new overarching framework—a *new* pragmatic construction—that makes these individual policy fights easier to wage and, once won, harder to undo. It is to turn these uphill climbs into downhill slides.

Doing that entails more than simply arguing for better policies to address inequality or global warming or affordable healthcare. Neoliberals did not begin by arguing that charter schools and vouchers were good, or that tax cuts would provide material benefits. They began by developing a set of prior, largely descriptive claims about how the world worked—that individuals are rational actors, that the best way for them to maximize their utility is through market competition, that efforts to promote equality necessarily intrude on liberty, that growing aggregate wealth should be the aim of society, and so on—from which their policies followed as almost logical conclusions. They dedicated time and effort to turning their claims into conventional wisdom, shared across the political spectrum even by those who disliked and opposed their policies. It did not follow that they always got what they wanted. It did, however, give them an enormous leg up in political competition, even as it hobbled their opponents.

In just the same way, an alternative to neoliberalism needs to do more than simply present new approaches to tackling inequality or global warming or affordable healthcare. It must embed such approaches in an alternative set of claims about how the world works, from which these policy prescriptions can be seen to follow logically. We need a better story that explains what is and isn't currently working—and, as important, why—and that points toward some kinds of interventions and away from others.

The cultivation and creation of such a story is the primary objective guiding the priorities of the Economy and Society Initiative. We see this as a quintessential task for philanthropy. Forty years ago, conservative foundations and funders helped develop neoliberalism, and turn it into mainstream thought by investing in academia, think tanks, talk radio, intellectual and popular journals, movement advocacy, and more. The world has changed too much to simply mimic their tactics, but their effort and success are a spur and inducement to attempt something similar.

A Movement of Ideas

The Economy and Society Initiative is building a movement of ideas. We're seeking creative individuals, activists, scholars, and leaders with the capability, desire, and ambition to formulate the elements of a new conceptual and descriptive framework—one that can, eventually, add up to the next intellectual paradigm. To identify these “church builders,” we're drawing from the whole range of domains in which we'll necessarily need to work: academia, think tanks, activist movements, faith movements, business, media, and more. Our goal is not just to support these individuals' work, but also, and at the same time, to help them see themselves as part of a coherent project to replace neoliberalism. To achieve this latter objective, they need both a baseline common understanding of the nature of the project, and the willingness and ability to work within—and, increasingly, across—their respective domains to bring about change at the necessary scale.

Already, we've supported the formation of networks in the academic fields best placed to develop neoliberalism's successor—primarily (though not exclusively) economics, political science, law, philosophy, and business. While the participants in these networks already work across disciplinary lines, and will ultimately need to do this still more, we think it most effective initially to anchor conversations about replacing neoliberalism within disciplinary communities. This is so for two reasons: (1) these communities begin with high degrees of built-in knowledge and trust, and (2) when thinking about a long-term project like this, academics tend to be most energized by the prospect of shifting their home disciplines. So far, we've made important progress in the following fields:

- Within political science, the American Political Economy Project (APE) aims to create a sub-discipline within political science to address the interaction of economic inequality, and the health of American democracy.
- Within law, the [Law & Political Economy Project](#) (LPE) aims to counter the neoliberal law and economics movement.
- Within economics, [Economists for Inclusive Prosperity](#) (EfIP), a group of 25 leading economists tackling economic inequality in their own work, aims to raise its profile within the discipline more broadly to form an important intellectual counterweight to the perception that economics is merely a mechanism for reinforcing laissez-faire ideology.

Over the next several years, we'll be focused on making sure that efforts like LPE and APE can grow and flourish to change their fields at scale. At the same time, we plan to prioritize the fields of economics and philosophy. We think philosophy has a crucial role to play in clarifying and sequencing any new paradigm's descriptive and normative claims, and we need to find more economists with ambitions to think in larger, more institutional terms about their field (akin to the ambitions that APE and LPE have brought to their respective efforts). We also need to find ways to get economists and philosophers to interact more with each other.

As noted above, the participants in these disciplinary efforts have already begun to find each other, and begin doing work across disciplines. We hope to see more of this, as the success of our effort ultimately entails building a movement comprised of transdisciplinary ideas.

As for the ideas themselves, the Economy and Society Initiative's grantees and partners have already put a number of critical and potentially foundational concepts on the table. For instance, many of the organizations and leaders we have funded, from the Roosevelt Institute to the Economic Policy Institute, have resurfaced the role of power within markets, which entails recognizing and addressing power asymmetries baked into the very design and logic of "free" markets. Efforts aimed at tackling such power imbalances have, in turn, taken a few different forms:

- **Some new ideas are informed by new empirical facts.** The most well-known and important example is Thomas Piketty's finding that, under normal conditions, returns on capital in advanced economies systematically exceed the overall rate of growth. Without some kind of intervention, this inexorably widens economic inequality and produces a concentration of wealth in the top-income ranks. Contrary to what has been assumed, this widening inequality will not self-correct, and requires some kind of public action, such as a global wealth tax.
- **Other new ideas challenge critical assumptions within neoliberalism.** Take the Economic Policy Institute's [Unequal Power Project](#), which debunks the myth that employers and employees are on equal footing in the labor market (and therefore that "interfering" in the market will generate inefficiencies that end up doing more harm than good). Headed by Larry Mishel, the project shows how equipping economists, policymakers, and courts with a more realistic framework that accounts for the greater power of employers could create improved freedoms in the workplace, help reduce economic inequality, and support civic engagement and democracy.
- **Still other new ideas emphasize how the world has changed.** Recent work on how new technologies generate network effects and increasing returns to scale holds far-reaching implications for how we think about structuring society and markets. As grantee Glen Weyl and others observe, these effects (which are coming to characterize more and more sectors of our economy) make economic power particularly prone to self-reinforcement. This, in turn, produces new intuitions about where and when it is appropriate to introduce measures to curb economic power. Weyl and others also point to upsides—especially the newfound scope for collaboration that technology offers—and advocate restructuring markets and governmental institutions to maximize shared potential. Another example is found in work by economists like Larry Summers (elaborated by our grantee Fred Block) noting how new technologies have shifted consumption from traditional products and commodities to services and products that can be supplied in bespoke ways.
Economic rules developed for markets that produce standardized products may no longer be apposite in this "post-commodity" economy. Again, the structural shift they point to not only helps *describe* the world as it now stands (explaining the chronic shortfall in aggregate demand over the past decade), but it points to *different default assumptions for policymaking* as a result. In a similar vein, grantee Jared Bernstein's work on the new rules of monetary policy calls attention to how the relationship between interest rates, unemployment, and inflation have changed, rendering the prevailing institutional approaches to these issues outdated.
- **Important new ideas are emerging in the philosophical arena.** Take Elizabeth Anderson's argument for shifting from distributive equality to democratic equality. Anderson's democratic model challenges the notion that wealth is the great equalizer, because inequality can persist even in a society in which everyone has the same

material benefits. According to Anderson, to be equal and free, citizens must have the basic needs to survive, access to education and fair pay, and the ability to engage in civic and political life. Similarly, Danielle Allen explores ideas about freedom, equality, and “difference without domination.” She argues that liberty and equality are not locked in zero-sum opposition, but actually serve to support each other.

- **And there are new ideas about how to address racial wealth gaps.** Take Heather McGhee’s notion of a [solidarity dividend](#)—mutual gains that can be created when people work together across race—which offers an alternative framework to address the Gordian knot of race and neoliberalism. McGhee’s work challenges the notion that the benefits of prosperity are fixed and limited, and argues that broader societal and economic gains can be provided to everyone when people unite across racial lines.

As promising as these (and many other) ideas are, too little attention has been focused on shaping them into a comprehensive, overarching framework. Moving forward, the initiative will be looking for ways to weave these ideas and philosophical arguments together into an account that describes how the world works in a way that both fits experiences, and provides an analytical logic capable of addressing the full range of societal problems—from how we structure our education system, to how we solve climate change, address racial wealth disparities, formulate international trade policy, invest in infrastructure, provide a social safety net, regulate labor relations, and more.

Building the Infrastructure for Moving Ideas into the World

For a framework of ideas to gain traction, people must believe and invest in it, and we need an infrastructure capable of effectually disseminating it into the larger community and its various subcommunities.

The academy is a key site not just for developing and validating ideas, but also for consolidating them into a cohesive narrative and moving that narrative in the world. So, too, are think tanks, activists, the business community, policymakers and elected officials, and the media. Moving forward, the Economy and Society Initiative will connect with and support several of these varied constituencies. In particular:

- **The academy.** Our challenge is to persuade promising scholars to resist pressures to overspecialize in favor of asking bigger questions, and to push beyond critiquing neoliberalism to develop an alternative affirmative agenda. We need also to help academics see themselves as engaged in a common project that spans disciplines and actively engages the world outside the academy. In the near-term, this means doubling down on early progress we’ve seen within political science and law, and making inroads with key neglected constituencies, especially economists and philosophers.
- **Think tanks.** An important and growing group of think tanks have turned to connecting their work to this sort of larger vision for the world. [The Roosevelt Institute](#), [Demos](#), [Open Markets Institute](#), and the [Washington Center for Equitable Growth](#), among others, are focusing on deep, structural questions about markets and power with an eye to reshaping how we think about political economy more broadly. They are also cultivating close ties to the academy, and to movement leaders. An immediate task is to replenish their ranks, as many of their key staff have moved to the Biden Administration.

Producing the kind of change in intellectual paradigms we seek requires the work to take root across the political spectrum, just as neoliberalism did. We’ve been encouraged by the emergence of a still small, but growing ecosystem of right-leaning individuals and organizations pushing past neoliberalism, including organizations like [American Compass](#), [American Affairs](#), [The American Conservative](#), and others. Over the coming months, we’ll focus on helping nurture this ecosystem as it plays an increasingly important role in debates over the future direction of conservatism.

- **Movement organizations and faith leaders.** We have done less when it comes to testing how widely the organizing community is ready or willing to attach its efforts to a broader critique of neoliberalism, much less what that might look like. We have made progress in building relationships with some key organizations, including [The Forge](#) and the [Poor People's Campaign](#), but we need to flesh out and pursue a dedicated substrategy for working with, and learning from, movement and faith-based leaders. Brian Kettenring's experience will be particularly helpful in moving this forward. He comes to Hewlett from the [Center for Popular Democracy](#), one of the largest organizing networks in the country, which launched a year-long, organization-wide planning process partly inspired by Hewlett's initial work in this space.

Finally, we must remain nimble enough to take advantage of new opportunities likely during the Biden Administration, and as debates unfold about the future of conservatism within the conservative movement. As evidenced by the dozens of partners who have gone into the new administration (including Jen), there is plenty of appetite in Washington for rethinking neoliberalism. Over the next two years, this will likely push some of our key issue priorities—such as industrial policy and government regulation—into the center of national policy debate.

Conclusion

Revamping any well-established scheme of thought can be daunting, let alone one as ubiquitous as neoliberalism. Yet, the biggest risk we see is not that neoliberalism will persist. To the contrary, we see evidence of its crumbling on a near daily basis. The biggest danger is ending up with a successor that is worse, as we see in the threat of ethno-nationalism filling the void. To prevent this, we need simultaneously to weave the emerging new ideas into an overarching story capable of shaping popular sensibilities about the appropriate roles of government, markets, and civil society; to show how this story better addresses the needs and issues of the day; and to generate a movement of people across all the sectors mentioned above to champion it as part of a common project.

Ambition on this scale always and necessarily carries an inherent risk of falling short. But one need only look at the drumbeat of ever-more dire climate news and the disturbing events of January 6th in Washington to see the urgency of seeing it through. Progress in addressing issues like climate, education, democracy, and more—indeed, progress on most of society's most pressing problems—depends on replanting our ideas about tackling them in new intellectual soil. We've established a strong foundation upon which to continue building a successor to neoliberalism, and we're eager to complete it in the years ahead. There is much joy to be found in this work, and we feel lucky to be doing it alongside you.