



ECONOMY AND SOCIETY INITIATIVE GRANTMAKING STRATEGY

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In March 2018, the Hewlett Foundation’s board approved a two-year, \$10 million exploratory grantmaking effort to examine potential successors to neoliberalism, the intellectual paradigm that has dominated our economic and policy debates for the past 40 years. This exploration was predicated on the belief that neoliberalism has outlived its usefulness and needs to be replaced by something better suited to the political, economic, and social conditions of the 21st century. Earlier this year, the Hewlett Foundation’s board approved a further five-year, \$50 million initiative to continue that work. This document describes the background, goals, and grantmaking strategy for the Economy and Society Initiative.

Goal: To develop new “common sense” about how the economy works, the goals it should promote, and how it should be structured to serve those goals.

I. The Problem

A. The Nature of Intellectual Paradigms

At any given time, our thinking about policy, law, and the proper role of government is shaped by some prevailing intellectual paradigm: an overarching ideas framework that structures how people think about and understand the economy, what its ends should be, and so what government should and should not do. Disagreement persists between different political visions, like today’s conservatives and progressives, but within a larger framework that is for the most part shared.

These paradigms are neither right nor wrong so much as they are descriptions that politicians, policymakers, and ordinary citizens use to make sense of an always complex world. A concept like “the king is divine” ordered political and social life for centuries, for example, until replaced by the alternative concept of “popular sovereignty,” which has done similar work since the American and French Revolutions. These paradigms achieve acceptance because they work as explanations for people—meaning they provide a convincing account of what people see in the world around them, which in turn helps frame their understanding of what changes are desirable and what undesirable. Note three key features:

- *First, except during intermittent periods of transition, there always is a prevailing intellectual paradigm.* The presence of some such paradigm is, in fact, an essential aspect of what we think of as “normal” politics. Conflict does not disappear, but political and economic disagreements take place within broadly shared premises that enable the kinds of compromises and accommodations necessary for governance in a complex society in which different people and groups invariably hold divergent views about particular questions.
- *Second, intellectual paradigms influence the outcomes of politics by structuring the arguments among competing players and by tilting the playing field for or against competing claims—putting tailwinds behind certain positions and headwinds before others.* Paradigms also play a vital role by shaping the political agenda, structuring which fights are even had. (Compare the difficulty of pressing an argument for universal manhood suffrage in 18th century America, when acceptance of monarchy powerfully shaped how ordinary citizens understood the world, with pressing the same argument a century later, after the Revolution and Constitution had reshaped democratic understandings and expectations. Yet even then, arguing to include women or non-whites, while no longer unimaginable, remained extraordinarily radical until another upheaval, the Civil War and Reconstruction, again changed understandings of citizenship and equality.)

This is not to say that intellectual paradigms ipso facto determine political outcomes. The eventual outcomes 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. The power and importance of an intellectual paradigm, rather, comes from 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.

- *Third, intellectual paradigms are understood differently by, and function differently for, different actors.* Ordinary citizens and political leaders comprehend the paradigm at a relatively high level of generality: for them, it is an account thick enough to make sense of the world without being or needing to be a comprehensive political or economic philosophy. The same is not true for policymakers and thought leaders, for whom the paradigm offers just such an over-arching philosophy, which they then rely on to propose and justify practical solutions to policy and political problems.

The key is in the way these different uses and understandings are linked. A paradigm “works,” in short, when the solutions it shapes for policymakers and thought leaders are logically and intellectually consistent with the high-level understanding of ordinary citizens and political leaders and address their problems well enough in practice to reinforce that understanding. The intellectual paradigm that prevails at any given time does so not because it explains or fits the world perfectly. No paradigm ever does. It prevails because citizens, political leaders, and policymakers perceive it to explain and fit the world better than the available alternatives.

It follows that as circumstances change and evolve, a paradigm that has been accepted may cease to work as an explanation. Typically, changes in technology, politics, and society will have transformed the economic and social environment in ways that an established paradigm deals with poorly or not at all. The paradigm itself will likely have evolved too, as ideas change and grow through application over time. Because accepted paradigms tend to be sticky once embraced, the dissonance between what the paradigm teaches about how things “should” work, on the one hand, and the world as people are experiencing it, on the other, must grow rather large before change occurs on a widespread scale. As this gap grows, however, and more and more people come to feel disaffected and alienated, there will be increasing political and social turbulence until another explanation achieves acceptance. The cycle then repeats.

To illustrate, by the late 19th century, the libertarianism of laissez faire capitalism was under extreme pressure from urbanization and the second industrial revolution, which changed the economy in ways that disadvantaged workers and produced extreme wealth inequality. As strains emerged, so did alternative paradigms, such as socialism and fascism, each attracting increasing numbers of adherents. Still, the stickiness of laissez faire thinking—by then deeply embedded in our political, economic, and social institutions—held until upended by major disruptions in the form of WWI and the Great Depression. Things might have gone differently but for the emergence of Keynesianism in the U.S. and Western Europe, which offered a way for government to manage the economy that distributed wealth more fairly, while preserving the benefits of market competition. Compared to alternatives like Communism and Nazism, the American New Deal and European Social Democracy were relatively tame, but they shifted the respective roles of government and markets in ways actors at the time understood to signify a meaningful substantive change—what we are here calling a new intellectual paradigm. Keynesianism “worked” as an alternative explanation better suited to the circumstances of the West’s economy and society in the mid-20th century. By the end of WWII, it had become the dominant paradigm around which left/right debates were shaped.

To reiterate: at any given time, some intellectual paradigm or another marks the boundaries of our political imagination. The role of these paradigms is to lend added weight in favor of some solutions and against others; they make some answers seem obvious, others unthinkable, and obscure our ability even to see still others. When a paradigm ceases to be helpful in understanding the world and solving practical problems—typically because of changes in both the world and the ideas that comprise the paradigm—there is a period of political and ideological turbulence until a successor emerges that likewise structures our political imagination, but differently.

These shifts can be dramatic, as was the case with Communism and Fascism (or, to offer a more attractive instance, the shift from feudalism to capitalism). But this need not be so, and the wholesale replacement of one set of ideas with a radically different set is rare. More typically, as in the change from laissez faire to Keynes, new paradigms reorder familiar concepts and tools to fit new and changed circumstances. As discussed in the next section, however, the consequences for governance of even modest reordering can be profound.

B. The Rise and (Impending) Fall of Neoliberalism

Today’s prevailing paradigm, neoliberalism, achieved acceptance through this same process in the late 1970s, as various systems of Keynesian management ceased to work in the relevant sense described above. The political and economic turmoil of the late 1960s and early 1970s can be understood as the most recent iteration (till now) of one paradigm giving way to another.¹ But neoliberalism did not come out of nowhere. On the contrary, it was the product of a carefully cultivated, well-funded, thirty-year philanthropic effort that we described at length in a [March 2018 memo to the Hewlett Foundation board](#).

As noted above, intellectual paradigms do not consist of airtight principles that are fully integrated and shared in their entirety by all adherents. They tend rather to be looser constructions, and neoliberalism is no exception. Its multifaceted intellectual and ideological framework comprises myriad ideas and arguments, not all wholly logical or consistent, with different adherents focusing on different elements, depending on their role and/or the problem at hand.

As with other paradigms, these inconsistencies and differences subsist within a broadly shared scaffolding. In the case of neoliberalism, the essential scaffolding consists of three core premises, held in some form by all adherents: (1) society consists of atomized individuals competing to maximize their own welfare, which, for neoliberals, also constitutes the definition of liberty; (2) the good society is one that maximizes aggregate growth, which has come to be measured by GDP; therefore (3) the proper role of government is to create—but also to protect—space for individuals to pursue their self-regarding ends through markets, as this is the best way to collectively generate growth. These “free” markets may sometimes fail or produce harmful consequences, and government can and should respond with regulation and redistribution. But we should rely on markets first and wherever possible, turning to government intervention only as an exception and only if adequately justified by some kind of market failure.

This reductionist rendering skips over a great deal of nuance and complexity. For example, neoliberals have derived important corollary principles from the primacy of markets as society’s principal allocative mechanism, including social choice theory to understand political behavior, with a concomitant mistrust of government action; a preference for local regulation over national legislation when government action is necessary; fear of public investment “crowding out” private spending; prioritization of free trade; elevation of Kaldor-Hicks efficiency (which holds that a policy is “efficient” so long as it produces gains that are, in theory, sufficient to compensate losers); and reliance on cost-benefit analysis.

Like all paradigms, moreover, neoliberalism has evolved over time, sprouting branches and evolving variations on all three premises. Among the most significant developments in this regard was its supporters’ successful courting of the business community and social conservatives—fusing (some might say confusing) a story about how the economy operates with a set of cultural commitments. Another was the way segregationists embraced neoliberal ideas in the 1950s and 1960s as a (seemingly) neutral way to resist the civil rights movement’s attempts to dismantle economic and political power asymmetries between white and minority populations.

For present purposes, the absence of a comprehensive or unified definition of neoliberalism does not matter. What matters is simply to recognize how important even loosely shared premises can become, when formulated into a program, in ordering political and economic life. Indeed, the far-reaching consequences of neoliberalism are a striking case in point. Consider how:

- Originally a theory of the political right, neoliberalism was embraced by liberals in the late 1980s—reflected, for example, in Clinton’s and Blair’s “Third Way” and the so-called Washington Consensus. Since then, left and right have differed chiefly in their respective willingness or reluctance to recognize exceptions that justify government intervention. Both sides have agreed, however, that markets are fundamental, and that economic growth is our first and primary objective. As noted above, these commitments have played a critical role in defining the space for action and in shaping the politics that activates (or suppresses) it.
- Neoliberalism redefined key concepts in ways that have meaningfully limited the space for discussion and debate. Neoliberals succeeded, for example, in equating “capitalism” with their particular conception of markets, positioning anything inconsistent as a rejection of or attack upon capitalism itself. Similarly, they framed action to promote equality as something that necessarily impinges on liberty—pitting the two values in opposition to each other, while arguing that because “society” is merely a collection of individuals with natural freedom to advance their own welfare, liberty ought to come first. And their assumptions that all individuals are equal, and equally well-placed to pursue their own welfare, in the marketplace elides realities of race and gender, thereby portraying efforts to remedy race- or gender-based disadvantages as somehow redistributive rather than something needed to make markets function correctly in the first place.
- The shape of neoliberalism, as well as its success, were very much a product of the geopolitical circumstances in which it emerged and matured. Neoliberalism began as a reaction in the West, and particularly in the U.S. and UK, to the very real threat of totalitarianism presented by communism. Every Cold War victory for liberalizing economies overseas was thus a victory in geopolitical as well as economic terms. This happy alignment between America’s geopolitical and economic interests during the Cold War helped fuel neoliberalism’s global spread.

- Finally, and most important, neoliberalism remade the world. It is, in fact, hard to overstate the magnitude of what its backers achieved. Government regulation may persist in many arenas, but in the years since neoliberalism became ascendant, it has reshaped everything. Fiscal policy, monetary policy, labor policy, trade policy, welfare policy, and industrial policy, to name only a few, have been fundamentally altered in line with the neoliberal ideas. Nor have the effects been confined to economics, and market-based thinking has similarly colonized law, political science, public policy, and myriad other disciplines. The private sector has likewise been dramatically reshaped by these ideas—from models of corporate governance to the role of business in society, how workers and executives are paid, and how the financial sector operates. Neoliberalism has, in fact, become a pervasive way to think about problems generally. Take, for example, the recent course of education reform, which has been framed as a market problem that can be solved by fostering more “consumer” (i.e., parents and students) choice and “supplier” (i.e., teachers and administrators) accountability.

Neoliberalism’s geographic reach has likewise been profound, and what began in the U.S. and UK has been successfully exported to virtually every region of the world. Milton Friedman himself might look askance at the world today, disappointed by the many ways we fall short of his vision, but it’s impossible to deny that we live in a world profoundly reshaped by the ideas he and his followers advanced.

Neoliberalism achieved this broad acceptance by successfully addressing the immediate problems that undid the Keynesian regime it replaced: inflation and interest rates came down, employment went up, and growth, while not reaching the bullish levels of the immediate post-war years, nevertheless recovered from its 1970s lows. Other achievements followed, including most significantly a free trade regime that lifted hundreds of millions of impoverished people across the globe (but especially in China and Africa) out of poverty.

While we should not minimize these successes, a good case can be made that neoliberalism has outlasted its usefulness. Rather than solve problems, it now contributes to or creates them—the most obvious examples being skyrocketing wealth inequality and obstinate wage stagnation, not to mention the emerging adverse consequences of free trade in the developed world.²

Then there is the convergence of neoliberalism with systemic racism in the United States. Racism and racial inequities long predate neoliberalism, whose major premises and principles were developed by early 20th century European intellectuals. The confluence of the two proved potent in America, however. As a historical matter, neoliberalism appealed to opponents of racial progress, who found its premises useful in resisting civil rights laws and other efforts to address racial injustice through government intervention. More perniciously, central tenets of neoliberalism—for example, the notion of equal footing in the marketplace, or the assumption that competition will inexorably displace economically inefficient arrangements—allowed disparities to fester and, in many cases, exacerbated them.

Neoliberalism’s failings extend well beyond racial disparities and have negatively affected people throughout society. But the interplay of neoliberal economics with race has profound consequences for racial minorities that need to be addressed synchronously as part of any effort to repair the general system. If not intentionally attended to, racism can and will find its way into any system, including approaches to political economy. It is critical to bear this in mind and address its specific implications as part of any broader effort to develop a new paradigm better suited to a 21st century economy. Race and racism are not the whole story, but they are a distinct and distinctive part of it.

Meanwhile, new problems have surfaced that neoliberalism seems poorly equipped to address—including climate change and a workplace transformed by new technologies (e.g., the internet, machine learning, and AI).³ There is nothing unusual in this. Earlier paradigms likewise became outmoded when the structure of the economy, society, and political environment changed. It would be arrogant and foolish to suppose that any paradigm reflects a universal truth, applicable at all times and in all circumstances.

The point is *not* that one cannot devise policy responses to today’s problems from within the neoliberal paradigm. Some helpful policies surely can be formulated consistent with neoliberal premises (say, a carbon tax to help curb carbon emissions). Similarly, political circumstances may be weighty enough to overcome neoliberal objections and justify exceptional action—say, government regulation to constrain fossil fuel development or promote renewable energy without so much regard for efficiency. Such policy responses can be conceived (or have already been proposed) for all the problems we currently face. And while a certain strain of doctrinaire neoliberal will oppose even these, more progressive forms of neoliberalism also exist. So why not press for solutions within one of these more moderate versions of neoliberalism, rather than rethinking or reordering its fundamental tenets?

We see three reasons for undertaking the more ambitious effort. First, the market-based solutions most easily formulated and justified from within neoliberalism are unlikely candidates for dealing with problems that grow directly from its core principles (such as wealth inequality resulting from the fact that returns to capital inevitably outpace returns to income). And other problems that do not stem directly from neoliberalism's central premises tend to require more ambitious or aggressive action than market-constrained solutions can deliver (the inadequacy of a carbon tax being an obvious case in point). Plus, even if policies that favor government investment or regulation can be formulated and promoted, getting them adopted is made considerably more difficult by the premises, values, and goals of neoliberalism. To return to our earlier point, the neoliberal thumb presses heavily on the scale, making the enactment of such policies in even watered-down forms a steep uphill climb.

But is that climb steeper than it ought to be? Could it be the case that neoliberalism's strengths are such that we should press on from within despite these limitations? We might be inclined to do so were it not for a strong and growing body of evidence that neoliberal teachings are no longer suited to the 21st century economy. The Great Recession itself is the most obvious example. Much as the Great Depression upended *laissez faire*, the 2008 downturn stunned economists and led many to begin reexamining ideas long taken for granted. Nor is that the only inexplicable failure. In November 2007, the Federal Reserve Bank began publishing quarterly forecasts for GDP growth, relying on standard neoliberal tools and assumptions. Astonishingly, its predictions have been wrong every single quarter but one—and always in the same direction (overly optimistic). The obvious conclusion is that something is wrong with the theory. Meanwhile, empirical analyses show how myriad economic indicators—including, most importantly, wage growth—have stagnated or been sliding in the wrong direction since the ascendancy of neoliberalism. The effects were too small to notice in the early years, particularly while neoliberal policies seemed to be successfully addressing more pressing problems. After 40 years, however, these once small perturbations have emerged as major problems for society, both domestically and globally.

Second, we are in the midst of a period of rapid change akin to the rise of capitalism in the early 17th century or the second industrial revolution in the late 19th century. With so much unprecedented change, we have good reasons to look for new thinking, which just so happens to be among the most important byproducts of a paradigm shift. We made this point while discussing the rise of neoliberalism in a March 2018 memo to the board:

The concrete policy agenda associated with neoliberalism evolved quite a bit over the years. Proposals that seemed radical and revolutionary at the beginning appeared much less so as time passed and awareness of possibilities grew and changed. Hayek's *The Road to Serfdom*, which galvanized the original movement, drew charges of extremism when it was published in 1944. Yet the policies Hayek put forth to implement his philosophy were just barely to the right of the New Deal, and they appear downright tame compared to what his successors were offering by the 1960s.

Such will always be the case when intellectual paradigms shift. The innovative thinkers who develop a new framework still do so from within an existing scaffolding that structures and limits their imaginations. Over time, the old framework recedes, and the new one is elaborated. And as this takes place, the ground from which particular applications and policy prescriptions are derived shifts. Ideas that once seemed implausible are seen in a new light; previously undreamed-of new ideas emerge; these are then developed and elaborated, in turn shifting the ground still further. New intellectual frameworks do more than justify policy ideas we already have: Over time, they change what we can imagine. Which is why it can be important—in certain promising circumstances—for funders to raise their sights and think beyond just the solutions that seem attractive today.

Third, the choice about *whether* to replace neoliberalism with something else is already being made, right now, as evidenced by the widespread disruption of democratic politics and equally widespread rejection of existing elites. *Their* answers (perhaps that should read “our” answers) no longer seem satisfactory to increasing numbers of people across the globe, on both the left and the right. We see this most frighteningly in the rise of what has been called “populism” but is better understood as ethno-nationalism, which offers an alternative “explanation” to many people unsettled by the world as they experience it and the future as they imagine it (much as communism and fascism did for many in the 1920s and 30s). Rather than cling to ideas that seem to have little purchase, trying to convince people to go back to believing something in which they have lost faith, we think it makes more sense to formulate a new alternative—one better suited to current circumstances and more conducive to a good society than the dark alternative presently brewing.

Two final observations before we turn to the practicalities of achieving such a goal. First, as noted above, the creation of a new paradigm need not (and in this case, we believe, does not) require wholesale rejection of the paradigm it replaces, much less development of an entirely new system of thought. There is much good in the existing neoliberal paradigm, much that remains valid and needs to be preserved—not least its tools for encouraging innovation and spurring growth. Much that we have learned about markets and incentives and the interplay of public and private action remains convincing. As with most paradigm shifts, we anticipate mainly a process of redeploying familiar tools in a new configuration. This will likely include reinvigorating some concepts and ideas that have been muffled, while curbing others that have been overused. We expect to see the use of newly developed tools for collecting and analyzing empirical data, as well as recent conceptual developments like complexity theory. And there will, doubtless, be new ideas, principles, and justifications. Think of it this way: the shift to a new paradigm is more like a major renovation than a tear down. Our task is to preserve what is good in the old structure, while building something more suited to the needs of current occupants.

Second, the ultimate test of such a paradigm is whether it helps us better address the practical problems that neoliberalism has failed to resolve. Here, two challenges in particular stand out as tests for any new paradigm: does it help generate a more equitable distribution of wealth—including narrowing the racial wealth gap in the U.S.—without unduly hampering growth? Does it support interventions capable of adequately addressing climate change? While not the only problems for which a new paradigm is useful, we believe these are the most telling ones.

Bear in mind that developing policies that might achieve these outcomes is *not* the goal of our proposed initiative. Many others have been doing that work, and there are policies aplenty already on offer to address climate change and wealth inequality, along with various other problems of the moment. But we have bigger fish to fry. For we believe, first, that adoption of these policies will remain unlikely—or, at the very least, a great deal more difficult than it need be—unless we reconfigure the broader framework within which they are situated. We believe further that reconfiguring this framework will create space to develop new and better solutions presently obscured from sight. And we believe, finally, that such a reconfiguration is needed to create new space for constructive disagreement between the opposing sides in our polarized politics, as well as to generate fitting solutions for problems we cannot yet foresee.

Put simply, we hope to replicate in our 21st century context what neoliberals and neoliberal funders managed to accomplish in the 20th century.

II. The Opportunity

A. Fertile Ground for Change

Based on what we learned in the past two years, we believe conditions are ripe for making such an effort. Intellectuals and academics on both the left and the right increasingly and openly recognize the need to rethink premises that have guided political economy since the 1970s. A critical mass of economists are offering powerful empirical evidence that higher overall levels of economic growth may well depend on (rather than be in tension with) a more equitable distribution. Philosophers like Danielle Allen and Elizabeth Anderson are making similarly groundbreaking normative contributions, recasting the relationship between liberty and equality as mutually dependent rather than rivalrous.

Nor is new thinking limited to the academy. A small but important and growing cohort of left-leaning think tanks are beginning to look beyond discrete policy areas to work on deeper structural understandings of markets and power. And on the right, a rising generation of younger thought leaders, like Oren Cass, Julius Krein, and Yuval Levin, are among those building a socio-economic case for breaking with the libertarianism and single-minded focus on GDP growth that have dominated conservative thought for the past four-plus decades.

Of course, none of this work starts from scratch. As noted above, these paradigm shifts nearly always consist largely of rearranging an existing set of basic tools—neoliberalism itself is built from ingredients that were also important to Keynesianism and laissez faire liberalism. The point is not to throw out all elements of neoliberalism. Things like incentives for innovation, concern for macro-economic health (run-away inflation), and property rights are among the many ideas that any successor to neoliberalism will naturally include, just like its predecessors. Much in the way the “neo”-liberals were self-consciously building on historical traditions of liberalism, we expect to build on traditions of political economists like Karl Polanyi and John Maynard Keynes; on the work of contemporary political philosophers like Michael Sandel and Amartya Sen, in addition to Anderson and Allen; on recent advances in empirical and behavioral economics, and much more. As described in the Appendix to this document, our explorations to date have divulged several concepts that could become important foundations of a forward-looking way to think about political economy in the 21st century.

Second, changing political conditions have created an opening for new ways to approach policy and governance. Signs of this were already unmistakable in the 2016 election and the rejection of “establishment” candidates in both parties, but the disruption of the neoliberal consensus has advanced much further in the subsequent three years. Enormous energy has emerged on the left that transcends particular issues to target free-market orthodoxy more explicitly. This is most popularly associated with politicians like Elizabeth Warren and Bernie Sanders, who routinely inveigh against the nation’s broken system of capitalism, but it is hardly confined to them.⁴ Or to the left, for that matter. On the contrary, the coalition holding neoliberalism together on the right (social conservatives, libertarians, and business) has begun to fray on all sides, leading to a search for alternative ways to think about conservatism. Within the business sector, the debate has intensified and narrowed into one about how, not whether, the neoliberal version of capitalism should be reformed. Consider recent alarms from JPMorgan Chase CEO Jamie Dimon, hedge fund billionaire Paul Tudor Jones, Blackrock CEO Larry Fink, Warren Buffett, and the Business Roundtable.

Some social conservatives, such as David Brooks, are increasingly vocal in attacking unfettered capitalism for hollowing out important non-market goods—diminishing the value of institutions like the family and religion, for instance—and for narrowing notions of societal flourishing to mere GDP growth. In Washington, Republican lawmakers like Marco Rubio and Josh Hawley have become standard-bearers for a brand of conservatism focused on the American worker and explicit in its skepticism of unfettered corporate and financial sector power. The pair have introduced proposals ranging from renewed antitrust enforcement to curbs on stock buybacks to a renewed embrace of industrial policy. Even Tucker Carlson, an influential talk-show host on Fox News (and so an important voice in conservative politics), has challenged what he called the right’s “religious faith” in free-market orthodoxy.

These changes in the intellectual and political environment are both caused by and reflected in a change in public opinion, which has shifted dramatically away from neoliberal orthodoxy. We see this most obviously in the surge of ethno-nationalism on the right and “democratic socialism” on the left. Public opinion surveys now show substantial support for raising taxes, with more than 75% of Americans favoring increased taxes for the wealthy. Depending on which poll one reads, 60-75% of Americans, including a majority of Republicans, support a wealth tax proposed by Senator Elizabeth Warren—a far cry from eight years ago, when President Obama was roundly criticized for declaring “war” on the top 1%.

The point is not that we necessarily support or will advocate for any of these particular proposals. But they reflect a profound shift that is taking place in public sentiments and that creates an opening for the kind of work we believe is essential to begin dealing more effectively with the range of problems currently confounding global politics and economics—and even more to deal effectively with new problems that will arise as the century rolls on.

B. A Role for Philanthropy

While conditions are favorable, there is also a powerful need and a clear role for philanthropy in helping move this energy in a positive direction. In much the same way that philanthropic support was pivotal in the rise of neoliberalism, philanthropy must play an essential role in replacing it: supporting the relevant actors; helping forge them into an intellectual movement; funding the development, translation, and transmission of new ideas. For reasons explained in Part I, it is not enough in today’s circumstances simply to advocate for particular policies, even good ones. Given the prevailing intellectual and political environment, such efforts are likely, at best, to produce transient and partial wins, and more likely simply to fail. Changes of the kind we need today and in the future will not take place without richer soil in which to grow. Preparing that ground is a role ideally suited for philanthropy and unlikely to get done without its support.

Over the past two years, we discovered enormous interest in what we are proposing to do and have already seen strong uptake. Within the academy, there are now five major nodes of academic activity working to shape a successor to neoliberalism,⁵ and the leaders of the different efforts are beginning to work with each other across their respective projects. A group of think-tanks with deep relationships in both the academy and the organizing/social movement community has pledged an initial three-year commitment to work together to build a successor to neoliberalism. A meeting of social movement and organizing leaders could well develop into similar infrastructure among organizers and activists. Rounding out these initial efforts, a new conservative organization called American Compass (with our help) launched last spring, aiming to reclaim traditional conservative ideals from libertarianism and neoliberalism.

Other funders share our enthusiasm—a number of whom are prepared to partner with us. In May 2019, we and the Omidyar Network hosted a funder gathering that convened 25 foundation heads, high net-worth individuals, and substantive leads from 18 organizations (with more unable to attend but expressing interest to join subsequent gatherings). The group decided to continue meeting and to work collaboratively; helped by a steering committee (which includes Hewlett), the group will gather twice annually to continue working together to build a broad intellectual movement and support the necessary ecosystem of players. Meanwhile, different funders have begun collaborating together on projects of mutual interest, including a \$9 million, two-year Anti-Monopoly Fund; a Green New Deal table of stakeholders; and an initiative to establish a network of academic centers at various universities.

Our timing was good, and we have tapped into something potentially significant. The remainder of this document discusses how we propose to take advantage of that energy to begin shaping a new paradigm.

III. Plan of Action

Goal: *To develop new “common sense” about how the economy works, the goals it should promote, and how it should be structured to serve those goals.*

A. Defining the Goal

Our ultimate goal is to develop new “common sense” about how the economy works, the goals it should promote, and how it should be structured to serve those goals. This entails a distinct narrative—identified and identifiable as such—that encompasses views about the nature of society, the core values it should seek to achieve, what counts as success, and the different means by which that success may be achieved (given our understanding of the nature of society and its core values). If established, this new common sense will produce changes throughout society—many, perhaps most, difficult to predict with confidence ahead of time.

While our long-term goal is a coherent successor to neoliberalism, we do not plan to go about the work by aiming to build a single alternative from the outset. Rather, we will seek to enlist many different audiences in the basic project and encourage decentralized idea-generation and experimentation, seeing what finds purchase and refining as we go.

What we propose to do, in other words, is a form of movement building, but about ideas in the first instance. Hence, our initial audience consists of academics, intellectuals, thought leaders, and others who develop and transmit ideas to policymakers and the public. It must include people who currently see themselves as part of the right as well as the left, though these categories will change and people will re-sort themselves if and as we succeed.

While our focus is on the development of ideas, ideas do not develop in the abstract, and we must also engage the activist community that develops and presses for action, not least because these social movement and organizing leaders are increasingly idea generators in their own right. Our guiding principle, however, will be whether this serves our ultimate goal of fostering a new ideas framework (as opposed to making policy change the immediate objective).

Finally, because neoliberalism is a problem that is global in scope, any solution must be global as well—involving actors from many nations and solutions that are potentially applicable in and across different regions of the world. While we think it makes most sense to focus at the beginning on grantees in the U.S. and, to a lesser extent, the U.K. and Western Europe, this is primarily a matter of concentrating limited resources to the greatest effect, and even then our grants will emphasize the international dimension of the problem and objective. Much of the work will focus on global economic and policy questions (see, for example, the discussion of foreign economic policy in Section III-C below) or take an explicitly comparativist approach (as we have already done, for example, in our grants to rethink labor law and to build a new political economy sub-discipline in political science). More generally, we will engage with people and organizations that reflect an international perspective, scouting promising grantees and ideas from the rest of the world even as our initial grant-making begins building an intellectual movement mostly through grantees in the U.S. and Europe.

B. Elements of a New Paradigm

While we cannot yet know the specifics of a successor to neoliberalism, we can begin our exploration with a rough sense of the intellectual parameters around which one is likely to develop. Every approach to political economy begins with an understanding of society and human nature and of the rightful goals the society should seek to pursue, from which it derives guidelines and conventions for governance. Neoliberalism envisions society as composed of atomized individuals and human nature as self-regarding, and it sees society’s rightful ends as maximizing individual liberty and aggregate economic growth. It then derives from these premises its commitment to markets and its antipathy to government regulation other than to correct market flaws (though even then only as a secondary effort, and only if the sacrifice in growth is not too great).

Each of these premises has been subjected to fierce and formidable critiques, from which we can begin to imagine an alternative approach: one that has different starting premises and different goals for success, which then give rise to different ideas about governance. Any alternative will likely require different starting premises—for example, a richer understanding of the relationship between individuals and society, perhaps one that recognizes that cooperation is as much a part of our nature as competition; and a different account of the relationship between liberty and equality. It will also likely require different goals—at the most basic level, a sense that society’s rightful aims should not stop at growth, without any attendant concern for the distribution of wealth. And these different premises and goals, in turn, open up new avenues for governance—whether structuring markets differently at the front end to produce a more equitable distribution, embracing the propriety of government action for a wider range of societal problems, designing markets to serve values other than efficiency and choice, or experimenting with novel forms of public/private partnership.

These abbreviated suggestions are simply that, however: suggestions. They are, at most, working hypotheses based on the initial two years of inquiry, requiring further exploration, testing, and considerable development. We mention them here chiefly to give a sense of the likely starting points in any rethinking of political economy. And while we are reluctant at this early stage to flesh out details—that is, after all, precisely what we want our funding to produce from grantees—we can say more about some of the questions we expect to address along the way, which should give a clearer picture of the direction in which our inquiry is headed:

1. The Problem of Power. Any new paradigm will need to resurface ideas of power within markets. Neoliberalism has an undeniable utopian charm: we are all equal in the marketplace, presumed to have equal choices and agency. But if this is true, to take just one example, why have years of tight labor markets not redounded to greater bargaining power over wages for employees vis-à-vis employers? And why do black workers’ wages fall more sharply during recessions and recover more slowly during expansions than white workers’ wages?

In fact, as a substantial literature has shown, asymmetries in power are not the stuff of occasional market failure but baked into the very design and logic of markets. Moreover, economic power tends to concentrate, and concentrated economic power inevitably spills over to become political power—which then helps entrench and further grow the concentrated economic power in a mutually reinforcing cycle.

This tendency for economic power to reinforce itself is, in some ways, as old as markets. But certain expressions are new: consider how new industries, especially in technology-rich sectors, are characterized by increasing returns to scale and network effects, which make economic power particularly prone to self-reinforcement. Should this change our perceptions about the circumstances in which measures to curb economic power are appropriate? If so, how?

2. Liberty and Equality. To achieve widespread acceptance, an intellectual paradigm must be more than a set of descriptive claims and prescriptions. It must also be normative and values-based. Milton Friedman called for a particular monetary policy for years without success. It was only after he connected this position to an argument about freedom that his ideas went anywhere. The neoliberal story pits liberty and equality against each other, prioritizing liberty as the more important value. This account displaced an older view, central to the American Founding, that these values are interdependent and so we cannot have one without the other. But what does reconciling these values look like in the context of a 21st century society?

3. The Role of Technology. These first two points address questions that have been part of the debate all along. To work as a story, however, any new paradigm will also need an account of what’s different such that neoliberalism is falling short. Technology-driven change is without doubt a defining feature of our era, yet what that should mean for how we think about political economy is undertheorized. In addition to its role facilitating economic concentration (mentioned in point 1 above), technology is changing basic ingredients of markets in ways that neoliberalism simply did not contemplate—things like the circumstances in which consumer choices are made, the forms in which cooperation can occur, and the role and function of property rights. Unlike traditional businesses, which hired “employees” to serve “customers,” for example, two-sided exchange platforms like Uber or Airbnb, see both sides of the exchange—riders and drivers, in one case; guests and hosts, in the other—as “customers” in an important sense. This arguably reflects a subtle but profound shift in basic ideas about the nature of an economic exchange and where labor power resides—a shift that is in no way captured in arguments about whether drivers can be treated as independent contractors or not. Something similar lurks in the structure and operations of social media platforms: are Facebook’s users the customers to whom it advertises, or are they the product being consumed by Facebook’s real customers, namely, advertisers? Or are they both, and what does that mean for our understanding of markets?

There are equally large questions about how technology has changed core macroeconomic concepts, like productivity, labor power, and aggregate demand, to name just a few. As one example, while previous instances of technologically driven economic change were each unique, they all hewed to a basic formula combining privately owned capital with labor power recruited in an open market to create surplus value. Many of today's new technologies, in contrast, generate surplus value from a high-volume, self-reinforcing cycle of data extraction that depends on harnessing consumer attention more than labor power. Does or should this change in how surplus value is created change our understanding of the expected roles for capital and labor?

We expect to cultivate a community of thinkers with expertise across technology, law, and social science to explore how technology is changing the basic ingredients of markets and political economy.

4. Measuring Equitable Growth. Neoliberalism's single-minded focus on growth has already begun giving way to concern for more broadly distributed gains—fueled not only by the sheer magnitude of wealth inequality today, but by mounting evidence that growth will likely remain lackluster without more focused attention on distribution. Yet we don't have a shared understanding for how to measure distributed growth, much less a set of metrics with the attention-grabbing simplicity and singularity of GDP. (As part of our work in this area, we are investing in the development and uptake of distributional national accounts (DINA), which report how a given quarter's GDP growth is distributed across the income spectrum.)

5. Race and Political Economy. Redressing racial disparities must figure in any new “common sense” about how the economy should work. We noted above, in Part I-B, how neoliberalism's ostensible neutrality offered a politically acceptable means of resisting government efforts to address racial injustice. But the point is of more than historical interest, for it draws attention to how embracing neoliberalism has helped entrench racial hierarchies. In both politics and policy, neoliberals have downplayed or denied the explanatory power of race-based factors in producing economic inequality. To take just one of countless possible examples, if—as neoliberalism would have it—we are all equal before the marketplace, why do Black homeowners in the U.S. receive valuations on their homes that average \$48,000 below market value?

Across U.S. history, racism has managed to insinuate itself in some form or manner into practically every corner of American society, so it is hardly surprising to find it embedded in the prevailing system of political economy. As noted earlier, however, race is not the whole story. Just as racial disparities have unique causes that extend well beyond neoliberalism and require distinct attention, so too the failings of neoliberalism reach well beyond racial minorities. If we focus solely on racial differences or treat neoliberalism's shortcomings in this respect as the entire problem, not only will we fail to address these broader consequences, we won't adequately address even the concerns of racial minorities.

Pitting groups against each other is a tried and true strategy in American politics, and that has been no less true of neoliberalism than myriad other movements in American history. It is unlikely that neoliberalism would have embedded itself so deeply in the intellectual soil of the U.S. were it not for the way that some political leaders have used race to divide poor white communities and poor communities of color—preventing the formation of a multi-racial coalition of those most aggrieved by policies that have disadvantaged both groups.

All of which suggests a need for ideas that can attract the sort of multi-racial coalition that many of neoliberalism's proponents have deliberately sought to prevent. This means supporting those working to unite splintered communities—Black, White, Latinx, and more—that neoliberalism has harmed. It means finding ways to support an agenda that benefits all while simultaneously addressing the distinct issues and problems systemic racism poses for communities of color. That requires making room for work that is explicit about racial effects and focuses specifically on advancing the welfare of racial minorities, but in ways that are explicitly understood on all sides as an embedded part of a broader shared agenda.

Reducing racial inequity is not the explicit goal of this initiative—no more than mitigating climate change or remedying economic inequality generally. Rather, as with these other problems, it is an important test of what it means for a system of political economy to “do better on society's urgent problems.”

6. Rediscovering Public Investment. One of the most striking consequences of neoliberalism is the way it has forced individuals to shoulder more risk and responsibility for their economic outcomes. This is partly a function of eroding public investment over the past 50 years. A strong case can be (and has been) made that focusing on shared growth strengthens the case for more, as well as for new, forms of public investment. Wholly apart from regulation and redistribution to correct market failures, is there a more robust case to be made for a nation to invest in its people? One of the most powerful forms of public investment, also quite separate from redistribution, is industrial policy. Alexander Hamilton's plans for commerce were the first American industrial policy, a tradition carried forward throughout American history—from Henry Clay's American System to the New Deal and Great Society—until discredited in the 1980s. Explaining the potential for public investment to contribute to a more justly distributed economic growth, while reconfiguring what it might look like to fit the 21st century economy, poses challenges and opportunities in equal measure.

7. The Relationship of Markets to Democracy. Neoliberalism was a project of shoring up individual liberties in the face of communism, but its connection to democracy was awkward and uneasy. Hayek's *Road to Serfdom* argued that any form of collectivism—including the action of liberal democratic institutions—was but the first step on an inevitable downward slide. Instead, neoliberals sought to place the market beyond the reach of democratic control, arguing that markets offered what amounted to a purer form of democracy. Is this skepticism warranted? How might we think differently or more effectively about the proper place of democratic accountability? In this connection, it will be critical to bear in mind that there are already competing political economy paradigms that eschew liberal democracy, from China to Hungary. We need to sharpen the case around how and under what conditions democracy can deliver economic justice and prosperity.

8. Designing Markets. There is no such thing as a “free” market, if by that one means a market unshaped by government. Markets exist to the extent and in the form government regulation permits. While sometimes talking as if they wanted markets free from government interference, in fact neoliberals championed a very specific form of market—one that prioritized efficiency by maximizing the ability of individuals to pursue economic gain while relying on the state to enforce contracts and property rights and set the terms on which exchanges took place. Any successor to neoliberalism must attend to questions of market design and the government's role therein. Markets can be designed to prioritize any number of values, not just efficiency, and there are plenty of problems (climate change being perhaps the most obvious and important example) as to which we might give priority to other values—like innovation or action—over efficiency. Far too little scholarly attention has gone into interrogating what it would mean to design markets to promote values other than efficiency.

C. Building an Ideas Framework

The discussion above provides a sense of the questions our exploration must answer and the kind of content new thinking about political economy might comprise. This section describes our preliminary thinking about how, as a practical matter, we would approach asking and answering these (and other) questions.

1. Developing Ideas

As noted at the outset, we ultimately are looking to develop a comprehensive account (both normative and descriptive) that ordinary citizens understand but that is also capable of generating consistent, concrete policy solutions to the full suite of problems society must address. These solutions, in turn, must work well enough to reinforce the validity of the larger story. Neoliberalism achieved this objective and held that ground for many years. And while it may have ceased to work in the relevant sense described in Part I, no alternative has yet been developed capable of satisfying the demands of either end of this spectrum: we have neither a capacious story that is intelligible to most lay people, nor any broad consensus around practical solutions to society's biggest problems.

Rather than choose to begin at one end or the other, we think it appropriate, at least initially, to spread our bets and test possibilities at both ends. That means supporting the development of philosophical, economic, and social theory alongside work on concrete issues, then drawing these together to see how the various analyses mesh and where mutually reinforcing points of convergence emerge.

In surveying possible concrete issue areas, we have tentatively identified six problems that could make appropriate starting points. These are (a) antitrust and wealth concentration, (b) labor and reconstituting worker power, (c) monetary policy, (d) industrial policy, (e) new forms of taxation (especially taxation based on wealth), and (f) international economic policy. All are areas in which neoliberalism has been dominant for the past several decades, but in which work is already underway challenging its assumptions. The question is whether grantees can find not just better solutions for or approaches to these particular problems, but also use them to shape a successor to the broader paradigm in which any present solutions are embedded.

Five criteria guided our choices. First, we see potential in the rethinking already afoot on these problems for alternatives to emerge that carry significance for our larger project. Second, they are all areas of high public concern, meaning a new way of approaching these issues could shape public thinking more broadly and in other areas. Third, there is for each of these issues potential for appeal across the political spectrum. And, because these are issues that have penetrated public debate, they offer a means of engaging centrists and non-dogmatic neoliberals, as well as traditional organizations that are ready to embrace new ideas. Fourth, as compared to crowded and hotly contested areas like health care or education, these issues have been fairly neglected by funders, making it possible for relatively modest investments to reap outsized results. Finally, and in some ways most important, these are all areas in which problems have emerged that existing models and theories cannot explain: these are, in other words, areas in which many people across the political spectrum believe prevailing neoliberal ideas are falling short.

It bears repeating that our reason for focusing on concrete issues like these is only partly about finding new and better solutions. More fundamentally, we see these issues as entry points for wrestling with political and economic power; as practical sites for reexamining the assumptions underpinning neoliberalism generally; and as vehicles for gathering individuals from across disciplines and backgrounds and focusing attention on our larger project. We will, accordingly, be looking in each area to address broader research questions that sit upstream from specific policy outcomes. Finally, we regard these issues as sites for experimentation; as we see what catches and as the world itself changes, we expect our strategic focus to narrow and evolve.

One final qualification: we offer the following six examples as potentially fruitful starting points. We may not cover all of them or all of them at once, and we remain open to finding other areas to explore. The analyses below are thus illustrative of the kinds of questions we expect our grantees to address, as opposed to a settled plan of action. At this stage, any fixed blueprint would be premature. With that in mind, here are some thoughts to explain how we see each of the six potential issues areas:

(a) Antitrust and wealth concentration

The current resurgence of academic interest in antitrust is self-consciously revivalist—the idea being to recover a conception of antitrust that flourished for nearly a century before neoliberal ideas came to dominate in the 1980s. Until then, the purpose of antitrust was not only to protect consumers from rising prices, but to protect political and economic liberty and opportunity from industries with excessively concentrated control. As Senator John Sherman, appealing to his Senate colleagues in 1890, put it, “if we will not endure a king as a political power, we should not endure a king over the production, transportation, and sale of the necessities of life.”

The intuitions behind the revival are straightforward. Just as new problems in the 1970s exposed the failures of Keynesianism, markets today are being buffeted by new forces—largely resulting from technology—to which the Chicago School of antitrust seems inadequate. Limiting antitrust to consumer welfare measured by price works poorly in a world of Google, Amazon, Facebook, and other companies that can operate at scale through the internet. Because these firms can provide goods cheaply or free, any conversation about excessive economic power is over before it even starts. Yet concentrations of economic power can threaten vital national interests. Consider the role of a robust media in securing democracy, for example, or how wealth concentration exacerbates economic inequality and gives rise to problems like monopsony that stifle opportunity. Such cases help clarify that consumer welfare is not the only good in question.

Roughly two-years old and largely instigated by scholars under 40, what has come to be called the “neo-Brandeisian” revival joins economists, legal academics, historians, political scientists, political philosophers, political progressives, conservatives, and others in conversations about the nature and consequences of concentrated economic power, the role that technology can play in exacerbating it, and the possibilities for using antitrust and new forms of regulation as a potential answer.⁶ It is precisely the kind of interdisciplinary conversation, both positive and normative in nature, that we are looking to foster.

Yet the field is still nascent, with only a handful of funders and even fewer funding targets. Thus far, we have supported Open Markets Institute, and a multi-donor two-year antitrust fund run by the Economic Security Project that aims to grow the field by recruiting additional funders while investing in research and a series of advocacy campaigns. As these initial investments mature, we expect to learn more about how best to cultivate the field. Most likely, we will seek to grow a network of reform-minded scholars across economics departments and business and law schools. But we are open to supporting policy-oriented campaigns, particularly if they include research to broaden the analysis in potentially productive directions.

(b) Industrial Policy

Whatever one thinks about the Green New Deal, it epitomizes a significant emerging change in reasoning about industrial policy. Proposals to use public resources for big, ambitious projects run contrary to neoliberalism's general skepticism about coordinated efforts to achieve society-wide aims. Neoliberals dislike reliance on state action because it self-consciously demotes values the market prioritizes, like efficiency and choice, in favor of other values (like certainty in the case of the Green New Deal). For proponents of the Green New Deal, mitigating climate change is not unlike war: being sure of success matters more than finding the most efficient path.

The resurgence of interest in industrial policy, long frowned upon by neoliberals, is not limited to climate change. No one thinks we should abandon efficiency as a value, but an emerging school of thought believes neoliberalism understates the number and kinds of circumstances in which other values are more important and in which ambitious public investments may be efficacious and desirable.

Nor is the call for industrial policy limited to the left. A parallel call is growing among conservatives worried by the rise of China. Senator Marco Rubio released a report calling for a renewed U.S. industrial policy in response to China's successful industrial policy efforts. A few months later, a conservative conference held a referendum on the idea that the U.S. should have an industrial policy: it won 99-51. Neoliberal institutions like the International Monetary Fund (IMF) have discarded their longstanding aversion, while the FT editorial board recently argued that "the U.S. should drop its concerns around state planning," wondering how outdated ideas of "trickle-down and laissez faire" linger on "despite evidence markets do not allocate capital to the most productive places."

The resurgence of interest in the public domain is outpacing the academy, where these ideas, having lain dormant for 40 years, are undertheorized. This is poised to change, thanks to academics like Dani Rodrik, Michael Lind, and Mariana Mazzucato, who are updating our understanding of what industrial policy involves for advanced economies. Pushing back against claims that industrial policy is about "picking winners," they favor investing in large-scale "missions"—like autonomous driving or halting climate change—that draw on innovations across multiple sectors of the economy. They are also designing new models of public investment that focus on equity and ensure more broadly distributed gains.

In addition to supporting new scholarship, we envision funding groups experimenting with demonstration projects—like the Mission Oriented Public Investment Network, a consortium of public investment entities (e.g., NIH, DARPA, ARPA-e) developing new accounting methods to capture the idea of "public value." By updating the field of industrial policy through research, robust debate, and demonstration projects, we expect to learn about new possibilities for government, markets, and social cooperation.

(c) Labor and Worker Power

For at least the past forty-odd years, mainstream economics has operated on an assumption that the employment exchange takes place among equals in a competitive market. This idea, in turn, provided the intellectual justification for a push by business interests and political conservatives to reduce the influence of organized labor—a push that has largely succeeded (aided by structural changes in the American economy and self-inflicted wounds from labor leaders). In 2018, just 10.5% of U.S. workers were members of a union, down from more than 30% in the middle of the 20th century. The decline is even sharper if one focuses on the private sector, where only 6.5% of the labor force is unionized, compared to 35% in the 1950s. These declines have had significant consequences for wages and, as a result, for income inequality. To take just one measure, researchers estimate that a full third of the rise in inequality in the past 40 years among men can be attributed to declines in union membership.

Most labor experts today recognize that the 20th century U.S. approach to industrial and labor relations is dead. Yet rather than a eulogy, we see this as an invitation to reimagine a labor regime better adapted to the fast-changing nature of the 21st century workplace. As recent teacher strikes in right-to-work states show, it is possible for workers to win concessions outside traditional union settings, and political and grassroots leaders have already advanced an array of new proposals—from sectoral bargaining to worker representation on corporate boards—that set aside the current legal framework governing organized labor and start anew.

Real progress needs a conceptual framework built on a more realistic base than the myth of equal standing between employers and workers. We expect to help develop this by focusing on empirically grounded analyses of how labor markets actually function, from which we can derive updated arguments about the appropriate role of worker power in a capitalist democracy. This means working with labor economists, legal academics, and think tanks, but could at times also involve supporting efforts to pilot new prototypes for organizing labor and industrial relations. These pilots could extend beyond the U.S., into developing countries, which are often on the receiving end of U.S. private investment and so have some leverage (especially given the low return environment in advanced economies) to insist on new conditions around worker power and voice.⁷

While these three areas seem to us the most promising ones to explore at the outset, we also envision paying attention to three other issues, albeit in ways that are more opportunistic and circumscribed than the first three.

(d) Monetary Policy

In the 1970s, stagflation upended much of what we thought we knew about monetary policy. The concurrence of high unemployment and inflation exposed the limits of existing Keynesian models and ideas, and in so doing, offered crucial support for neoliberal ideas. We see a similar puzzle challenging monetary policy today. How is it that with interest rates in their second decade at rock bottom levels and the economy near full employment that inflation is still too low? Why have Federal Reserve economists over-forecast growth *every* quarter but one for the past *ten years*? The most likely explanations—secular stagnation fueled by top-heavy growth and corporate concentration, and the reshaping by technology of macro-fundamentals like productivity and aggregate demand—offer generative starting points for a successor to neoliberalism.

These largely academic debates are playing out amid growing calls for greater democratic accountability at the Fed, including demands for greater assertiveness in tackling climate change, and sweeping correctives to forty-plus years of privileging capital over labor (by focusing on inflation more than unemployment). Alongside funding research, we could envision supporting groups mobilizing campaigns around pro-employment monetary policy.

(e) New Forms of Taxation (especially on wealth)

Six years ago, economist Thomas Piketty published findings that, contrary to prevailing assumptions, returns to capital are outpacing growth—which means, by definition, that they are outpacing returns to labor. So long as this is true, wealth inequality will continue to get worse. If we are to get serious about combating widening inequality, we may want to consider taxing accumulated wealth (as opposed to taxing only income or consumption). Support for wealth taxes on ultra-wealthy individuals is growing rapidly: a February 2019 poll found that 74% of registered voters back a wealth tax, including 65% of Republicans. But there are challenging philosophical, economic, and legal arguments against taxing wealth, not to mention a slew of practical hurdles, and we envision funding targeted work to explore both opportunities and barriers.

(f) International Economic Policy

Geopolitical circumstances have always played a central role in shaping how and why economic paradigms have changed, and the foreign policy and national security communities have played pivotal roles in developing and socializing shifts in our thinking and approach. The founding generation faced the problem of fending off powerful empires built on mercantilist foundations. Keenly aware that the U.S. could not compete with, much less beat, established players like France and Great Britain at this game, the young nation rejected mercantilism and instead adopted—and then helped spread—open trade practices, which soon evolved into *laissez faire* more generally. Skipping ahead a century, political leaders and policymakers saw that success in the Cold War depended on out-competing the Soviets economically, and that this required discarding the *laissez faire* economic policies that dominated the first part of the 20th century in favor of a still-fragile Keynesian consensus

then taking root. The foreign policy community played a similarly important role in the shift to neoliberalism—formulating and then promoting the “Washington Consensus” in the 1990s, which used U.S. soft power to promote global free trade and remake international organizations like the World Bank, IMF, and Organisation for Economic Co-operation and Development (OECD) into vessels for exporting neoliberal thought to the rest of the world.

And so it is again today. With the U.S. and its economic model increasingly challenged by China, the notion that the West’s neoliberal orthodoxy needs rethinking is as much a geopolitical imperative as an economic one. And as in these earlier encounters, the foreign policy and national security communities will play a pivotal role in developing and socializing any changes in our approach to economic policy and political economy generally.

After a long period of neoliberal dominance, members of both communities are newly open to fresh ideas. On the one hand, conservative and progressive foreign policy strategists alike agree that economic performance, as much or more than anything else, will determine the outcome of any protracted geopolitical struggle with China. On the other hand, they recognize that China’s state capitalist model poses an authentic challenge to the West’s standard economic playbook of the past 40 years. The process of rethinking is thus already underway, led for now by institutions like the IMF and the OECD.

We must take care not to limit ourselves by using an exclusively U.S. lens on the broader changes afoot in the global economy. China’s growing economic clout is emblematic of larger shifts in global economic power toward rapidly growing countries in Asia and, to a lesser but no less important extent, in Africa and Latin America. Much as these countries have internalized many aspects of neoliberalism, they also come with important revisions and, in some cases, alternatives from which we need to learn. Given the by-now complete integration of global supply chains, moreover, there is a fully global perspective to be taken on political economy. The nation state will not be disappearing anytime soon, but it can no longer be seen as the exclusive or fully independent creator of economic policy, a profound shift that any new approach to political economy needs to incorporate.

We would likely begin with several lines of potential work in this arena. The first would be to find and learn from the best post-neoliberal examples in the Asian, Latin American and African countries that are driving the bulk of global growth. A second would focus on research to develop post-neoliberal international economic policy in areas like trade, international tax and investment, and development. Third, we should cultivate actors and thought leaders in the foreign policy community who can persuade others in their ranks to join the movement to replace neoliberalism with an alternative better suited to solving society’s current problems, adding a much-needed strategic rationale for embracing these new ideas.

2. Developing Disciplinary Communities

We will use support for work in these six areas to generate new ideas and approaches to very real problems of political economy. But these will not, on their own, add up to the sort of comprehensive account we need. As with earlier approaches to political economy, particular policies and solutions need to be derivable from and grounded in a broader philosophical, economic, and social narrative that knits them together in a logically coherent manner.

We expect to support this upstream work by developing a network of disciplinary and inter-disciplinary communities working within the academic fields best placed to develop neoliberalism’s successor—primarily economics, political science, law, philosophy, and business. In some cases, we will support these groupings to tackle foundational questions like those discussed in Part III-B; in other cases, they may focus on the discrete issue areas sketched out immediately above, in Part III-C. Either way, the idea is to use the foundation’s resources, including those beyond the grant dollars, to grow communities of thinkers focused on generating new ideas about political economy—a kind of modern-day version of the Mont Pèlerin Society in the form of mini-Mont Pèlerins.

We have already begun supporting the development of several of these disciplinary communities. Within economics, we supported the creation of “Economists for Inclusive Prosperity” (EfIP, pronounced “eefip”). Launched by Dani Rodrik (Harvard), Gabriel Zucman and Jessie Rothstein (both Berkeley), and Suresh Naidu (Columbia), EfIP is a group of 25 leading economists tackling economic inequality in their own work while aiming to raise its profile within the discipline more broadly. Political scientists Jacob Hacker (Yale), Paul Pierson (Berkeley), Kathleen Thelen (MIT), and Alex Hertel-Fernandez (Columbia) have launched the American Political Economy Project, which aims to create a sub-discipline within political science to address the interaction of economic inequality and the health of American democracy. Within law, David Grewal (Berkeley), Amy Kapczynski (Yale), Jed Purdy (Columbia), and Sabeel Rahman (Brooklyn) have established the Law and Political Economy

Project, which aims to counter the neoliberal law and economics movement.

The choice to begin by working mostly within, rather than between, disciplines is a mainly one of sequencing. Based on experimentation over the past two years, we think it more effective initially to anchor conversations on replacing neoliberalism within disciplinary communities. This is so for two reasons. First, these communities have high degrees of built-in knowledge and trust, helped by the fact that people involved in them “speak the same language.” Second, when thinking about a long-term project like this, academics tend (understandably) to be most energized by the prospect of shifting their home disciplines. This suits our purposes for yet a third reason—namely, as discussed below, there are often gaps or holes within these disciplines, such as the way economics shies away from questions of power, that unintentionally contribute to neoliberalism’s continued sway. The most effective, perhaps only, way to plug these effectively is from within.

That said, we have also funded some interdisciplinary communities,⁸ and we anticipate continuing to do so, albeit on a modest scale at first. Ultimately, we expect scholars working and emerging from within these disciplinary nodes to begin working across disciplines. This, too, is already happening, as leaders of the five nodes we already launched are beginning to collaborate with one another. In the near and medium-term, we regard both the emergence of academic talent from within these disciplinary communities and the beginnings of work together across their respective disciplines, as important measures of success.

3. Institutions

An ideas movement, like any movement, still depends on people. Certainly the academy is a key constituency for this work, but other groups and institutions are likewise critical to moving ideas in the world. These include think tanks, activists, the business community, policymakers and elected officials, and the media. Success will ultimately require winning substantial numbers of adherents in all these groups—and through them, the general public. This, in turn, will involve a delicate balancing act: we need to find a way to empower the people and ideas capable of building coalitions, while protecting against settling on the lowest common denominator, especially at the idea generation stage.

Neoliberals managed to accomplish this, though it took time and patience. One lesson we take from their efforts is that it does not make strategic sense to pursue all these constituencies simultaneously, and not simply because our resources are finite. For reasons explained below, we think it makes sense to begin with the academy and think tanks—though we will not want to confine ourselves exclusively to these even in the beginning—and to work out from there in subsequent stages.

(a) *The Academy*

We think it makes sense to start with the academy for at least three reasons. First, even if universities no longer hold the monopoly on idea generation they once did, the academy remains our dominant engine for new thinking, critical analyses, and empirical research. Second, academics play an irreplaceable gatekeeping role in deciding which ideas should be deemed intellectually serious. Finally, thought leadership that comes from outside the academy still comes from people who were educated within it; universities play a critical role introducing society’s leadership to what frequently become their core, lifelong intellectual commitments. Put simply, what we teach (or don’t teach) college students today shapes what our nation will become in future years.

Fortunately, achieving our goals does not require asking universities to become something they are not. Hayek and Friedman needed beachheads at places like the University of Chicago and George Mason because the academy was generally hostile to their ideas. The situation we face is more one of distraction and benign neglect than outright hostility. Our challenge will be to persuade promising academics to reject 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 them see themselves as engaged in a common project that spans disciplines and actively engages the world outside the academy.

Based on our two-year exploration, we are optimistic about the prospects for success in this regard. We engaged in one form or another with roughly 200 academics at dozens of universities and encountered nothing but enthusiasm for the project. Many of the scholars with whom we have already partnered likewise voiced surprise at the outsized reaction the project has elicited in their interactions with colleagues.

Our initial focus will include creating “buzz” for the endeavor (through the disciplinary communities discussed above) and generating a sense of intellectual movement among participating scholars. One open question is the extent to which we can harvest and refine existing ideas and the extent to which we’ll need to push for change within disciplines. As the answer seems to be a bit of both, we expect to prioritize at least some disciplinary aims in our work. A few examples:

- Within economics, we need to persuade economists to grapple more seriously with how different forms of power affect market outcomes. We are presently experimenting with different ways to do this, including: (a) harnessing the empirical revolution already underway in economics, including new methods based on big data and AI; (b) facilitating interactions between heterodox and mainstream economists; (c) supporting a pedagogical shift in how economics is taught; and (d) developing new models and metrics (for example, income distributed measures of growth).
- Within political science, we will support the development of a sub-field of American Political Economy, with an initial focus on how economic inequality affects the health of American democracy. At present, when such issues are addressed at all, it is in the form of narrow questions that do not roll up into anything of broader significance (e.g., how inequality affects voting patterns). In surveying political scientists, we were pleasantly surprised by the widespread desire to create a new field of political economy focused on bigger questions.
- Within the legal academy, we are working to seed a movement to counter the Law and Economics movement. Since the 1970s, Law and Economics has served as the legal arm of neoliberalism, successfully colonizing legal education, reshaping legal doctrine, and capturing much of the judiciary. In its first two years, the Law and Political Economy (LPE) movement has garnered widespread enthusiasm, especially among students, with meaningful faculty participation at Columbia, Yale, and Berkeley, and interest from Harvard.

These initial choices are informed by our sense of what drives intellectual change in the academy. Some think it must come from experienced scholars at the top of their respective fields. Others think change happens when young scholars, looking to make a name for themselves, reject established ideas in favor of new ways of thinking. Still others look to students demanding educational opportunities that match their interests and the world they see ahead. In our view, any of these groups can move a given field, with success all but assured when the three come together.⁹

(b) Think Tanks

Precisely because the academy was so cool to their agenda, neoliberals looked elsewhere to establish an intellectual base. Alongside investments in the academy, they created a web of multi-issue think tanks: American Enterprise Institute, the Foundation for Economic Education, the Hudson Institute, the Hoover Institution, and, later, the Heritage Foundation, the Cato Institute, the Manhattan Institute, and others. Thanks to robust, generously supported fellowship programs, it became possible for conservative intellectuals to consider a career at these places.

In contrast, the think tanks one might naturally look to for an alternative vision of political economy have tended to eschew broad intellectual inquiry for a focus on discrete policy issues, while emphasizing things like communications and legislative affairs over intellectual leadership. Unlike at conservative foundations, moreover, progressive think tanks have used their fellowships more as waystations between stints in government than as platforms for long-term positions to develop thought leadership.

More recently, an important and growing group of think tanks have raised their sights. 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. On the right, a new organization we are supporting with seed funding called American Compass is asking many of the same questions we are. Though for the moment change in conservative circles is coming more from individuals than institutions. We have, accordingly, begun supporting promising conservative thinkers like Oren Cass, Julius Krein, and Samuel Hammond, and we are actively scouting others. Over time, we hope and expect to see more heterodox thinking on the right as well as the left.

Our initial efforts in this arena will focus on supporting these institutions and individuals, while building high-trust networks on both the left and the right around the project of replacing neoliberalism. As mentioned earlier, we helped to seed a table of six left-leaning think tanks that have committed to a three-year effort to shape a post-neoliberal consensus. And while it will take time, we are actively cultivating conservatives who might establish a right-leaning complement.

(c) Movement and Organizing Leaders

Grassroots organizers and movement activists have not typically been seen as idea generators, but that may be changing. The current push for reparations would not have achieved mainstream status but for the Movement for Black Lives, nor would the Green New Deal have gained the traction it has without the Sunrise Movement. It was front-line teachers in Oklahoma, West Virginia, and elsewhere whose strikes breathed new life into the labor movement. Groups like these matter, not least for their ability to find powerful communicators with the moral authority to advance controversial ideas.

But if movement and organizing leaders are increasingly sharing in the work of idea generation, it's a role that sometimes sits uncomfortably within their organizations. Most campaigns still focus on "name and shame" efforts to stop bad actors, like campaigns targeting predatory behavior on Wall Street or the practices of specific corporations. When campaigns do have affirmative aims, they tend to be for specific things, not systemic change, as in the "Fight for \$15." Important as these efforts can be, they do not derive from and will not add up to the kind of comprehensive account we need (even to reliably win these issue-focused campaigns).

This is, to some extent, simply the nature of activism, which tends to be fueled by outrage, not economic philosophy. But much of the blame rests with philanthropy and the tendency of foundations that invest in economic and social justice to limit their funding to narrowly focused campaigns with demands for quick results.

That narrow focus does not describe the organizing and movement leaders with whom we spoke. Many have bigger aspirations, and they consistently pointed to the lack of an overarching story about how the economy should work as a major impediment to their efforts. Meanwhile, a handful of recent fights show that campaigns based on broader ideas can succeed, as can organizers who blend intellectual and activist sensibilities. One of the largest organizing networks in the country, the Center for Popular Democracy, launched a year-long organization-wide planning process, directly inspired by Hewlett's "Beyond Neoliberalism" initiative, to develop a post-neoliberal analysis of political economy with actionable ideas for more ambitious campaigns.

These promising examples notwithstanding, it remains unclear how widely the activist community is ready or willing to focus on neoliberalism itself as the problem. Our initial efforts in this arena will therefore focus primarily on networking—seeding working groups and research and building relationships between organizers and allies in policy and academic circles—rather than on supporting specific institutions or campaigns.

(d) Business

Signs of the business community's willingness to reconsider some of its neoliberal commitments have become an almost weekly occurrence. High profile business people as varied as Jamie Dimon, Paul Tudor Jones, Mark Benioff, and Warren Buffet have all made news by disparaging unbridled capitalism and the single-minded focus on quarterly returns. Most notably, the Business Roundtable updated its Principles of Corporate Governance in August 2019— replacing language affirming shareholder primacy with a new "fundamental commitment" to an enlarged group of stakeholders that includes workers, communities, the environment, and customers, as well as "long-term value" for shareholders.

Yet working with the business sector can be challenging. Business interests have in the past partnered with philanthropy, but not on efforts that could upend comfortable practices. Absent the threat of an Elizabeth Warren presidency or passage of her Accountable Capitalism Act, would the business community have shown any willingness to bend?

Maybe not. But there could be a genuine opening here—one that, if missed, might not come again soon. Fortunately, there are other funders already active in this space (Omidyar, Ford, and OSF as some). The most we would do at this point is partner with them on landscaping work to define an agenda and identify allies. With that in mind, we have supported B-Labs to hire two experts to scope an agenda and explore potential alliances.

(e) Policymakers and Media

To achieve acceptance, intellectual paradigms must ultimately be embraced by political leaders. Without Ronald Reagan and Margaret Thatcher, neoliberalism might be nothing more than a short chapter in books on fringe economic theories. And while private foundations have lines they cannot cross in the political arena, there are a great many things we can lawfully do to shape the thinking of people within it. Our vehicles for doing so, however, are the same academics, think tanks, and activist groups discussed above.

Media is another matter. Neoliberalism established and long maintained its hold on the public's imagination in part through reinforcing media, news, and cultural narratives. That hold may be slipping as real-world circumstances make its narratives less and less persuasive, but we will not win public embrace of a different vision of political economy without winning over the media that inform people and shape their beliefs. That said, it would be premature to start making grants for this purpose before we have defined the elements of an alternative or even found a name for it. For now, we would leave concern for media to better-placed partners.

4. Working in Phases

Our grantmaking strategy calls for experimentation and exploration and will proceed in phases. In the first phase, we will focus chiefly on supporting grantees that will develop core concepts and ideas. As explained above, we think the best way to do that is by concentrating initially in the academy and think tanks, though we will also work with select activists, business organizations, policymakers, and/or media figures as opportunities arise. In addition to articulating ideas, we will seek in this phase to begin building an intellectual movement around them: identifying pivotal voices, changing pedagogy, and developing networks to strengthen intra- and inter-disciplinary relationships.

We should flag one significant caveat to this proposed sequencing, owing to the pandemic and associated recovery and stimulus efforts. The world's experience with COVID-19 is nothing if not an object lesson in the empirical failings of neoliberalism, and the prescriptions now being called for—from the embrace of Modern Monetary Theory to national industrial policies that privilege resilience, vaccine development that rethinks the roles of government and private industry, and public investment for rebuilding on a scale unseen in the past fifty years—all feel decidedly post-neoliberal. The pandemic and its recovery can and should be an occasion to hasten the arrival of an overdue post-neoliberal consensus, but only if we seize the moment to change the shopworn neoliberal public narrative. More than an opportunity, this is a necessity, lest we repeat the mistake of 2009 by allowing an austerity message once again to choke off ambition in the interest of an anemic recovery that reinforces a failing system. With that in mind, we and our funding partners plan to support relevant narrative- and synthesis-minded work. If we succeed, people will look back at the pandemic as a turning point in our understanding of political economy.

Even working in phases and acknowledging the long-term nature of this effort, we know we cannot do it alone. Another critical task in the first phase will be to cultivate and solidify a funder community that shares priorities and collaborates on funding strategies. As mentioned earlier, we have already begun this work, and we convened a second funders' meeting with more than 20 foundations in January. That was, if anything, too large a group, but not all these funders share our priorities or will ultimately stick with the work. It is, however, a good indication of interest in the funder community, and we are optimistic about finding funding partners sufficiently aligned to make our efforts worthwhile.

As an intellectual framework begins to gel, we will start a second phase during which grantees will spread its principles to larger constituencies, with more concerted outreach to policymakers, media, and the general public. The different phases will to some extent overlap, as the development and articulation of ideas never stops and the intellectual framework itself will evolve constantly.

It is difficult at this point to say how long this initiative or even the first phase will take. Neoliberals launched their effort in the late 1940s, began making gains in the late 1950s, pushed too hard and suffered a significant setback in the mid-1960s (when Barry Goldwater was crushed by Lyndon Johnson), but stayed the course and achieved preeminence in the late 1970s. We should not, in other words, expect this to be quick. It is, rather, the kind of effort that exemplifies philanthropy's unique role of providing patient capital for important problems that other institutions lack the staying power or freedom of action to pursue.

D. Measuring Progress

As noted in our original memo, our expectations for results should conform to the nature of the endeavor. More so even than with conventional advocacy, progress in building an ideas-based movement will be nonlinear, and we should expect periods of stagnancy and backsliding as we proceed. Knowing whether we are making headway, or if perceived gains are stable, may be difficult and will require exercising subjective judgment. Above all, we will need to be patient.

1. Outputs, Outcomes, and Progress Indicators

That said, we would not recommend moving forward if we did not have some way to know whether we are getting anywhere. We plan initially to use the following indicators to track how we are doing and, where appropriate, adjust course.

Goals/Outcomes	Potential Indicators
<p>Our ultimate goal:</p> <p>To develop new “common sense” about how the economy works and the aims around which it should be organized.</p>	<ul style="list-style-type: none"> • Society is characterized by a more equitable distribution of wealth capable of opening greater political space for liberal democracy than is the case at present. • Intellectual convergence around the necessary roles of the public and private sector in mounting a set of interventions sufficient to address climate change.
<p>Supporting Outcome #1:</p> <p>Emergence of some critical elements of an alternative intellectual framework.</p>	<ul style="list-style-type: none"> • Ideas reframing the relationship between liberty and equality penetrating several disciplines (i.e., not just philosophy). • Growing rationale supporting greater role for public investment. • Progress in developing measures disaggregating economic growth across the income spectrum.
<p>Supporting Outcome #2:</p> <p>The disciplinary and inter-disciplinary communities we have established are more robust, interactive, drawing more adherents across the ideological spectrum, and creating new demand for inclusion.</p>	<ul style="list-style-type: none"> • The communities we have established are larger in number. • Deepening collaboration between them. • Members of these communities are winning influence within their respective fields. • Students are increasingly interested in the questions and projects these communities are undertaking. • Increase in publications and citations on topics central to the emergence of a successor to neoliberalism.
<p>Supporting Outcome #3:</p> <p>There are the beginnings of a coherent intellectual movement that is discernable both to participants and to outside audiences.</p>	<ul style="list-style-type: none"> • This intellectual movement has a name that people are using internally (and, ideally, externally as well). • Some of the ideas find purchase within at least some elements on both the right and the left of the ideological spectrum. • The level of discourse on the crisis of capitalism from outlets and public intellectuals that tend to popularize new ideas and academic work—FT, WSJ, Economist, Vox, etc.—continues to grow and begins to shift from critique to alternative. • Reliance on new work (including work we are supporting) in public discourse (newspapers, speeches in Congress).
<p>Supporting Outcome #4:</p> <p>There is a growing funding community that is funding in collaborative and complementary ways.</p>	<ul style="list-style-type: none"> • Funder network continues to deepen its ties. • Emergence of new aligned funders. • Overall funding levels increase. • Deepening ties to adjacent funder communities—notably funders focused on economic justice, democracy, and/or academic research.

2. Risks and Mitigation

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 a shift in intellectual terrain of the sort we seek won't happen. As we observed in our original memo, intellectual paradigms inevitably give way, one to the next, and most predictably in circumstances like those prevailing today. Neoliberalism is already beginning to unravel, evidenced in the rise of ethno-nationalism and the pervasive rejection of neoliberal elites on both the right and the left. The risk we see is more like the one that threatened Western Europe and the U.S. in the 1920s and 1930s, before the contest of ideas was settled in favor of Keynes' "managed market" over fascism and communism—namely, that what succeeds neoliberalism will be darker and more threatening to a good society. Put another way, the risk is that we fail to influence the coming successor to neoliberalism in a positive direction. We see four reasons why this could be so.

Most obviously, we could fail to produce a coherent account capable of persuading relevant audiences. We could succeed in all our proximate objectives—investing in important academic work, standing up networks of intellectuals and think tanks, supporting grantees in developing new policy solutions to problems like antitrust and labor, and so on—while still failing to develop an overarching story that is capable of capturing popular sensibilities about the appropriate roles of government, markets, and civil society. We plan to mitigate this risk in two ways: first, even in our issue-based investments, we will be looking for individuals who understand and support the larger project of developing a comprehensive framework for political economy and have a clear view about how their work contributes. We will continue to invest in work explicitly focused on the task of drawing on the best ideas to create an appealing new narrative.

Second, we also must worry that an answer to neoliberalism might fail to find broad purchase because the ideas our grantees put forward fail to escape the gravitational pull of politics (which definitely feels like a black hole these days). It will be critical to develop ideas capable of transcending the current left-right divide and appealing to a range of thought leaders and constituencies. We have, from the outset, consciously sought to mitigate this risk and will continue to do so. Hence, while the energy behind our project presently comes predominantly from people who lean ideologically left, we have made and will continue to make efforts to seek out and support right-of-center thinkers, as well to build trans-partisan networks wherever possible. Our choice of concrete issues in Part III-C-1 included consideration of the prospects for building such coalitions, which are already showing up in our work on antitrust and industrial policy. Finally, our decisions about who to support will give weight to assessments of how capable a particular grantee is of developing and communicating ideas in ways that are not overly tendentious or partisan.

Third, there is a risk that the warm reception we've encountered among other funders will dwindle. It is immensely encouraging to hear, as one funder put it, that "the economic justice funding community is clearly headed in the direction of taking on neoliberalism." But it's not a community known for investing in ideas, and it tends to focus on activism to achieve particular changes as swiftly as possible. One way we are mitigating this risk involves taking a page from the playbook developed by neoliberal funders. Rather than asking for agreement on a particular vision, we are instead inviting funders interested in any part of the work to join our funders' table, so we can all learn, and learn from what each of us is doing. In this way, we can build trust and begin to converge on a broadly shared vision. We are, at the same time, cultivating a sub-group of more tightly aligned funders, with whom we work on nearly all aspects of the strategy—including developing the broader funder community.

A final risk is that we make progress only to face a powerful, well-funded backlash. On the one hand, we cannot prevent this from happening. We take some comfort from the fact that the rising generation of conservatives, including conservative funders, seems more pragmatic and less rigidly ideological than their predecessors. Still, nothing precludes new libertarian-leaning funders from emerging, and a serious challenge to neoliberalism could spark a revival of interest in shoring it up. A better reason not to worry overmuch is the simple magnitude of the crisis of capitalism. It is highly unlikely, in the current environment, that a call to double down on neoliberalism, however well-funded, will resonate (which may be why once-stalwart members of the neoliberal coalition, like the Business Roundtable, are joining the ranks of those exploring new ideas).

IV. Budget

We believe it appropriate to begin modestly. We accomplished a surprising amount during our two-year exploration with a \$5 million per year budget. This includes launching efforts that will need continued or additional funding, as well as uncovering many promising opportunities to explore. At the same time, with new funders entering the field, we neither want nor need to carry the whole burden ourselves. Fixing an appropriate scale for an effort as nascent as this is not a science, but we believe that a relatively modest increase to \$10 million per year would provide an appropriate beginning—though if things develop as propitiously as we hope, we will ask the board for additional funding in future years.

As is typical for new strategies and initiatives, The Economy and Society Initiative has been approved for an initial commitment of five years. But the effort we are launching is a long-term project that could take several decades to achieve its objectives. We will consider whether to extend the initiative in 2025, knowing full well that success will likely require time, patience, and commitment.

V. Conclusion

When we launched this exploration in March 2018, it was inspired partly by the funding of free market ideas in the 1950s to 70s, which constitutes the single most successful example of effective philanthropy in history. Certainly, in the realm of advocacy and policy-oriented funding, nothing comes close.

Our hope is to reverse that achievement by repeating it—and based on what we learned these past two years, the time is ripe and our timing propitious. We will not succeed using the same tactics that worked for funders in the 1950s and 60s, and the strategy described above does not purport to do so. It does, however, borrow from neoliberals one thing we think critically important: their attitude. The foundations and individuals who funded neoliberalism emphasized flexibility and adaptability. They thought in terms of supporting people, rather than developing projects, and they spread bets among a range of grantees with different capacities and approaches. They pursued diffuse, hard-to-measure goals that had long-term payoffs, and they tolerated the ensuing absence of dependable objective measures, relying when necessary on subjective judgments of effectiveness. Above all, they were patient; they showed faith in their ideas, even when the likelihood of success seemed remote. All these practices, we believe, are worth mimicking.

Nothing about the effort we recommend here is certain: nothing other than its paramount importance. We will try a range of things, watch carefully to see what sticks and what doesn't, double down on the former while letting the latter go, and build a way of thinking that can help us find solutions to problems that, at the moment, seem intractable.

APPENDIX

Greenshoots

“The difficulty,” Keynes once quipped, “lies not so much in generating new ideas as in escaping old ones.” In the case of neoliberalism, this inherent difficulty has been made worse by a tendency among its critics to skip over the hard work of generating alternatives—as if these follow obviously from their criticisms or will emerge organically. Much of our initial work has required convincing allies that, just as neoliberalism was a deliberate project advanced over decades, so, too, a successor requires concerted work to cultivate new ideas and refurbish old ones. These ideas ultimately must cohere into a story that both explains how the world works and points toward some interventions (and away from others). That story does not yet exist, but encouraging possibilities are starting to bubble up.

In the 1970s, stagflation provided an exogenous shock that defied existing models and created an opening for neoliberal ideas. In much the same way, today there are at least two (and possibly three) significant developments that neoliberal models do not contemplate and that provide a similar opening for new thinking. First is increasing awareness on all sides that climate change cannot be adequately addressed through means that rely on individual-centered rational action and markets that prize efficiency. Whatever might have been the case 30 years ago, we will not solve climate change exclusively or even primarily through pricing carbon, and no amount of adjusting markets to internalize costs can suffice to solve this problem in the necessary timeframe. Addressing global warming will require far more concerted powers of the state—in both regulation and public investment. This emerging view of climate change rejects markets as the default allocative mechanism in society and demotes the values that markets are designed to advance—efficiency and choice—for values like innovation and certainty.

One might argue that, even if true, this only justifies addressing climate as an exception to markets without fundamentally challenging their presumptive superiority in other domains. To be sure, the scale of the solutions needed to address climate suggests that this may be an instance of the exception that swallows the rule. But even if not, there is a second development that presents a more fundamental test. For the past 50 years, the conventional story about growth and equality, summarized in the famous Kuznets Curve, has been that growth initially widens but then narrows wealth inequality. That elegant theoretical story has now been proved wrong by a formidable body of evidence. Put together by Thomas Piketty, we now know that under normal conditions in advanced economies, including the United States, returns on capital systematically exceed the overall rate of growth—which can have no other result than widening economic inequality,¹⁰ unless we somehow intervene. In other words, free markets in the neoliberal mold ensure that the fortunes of the already rich grow, while the rest of society falls behind, creating growing social tensions and eventually undermining the capacity of democratic institutions to function.

If Piketty is right, and the evidence he compiled is impressive, then addressing inequality may require new turns of an old game in redistribution. But relying on redistribution to correct occasional market failures is one thing. Relying on it to compensate for an inevitable consequence of markets—a feature not a bug—is both risky and counterproductive. We cannot simply let markets be markets and use redistribution to clean up afterward. First, leaving markets as primary is no more likely to work for inequality than it is for climate for the simple reason, noted above, that concentrated economic power has produced concentrated political power, robbing both markets and democratic institutions of the necessary conditions for self-correction. Second, a framing that, like neoliberalism, highlights individual effort as what produces growth and seeks to compensate the losers through after-the-fact redistribution creates a very steep uphill climb. The beneficiaries of redistribution see it as the scraps of a rigged game, while richer parties resent the government “taking away” wealth they believe they created through their own individual efforts.

More recently, political scientists and economists have begun examining what political scientists Jacob Hacker and Paul Pierson call “predistribution.”¹¹ In a nutshell, predistribution involves building out the full range of ways in which the government can shape the distribution of income and opportunity in society beyond simply taxing and providing benefits.

Advocates of predistribution begin by reminding us that markets are not pre-political, naturally-occurring institutions. They are, in fact, always and inescapably shaped by government. Of course, that idea is not unique to predistribution and is likely to be part of any alternative to neoliberalism. The idea has, moreover, achieved surprising popular purchase, thanks partly to political leaders like Bernie Sanders and Elizabeth Warren (as well as think tanks like Roosevelt, Open Markets Institute, and Demos). And it is not an idea advanced only on the left. In January 2019, Fox News host Tucker Carlson inveighed against free-market dogma: “Market capitalism is not a religion.” Carlson warned, “Any economic system that weakens and destroys American families is not worth having.” President Trump’s willingness to cap prescription drug prices is another example of this emerging view that it is we who shape markets, and we can make choices about what values they should privilege and what ends they should prioritize.

Neoliberals pushed, with remarkable success, for a conception of markets that privileges efficiency as a value and prioritizes aggregate growth as the end. We can, however, structure markets differently to counter the tendency of the neoliberal market to disproportionately benefit those at the top at the expense of those in the middle and at the bottom. We can, in other words, structure markets up front in ways that still produce growth, but distribute that growth more equitably. The tools for doing so are familiar, including antitrust law, rules for corporate governance, rules for labor participation, incentive-creation through tax law, and so on. It is simply a matter of rebalancing our goals and structuring the rules in ways that encourage a different set of outcomes from the ones encouraged by neoliberal markets.

Effective predistribution also requires getting the macro-economy right. This could mean ending the forty-plus year bias that monetary policy has exhibited toward capital and against labor by focusing on inflation at the expense of employment (which has inflated the value of capital while suppressing wages). If economic developments over the past decade show anything, it is that there is greater headroom for spending without causing undue inflation. Acknowledging this creates space for a new consensus permitting governments more room to spend on efforts that boost aggregate demand without worrying about inflation quite so frantically.

What has happened with inflation in recent years in fact reflects a much bigger breakdown in the conventional economic understandings of the relationships between government deficits, private investment, interest rates, and productive investment.¹² These macro-economic forces simply are not responding the way they did when the original neoliberals formulated their ideas. Yet far too little attention has been paid to the question of how growth is or can be produced in this new world. We need a much fuller investigation of why growth remains so elusive.

In fact, the lack of growth in advanced economies arguably represents a third major change challenging the current philosophy of free markets and a limited role for government. It is hard to dispute that the neoliberal formula is failing to deliver on its growth promises: overall growth and aggregate demand have been lackluster since the financial crisis, failing to reach 3% in any year since 2010, despite a decade of cheap credit made available by Federal Reserve in the form of low interest rates. Time and again, economists have overestimated how much the economy would grow. Indeed, the difference between what the experts predicted and what the economy has actually done is huge. Had the experts been right, today’s economy would be a whopping 6%, or \$1.3 trillion, larger.

Why are the old models and forecasting tools no longer working? More and more, the idea of “secular stagnation” fits as a compelling explanation. Most recently advanced by Larry Summers, secular stagnation—in which satisfactory growth can only be achieved during unstable financial conditions—has two main causes. One is that Americans are saving more and spending less. This is partly attributable to an aging population, as people save for retirement. But it chiefly results from the fact that the top 1% now capture so much of the economy’s income, and they can’t and don’t spend as much as the more numerous poor and middle class.

The second big reason is an investment slump. There are a number of factors contributing to this. A number of companies that account for a large share of GDP have grown so large and monopoly-like that they don’t need to invest in new projects to make profits. In addition, many goods now ship directly from warehouses to homes, significantly reducing commercial development. Offices require much less storage space, now that files are digitized. Cellphones have replaced computers, cameras, stereos, books, and more. Young people are foregoing larger homes for smaller apartments, and going without cars.

But wealth inequality is itself a major contributor to the investment slump. Consumer spending drives business investment (consumers account for nearly 70 cents of every dollar spent in the United States), and inequality depresses consumer spending. U.S. families in the bottom half of the income distribution have seen *no* income gains for the past several decades, while gains for families in the next 40% of income earners have been meager. This, in turn, makes firms more reluctant to invest given uncertainty about whether they will be able to sell additional goods and services (because most consumers might not be in positions to buy them).

The upward distribution of wealth and the return of corporate monopolies are direct results of the melding of neoliberal ideology with concentrations of power in both the political and economic realms not seen for at least a century. In part, this story is as old as society itself. It is the nature of power to aggrandize itself, in the political as in the economic realm. But new technologies have exacerbated the natural tendency of economic power to concentrate. A growing number of technology-based industries are now characterized by increasing returns to scale. Together with other effects of technology—such as the presence of network effects and the ability to build a whole industry on access to large troves of data—players may be rewarded for grabbing market share while ignoring price and other trappings of rationality that neoliberal models postulate.

The secular stagnation hypothesis, together with data from economists like Berkeley's Emmanuel Saez and Gabriel Zucman, as well as Heather Boushey, tells a consequentialist story about inequality. For those unmoved by the problem on its own terms—those who still believe we should focus on aggregate economic growth without regard for distributional questions—there is mounting evidence that inequality is itself a drag on growth.

Plus, there are other reasons, arguably as or more important than growth, to be concerned with a system that increases wealth inequality as a built-in feature. One is political equality. As philosophers like Danielle Allen and Elizabeth Anderson have argued, if we are truly equals before our government, we should have a set of rules governing markets that give us equal chances to succeed, regardless of our starting position. Neoliberals claimed this as a feature of their approach, but overwhelming evidence now indicates otherwise. Some amount of rethinking is necessary to counter this.

NOTES

1. These developments were summarized in the March 2018 memo to the Hewlett Foundation board, noting that by the early 1970s:

The managed economy was no longer managing so well. As Europe and Japan finally recovered from WWII, large U.S. trade surpluses reversed, causing a gold crisis and the collapse of the Bretton Woods system. This was then compounded by shocks from the oil crisis and problems with financing Vietnam—giving rise to economic conditions that seemed beyond the capacity of our institutions to manage. Inflation was high, unemployment was high, interest rates were skyrocketing. A new term was invented to describe it all: “stagflation.” Making matters worse, in the years after World War II, principles of top-down government management migrated beyond fiscal and monetary policy. By the early 1970s, the federal government was involved in everything from consumer behavior to the family, the environment, race relations, insurance, food, transportation, education, and more. Nearly every sector of the economy seemed subject to some kind of federal regulation and oversight. Yet society felt like it was coming apart at the seams, particularly as these economic disruptions were intensified by social and cultural anxieties associated with race and gender and radical politics. Social tensions may seem high today, but they are mild compared to what people thought, and feared, in the early 1970s.

And there, cool and confident, stood Milton Friedman and his compatriots with answers in hand. The problem, they said, is too much government, too much top-down management of things that would sort themselves out better if left to free markets. What we need, they said, is less regulation, less government, less management—fewer efforts by small numbers of flawed and imperfect humans to do better than the invisible hand of a rational market. They struck a chord...

2. As French economist Thomas Piketty documented, markets have no ability to self-correct the outsized returns to capital over labor. See the appendix for more detail. To take the case of free trade, economists like Ralph Gomory and William Baumol show how, for sectors characterized by increasing returns to scale (including many technology-rich sectors), neoclassical ideas like comparative advantage producing a single equilibrium point, as well as Kaldor-Hicks efficiency (the notion that trade is efficient so long as the gains are sufficient enough that the losers could theoretically be compensated) no longer apply. This implies that much of the theory that has guided understandings of trade as necessarily win-win no longer holds.
3. At this point, market solutions, whether by pricing carbon or adopting a cap-and-trade scheme, are not sufficient to stave off the devastating consequences of climate change. Nor can markets self-correct the way in which technology appears to be exacerbating the outsized returns to capital over labor, leading to downward pressure on wages and compounding wealth disparities between those who do and do not own capital.
4. An April 2019 CNBC interview with then-presidential candidate Pete Buttigieg was illustrative. “Income inequality... didn’t just happen,” Buttigieg said. “The economy is not some creature that just lumbers along on its own. It’s an interaction between private sector and public sector. And public sector policies, for basically as long as I’ve been alive, have been skewed in a direction that’s increasing inequality. And a lot of this is the consequence of what you might call the Reagan consensus.... The empirical collapse of that supply side consensus, I think, is one of the defining moments of this period that we’re living through.”
5. These nodes include: (a) “Economists for Inclusive Prosperity,” a group that now includes 25 top economists from 20 institutions; (b) a “Moral Political Economy Working Group” at Stanford’s Center for Advanced Study of the Behavioral Sciences; (c) the “American Political Economy Project” – a collaboration led by political scientists at Berkeley, Yale, Columbia and MIT—which is seeking to create a sub-discipline focused on the interaction of economic inequality and U.S. democracy; (d) the Law & Political Economy Project, led by legal academics at Yale, Columbia, and Berkeley, which aims to foment a counter-movement within the law to respond to the Law & Economics movement; (e) the Political Economy & Justice Working Group, housed at Harvard, which convenes legal academics, economists, political philosophers and political scientists.

6. It is worth noting that antitrust is an area where coalitions with those who still embrace some core neoliberal premises are likely and important. It is also an area where, thanks to the role that technology plays—especially factors like network externalities and the role of big data—all sides will be forced to develop new approaches, rather than simply relying on the existing tools of antitrust.
7. As an example of the kind of U.S. pilot effort we could envision continuing to support, Nick Hanauer and David Rolf are attempting to build a membership organization, akin to the AARP in size and political force, designed to advance the interests of workers. We are also closely following efforts to work with developing and middle-income countries (e.g., Thailand) to condition inbound foreign direct investment on commitments by private firms to give workers equity and ownership in the enterprises, as well as a voice in corporate governance. This would effectively extend the widely hailed dairy industry model of Gujarat, India, to other countries.
8. Thus far, we have supported an inter-disciplinary group on Political Economy & Justice, led by political philosopher Danielle Allen (Harvard), comprised of political philosophers, legal academics, economists, and political scientists; and the Moral Political Economy Project, housed at Stanford’s Center for Advanced Study of the Behavior Sciences and led by Stanford political scientist Margaret Levi.
9. Thus far, our largest grants within the academy have involved at least two, and in some cases all three of these constituencies. CORE Academy, for example, is focused on revamping the introductory economics curriculum, responding in part to student demand; its architects, mostly younger scholars, have structured the project to involve contributions from dozens of economists at the top of the profession. Both the American Political Economy and Law and Political Economy projects are also led by academics at the top of their fields, with much of the work focusing on building pipelines of young faculty tackling questions at the core of our initiative.
10. Thomas Piketty, *Capital in the 21st Century* (Harvard, 2013).
11. Discussion of Hacker and Pierson’s ideas around predistribution draw from Hacker, “How to Invigorate the Centre-Left? Predistribution,” *The Guardian*, June 13, 2013. Available online: <https://www.theguardian.com/commentisfree/2013/jun/12/reinvigorate-centre-left-predistribution>
12. “Economic textbooks teach that government deficits raise interest rates, crowd out private investment, and leave everyone poorer,” Furman and Summers explain. “Cutting deficits, on the other hand, reduce interest rates, spurring productive investment. Those forces may have been important in the late 1980s and early 1990s, when long-term real interest rates (nominal interest rates minus the rate of inflation) averaged around four percent and stock market valuations were much lower than they are today.... Today, however, the situation is very different. Although government debt as a share of GDP has risen far higher, long-term real interest rates on government debt have fallen much lower.... Those low rates haven’t been manufactured by the Federal Reserve, nor are they just the result of the financial crisis. They preceded the crisis and appear to be rooted in a set of deeper forces, including lower investment demand, higher savings rates, and widening inequality” (emphasis added).