

Chapter 6

Shaping the Zeitgeist

The *Zeitgeist*, a word of German origin which literally means the spirit of the time, refers to a set of attitudes, beliefs and ideas that, at one point in time, are accepted uncritically because they appear to be shared by almost everybody. The best way to convince oneself that well-accepted ideas are in fact a product of their time is to look back at past centuries. Two examples from eighteenth century England may illustrate this point. (i) At that time it was held as self-evident that in order to become an English citizen a foreigner had to embrace the Anglican faith. (ii) The fact that trading slaves, provided they were not Christian, was considered a legitimate business for decent Christian merchants is attested by many documents from religious pamphlets to court rulings. Once we have accepted the notion that most of our beliefs are shaped by the society in which we live, we would like to understand how these views, beliefs and convictions are formed. As a matter of fact, this question has far reaching consequences in various fields, from marketing to political campaigns to speculation frenzies. In recent times the issue of consensus formation has attracted the attention of econophysicists and several models have been proposed, e.g. Behera et al. (2003), Quentin et al. (2005), Stauffer (2003). One of the main difficulties in the study of consensus formation is that we do not know how to distinguish between the action of small and big players. What we mean by these expressions can best be explained through an analogy with stock markets. A small transaction, e.g. the sale of 1,000 shares by a petty shareholder, is a transaction that does not substantially affect the price of the stock whereas a big transaction, e.g. the sale of 2 million

shares by an investment fund, will markedly shift the price level¹. One may say that micro-players can only *react* to price fluctuations whereas macro-players can *shape* them. The same distinction can be made regarding consensus formation. Some actors have only a passive role whereas macro-players are able to shape the consensus. Naturally, this raises the question of how macro-players can be defined, how they work and to what extent they succeed in shaping the spirit of the time. It is to these questions that the present chapter is devoted. We investigate three specific cases of consensus formation. The first one concerns the microeconomic level of marketing campaigns. The second case investigates consensus formation in broad social issues; it leads us to study the role of public relations companies. The third case concerns global socio-political issues such as the emergence of the neoliberal creed. These cases differ by their themes but more importantly they differ by their time scales: the first episode lasts a few months, the second covers about one decade and the third spans several decades.

1 Marketing campaigns: shaping the response of consumers

It has been argued that statistics on movie attendance may provide a way to probe the level of social interconnection among moviegoers². The reasoning goes as follows. Assume that in a population of N people a proportion H hear about a new movie and decide to watch it. Thus, in the first week after release, the movie will be watched by $A_1 = NH$ people. Assume further that a proportion p of them loved it to the point of recommending it to a number of friends. If each of them has F friends and if a proportion q follow this advice, the number of moviegoers in the second week should be $A_2 = A_1(pFq)$ ³. Thus, if all other quantities are known, it should be possible to infer F from A_1 and A_2 . If the same argument is repeated for subsequent weeks

¹This is why such transactions are often settled in what is called the upstairs market, as opposed to the open market, at prices which are different from current market prices.

²The same argument can be made for book sales; see in this respect the pioneering paper by Sornette et al. (2004); a more detailed version can be found in Deschâtres and Sornette (2004).

³For the sake of simplicity we ignore people who initially wanted to watch the movie, were unable to watch it in the first week and postponed attendance to a subsequent week.

one gets for the n th week: $A_n = A_1(pFq)^{n-1}$. If $pFq < 1$ the attendance curve will be decreasing geometrically. This is indeed what is observed for most movies (Fig. 6.1a); roughly, every week the attendance is divided by a factor of $pFq = 1.5$ which implies that $F \sim 1.5/pq$. However, in a few cases one observes an attendance which *increases* in the course of time (Fig. 6.1b). How can one explain this effect? Our main interrogation is whether this attendance curve should be explained by one of the factors (such as p , F or q) which describe the responses of moviegoers or rather by the effects of the marketing campaigns. It is to this question that the present section is devoted.

Before we discuss this point let us have a closer look at first week attendance. Observation shows that there is a close connection between the marketing budget B of a movie and the audience A_1 in the first week (Fig. 6.1c):

$$\text{Opening week receipt} = 0.25 (\text{Marketing budget})^\alpha, \quad \alpha = 1.3 \pm 0.4$$

Most often the marketing campaign takes place in the 2 or 3 weeks before release. Understandably, the magnitude of the marketing campaign determines the fraction H of the population N which hears about the movie and decide to watch it.

We now turn to the few movies whose attendance curve is increasing in the course of time. This situation is illustrated by the movie “Napoleon Dynamite”. Aimed for an audience of teenagers, the movie was released on June 11, 2004. To begin with, one should observe that it differs from other movies by several features.

- Usually, the marketing budget of a movie is smaller than its production budget. However, for “Napoleon Dynamite” the marketing budget represented 25 times the production budget.

- For an average movie the receipt in the opening week represents about 30% of the total receipt; for “Napoleon Dynamite” it represented less than 4%.

These two figures immediately suggest that the marketing campaign of this movie was very unusual. A closer look reveals the following features.

- In contrast to standard movies which open in as many as two or three thousands theaters, “Napoleon Dynamite” was released in only a few dozens. In subsequent weeks the number of theaters was progressively increased to reach 179 screens six weeks after release. What happened in the remaining weeks will be discussed in a moment.

- During these first six weeks, 100,000 printed T-shirts were distributed; frequent viewers cards were given to encourage kids to watch the movie a second, third or fourth time. Moreover, viewers who came back with a friend received little gifts such as pins or lip balms.

- The film producers released comments to the medias saying that they were thrilled with the enthusiastic response the film has received and emphasizing that fans have seen the film three times or more.

- Games and animations were organized on the website of the film which allowed the producer to claim that “over 25,000 people are competing to become President of the Napoleon Dynamite Fan Club.”

The general objective of the campaign was to create the impression that the movie had generated a genuine enthusiasm among spectators and that the number of viewers had been increasing as a result of a collective mania effect.

On July 24, 2004 after this six weeks of this grass-roots campaign, a kind of second opening was staged which included the addition of a five-minute epilogue in order to give the impression that the movie was still in the making as a result of an interaction between the production team and the reactions of the viewers. In this second phase the number of screens was increased from 179 screens in week 6 to 389 screens in week 7; the expansion continued in subsequent weeks until there were 1024 screens in weeks 15 and 16. This strategy seemed to work well in the sense that there was a marked peak in attendance 13 weeks after the film was released (Fig. 6.1c).

We now come back to our initial question about exogenous versus endogenous forces.

Figure 6.1c is crucial in this respect. The connection between marketing budget and attendance in the first week shows that attendance levels can be controlled exogenously by advertisement campaigns without any spread-the-word effect (such effects can possibly play a role only *after* the first week). Thus, if instead of concentrating the marketing campaign in the weeks before release (as is done usually), the distributors set up a campaign which covers the first two months after release, this campaign will be able, week after week, to draw an attendance in proportion to the marketing outlays. In other words, one suspects that the exogenous effects of the marketing campaigns have had a predominant role. To find out more precisely, one would need to know detailed figures of marketing outlays in the weeks after opening.

Fig. 6.1b shows two other attendance curves which display a marked peak. Were these peaks also engineered by a clever marketing campaign? For “March of the penguins” the comments made on the Internet insisted on the fact that the fancy was unexpected and genuine: “Who knew that the penguins in Antarctica could be so cute, charming and completely captivating?”, “It is the first time that a documentary reaches such a broad audience”, “We have a 80 million receipt to date [i.e. by the end of November 2005]: not bad for a French made bird film”. However, before one can conclude that this effect was really endogenous one needs to know the scale of the marketing campaign. Warner Independent Pictures, the distributor, spent nearly \$ 30 million to promote the film in the U.S. Such a marketing budget is in line with standard Hollywood productions (for instance the marketing budget of Catwoman was \$ 35 million) and is quite exceptional for a documentary. For the opening week end (26 June 2005 ⁴) the film was released in only 4 theaters, in 20 in the second week, 64 in the third, until eventually being screened in 2,500 theaters in the 12th week. Was this planned in advance or were additional copies made only as they were needed? It is difficult to know for the the information available about the marketing campaign of “March of the penguins” is less detailed than for “Napoleon dynamite”.

⁴It was almost, one year later, the same release date as “Napoleon Dynamite”.

It can be noted that in France the film receipts did not exhibit any peak: the data for the 5 weeks following the release on February 1, 2005 were as follows (in millions of euros): (i) 2.5 (408 screens) (ii) 2.0 (457 screens) (iii) 1.7 (472 screens) (iv) 1.4 (473 screens) (v) 0.96 (461 screens). Thus, despite a number of screens which has been slightly increasing, weekend receipts decreased steadily.

Movies seem to be one of the few products for which reliable data about marketing budgets are made public, but the main effect can be expected in many marketing campaigns.

In the next section in which we try to understand the effect of public relations campaigns, we will not be able to rely on outlay data.

2 Public relations campaigns: example of cell phones in cars

In the previous section the objective of the campaign was to promote a specific product. We discussed the case of movies but similar techniques are used in the promotion of other products. In contrast, the issue in the title of the present section does not refer to a specific brand, but has great implications for the whole economic sector of wireless carriers and cell phone companies. According to an estimate given by the Wall Street Journal (19 July 2004), 40% of the traffic on cellular phones in the United States is due to drivers, a share representing an amount of \$ 37 billions. For the purpose of promoting their broad common objectives wireless telecommunication companies have joined forces by forming influential associations such as for instance the “Cellular Telecommunication and Internet Association” (CTIA)⁵. The purpose of such associations is to represent its members with policy makers and to set up broad public relation campaigns.

The issue of whether one should use cell phones while driving is interesting because it is a case in which the evidence is particularly clear. Thanks to numerous observa-

⁵Other similar associations are the “National Cellular Association”, the “Broadband Wireless Association”.

tions carried out by safety agencies we know that using a cell phone while driving increases the risks of accident by a factor of four or five. Yet, government regulations have consistently failed to take this evidence into account. In what follows we examine these two points in more detail. First, we present and discuss the evidence about risks, then we survey the responses in terms of legislation in several industrialized countries.

Cell phones have been in use at least since 1995 and radio telephones have been used for much longer particularly by truck drivers. The question of safety implications has been actively investigated by safety agencies and by university laboratories. Several landmark investigations are summarized in Table 6.1. One of the most unquestionable observations was made in Japan. The ban on using hand-held cell phones in cars was imposed in November 1999. In the 6 months before enforcement there were 1,473 traffic accidents connected with drivers using mobile phones⁶, whereas in the 6 months after the ban there were only 580 which represents a decrease of 60% (ROSPA p. 18). The other conclusions which emerge from Table 6.1 are the following.

- The risk of accident is multiplied by a factor of 4 or 5 when a cell phone is used in a car.

- Hands-free phones offer no benefit. A study by researchers at the university of Toronto and published in the *New England Journal of Medicine* (February 1997) authorized a comparison between hand-held phones and hands-free phones. The risk was found to be 4 times higher for the first device and 6 times higher for the second. This result could seem to be fairly counter-intuitive but becomes more understandable when one realizes that people with hands-free phones tend to make longer calls than people with hand-held phones; moreover, all studies show that it is not the fact of holding the wheel with one hand which is dangerous but rather the operation of dialing the number and the fact that the driver's attention is captured by the conver-

⁶Japan is one of the only countries whose accident records include the question of cell phone use.

sation.

- A study published in early 2004 by the Harvard Center of Risk Analysis estimated that drivers talking on cell phones are responsible of about 6% of all auto accidents which occur in the U.S. This represents annually about 2,000 people killed and 330,000 injured (Sundeen 2004, p. 3).

At this point a few comments are in order regarding possible objections that come to mind. The main question is whether the *fourfold* ratio reported in the Canadian study is consistent with the *twofold* decrease in accident number observed in Japan.

1) First one should note that only hand-held phones were prohibited in Japan; if all kinds of phones had been prohibited there would certainly have been a sharper decrease.

2) But the previous answer raises another question. If, as shown by the Toronto study, hands-free phones are not safer than hand-held phones how can one explain the decrease observed in Japan? Back in 1999, only few drivers had got hands-free sets which means that a majority of the drivers had to stop using their phones altogether until being able to purchase a hands-free set. If this interpretation is correct one would expect the number of accidents to increase in the course of time; this is indeed confirmed by the fact that in the second 6-month interval after the ban the number of accidents jumped from 580 to 811.

3) One may wonder why conversations on the phone are more distracting than conversations with passengers. There are three explanations. (i) Passengers spontaneously stop talking when the driver faces a difficult situation for instance during a tricky overtaking. (ii) There is evidence that phone conversations have a high emotional content; usually, people use them to say something important (iii) Emotional conversations with passengers may also be a source of accidents but there are no data on this question because, in contrast to cell phone calls for which connection times are known exactly, one does not have any information about the conversation which

took place in the minutes preceding an accident.

The evidence presented in Table 6.1 suggests that the only sound attitude would be to forbid the use of cell phones in cars, whether hand-held or hands-free. This would save at least 5,000 lives annually in North America and Europe and a much larger number in countries with large populations such as China, India or Indonesia. This leads us to the central question: how was the information about risks circulated in different countries?

The dissemination of information by medias, road safety agencies, automobile clubs and so on can be studied in two ways. (i) By trying to survey, assess and quantify the content of newspaper articles or agency reports (ii) By examining the legislation which was enacted to cope with the problem. The first methodology involves many hurdles because there is a great variety of publications and articles and, even more importantly, their content is difficult to assess in an objective way. The second approach focuses on the outcome in terms of new legislation. This information is presented in Table 6.2. As can be seen, by mid-2005 not a single country had banned hands-free phones. This suggests that, although potentially available, the information about their risks had not been circulated. In contrast, the information about the risk of hand-held phones had been disseminated in many countries but legislation was enacted with great differences in timing. It could be argued that legislation is more difficult to pass in centralized countries such as Britain, France and Japan than in states which have a federal structure and where legislation can be passed at state level. However, we rather observe the opposite. In the United States the process took longer even at the level of individual states than in countries where the decision had to be taken at national level.

In the case of some other life threatening factors, the dissemination of information is much more rapid. The alert regarding the Severe Acute Respiratory Syndrome (SARS), an atypical pneumonia, spread worldwide in a matter of weeks in the spring of 2003; yet according to the World Health Organization it caused only 774 deaths.

Most conferences and conventions scheduled for Toronto were canceled; on 22 April the Canadian Broadcasting Corporation reported that the hotel occupancy rate in Toronto was only half the normal rate. Yet, there were only 44 deaths in Canada. Clearly, the spread of the information and the consensus formation progressed at very different rates in the two cases. For SARS the time scale was a matter of weeks while for cell phones it was a matter of decades which means a ratio of the order of 500. The natural conclusion is that normal information channels did not perform their role in the case of the cell phone issue. If one wishes to get a better understanding the best strategy is to look at similar cases. In many instances in which (i) there are life threatening risks either for consumers or for workers (ii) the remedy would imply huge financial losses for manufacturers one can observe a suppression of information or a restraint in the way it is spread. One can mention the following episodes which took place over the past forty years (the date within parenthesis approximately gives the year in which the problem emerged): asbestos (1930), smoking (1950), alar on apples (1973), transfat (1975), passive smoking (1975), latex gloves (1990), genetically modified organisms (1998). More details on these questions can be found in Rampton and Stauber (2001) The appendix at the end of this chapter gives some details about the methods used by public relations companies to shape accepted views.

In the next section we consider a question which has even broader implications.

3 Shaping the *Zeitgeist*: the promotion of neoliberalism

Ideological confrontations are not uncommon in the course of history. The long-lasting antagonism between Reformation and Counter-Reformation was one example; the competition between the communist bloc and the West was another; the war of ideas between keynesianism and neoliberalism is a third one. It would be a very narrow view to see the struggle between Reformation and Counter-Reformation as purely religious; it had vast economic and political implications. Was the confisca-

tion of Church property not one of the first steps taken by Reformation movements? Similarly, it would be a restrictive perspective to consider the question of neoliberalism versus keynesianism as a purely economic debate. Rather than an intellectual controversy which could be settled by rational arguments, it is a confrontation between two creeds. This is why it provides a good testing-ground for consensus formation effects ⁷.

At the time of writing (May 2006) neoliberalism is the sole economic paradigm in Europe and in the United States. Keynesianism or neo-keynesianism have become anathema. First, we describe this situation in more detail. Then we emphasize that the neoliberal ideas did not emerge with Margaret Thatcher or Ronald Reagan. In fact, they have been actively promoted since the end of World War II and even in the 1930s. We try to understand the forces and institutions which took part in this process. Finally, we consider neoliberal policies in the light of network theory perspective.

Broadly speaking, neoliberal ideas are defined through expressions such as “free-market ideology” or “laissez-faire capitalism”. The political objectives of neoliberals can be summarized under three headings (i) Opposition to state interference and to unions (ii) Deregulation and privatization of utility companies (water, electricity), of transportation companies (railroads and airways), of healthcare, of higher education. We already mentioned that neoliberalism seems to reign supreme, but is it possible to give to this statement a more precise meaning? Between 1985 and 2005 there was a rapid growth in the number of neoliberal think tanks in Europe, from 4 to 180. The last figure relies on a fairly objective definition in the sense that it corresponds to the number of think tanks which have formed the so-called Stockholm network⁸ which has as explicit objective the propagation of free-market ideas. Table 6.3 gives the numbers of affiliated think tanks for each European country. It reveals a real fervor

⁷Some parallels with the Counter-Reformation are discussed in Appendix A.

⁸Current director is Helen Disney, a former journalist at the *Times* of London.

for neoliberal ideas even in Scandinavian countries, once the homeland of national solidarity principles.

As we already mentioned, the active promotion of neoliberalism goes back (at least) to the 1930s. However, a major move occurred in 1944 with the publication and wide diffusion of a book entitled *The road to serfdom*. It is to this step that the next section is devoted. It provides a good example of an attempt by macro-players to shape the *Zeitgeist* of the time.

3.1 The road to serfdom

The road to serfdom was published by Friedrich Hayek in 1944. It had immediately a tremendous success and was said to have been Margaret Thatcher's bedside book. Although the author is an economist, the book is more a philosophical pamphlet than an economic study. It does not contain any statistical data nor does it refer specifically to any historical episode. It argues that economic planning necessarily leads to totalitarianism but it is not obvious whether the demonstration is aimed solely at the fascist or communist regimes or also (and mainly) at the United States under the New Deal. We will see in a moment that it is probably the second conjecture which is correct⁹. It turns out that this fairly abstract essay had a print run of several million copies. This is the first point we must try to understand. Regarding the context of this publication one can mention the following features (Cockett 1994, Hayek 1994, McInnes 1998).

- Hayek was Austrian by birth but came to live in England in the mid-1930s. The manuscript of *The road to serfdom* was written in English but was translated into German and Spanish even before being published. As shown in Table 6.4 these translations were published in 1943 that is to say one year before the book was published in the U.K. and in the U.S. Other translations followed closely.
- The book earned the unusual distinction of being reviewed at length in every

⁹Under the first assumption the usefulness of the book would have been limited for the fascist regimes were crumbling and the communist regimes were out of reach.

national British newspaper. It was reviewed in a newspaper published in Christchurch, New Zealand as early as May 1944 that is to say two months after its publication.

- *The road to serfdom* was reviewed twice in the New York Times, the first time on April 1, 1944 (p. 17) by Orville Prescott and the second time on September 20, 1944 (p. 21) by Henry Hazlitt. The two reviews are very different. Prescott speaks of a “sad and angry little book” written “with a fine contempt of easy readability”. The New York Times’s negative posture was short-lived however (see Fig. 6.2a). Hazlitt¹⁰ begins his review by saying that “In *The road to serfdom*, Friedrich Hayek has written one of the most important books of our generation”, a fairly strong statement but which indeed became true 35 years later.

- In April 1945 the Reader’s Digest devoted the first 20 pages of its monthly issue to a condensation of *The road to serfdom*. As its circulation was about 8 million Hayek became overnight a well-known figure in America. Moreover, the Book-of-the-Month Club distributed 600,000 copies of this condensation.

- In April 1945, Look Magazine produced a cartoon summary of the book’s main thesis namely that planning leads to dictatorship. The cartoon was republished by General Motors later on in 1945.

- In Spring 2005, Hayek came to the U.S. to give lectures in universities, but on arrival in New York he learned that the conferences were scheduled in city halls holding audiences of several thousand people. During his stay he took also part in several radio-broadcast round-tables.

- Yet, as a clear sign that Keynesian ideas were still solidly entrenched Hayek did not easily find a permanent academic position in the U.S. In 1950 he was a visiting professor at the University of Arkansas; subsequently he became a member of the Committee of Social Thought at the University of Chicago¹¹ but did not enjoy a

¹⁰Hazlitt’s support to Hayek’s anti-keynesian thesis does not come as a surprise. Through many of his articles in the New York Times he had commended books and ideas which called Keynes’s ideas into question. As examples one can mention his review (Jan. 1938) of Ludwig von Mises’s book *Socialism, an economic and sociological analysis*, or his review (Oct 1939) of Lionel Robbins’s book *The economic causes of class conflict*. Both von Mises and Robbins were good friends of Hayek. In 1959, Hazlitt published a detailed chapter-by-chapter critique of Keynes’s *General theory*.

¹¹The Committee was sponsored by the Volker Fund.

permanent faculty position.

Any author will easily understand that a promotion campaign of such a magnitude does not occur by pure luck. To get a better understanding of what happened one has to take a broader view.

3.2 Influence of business associations

The National Association of Manufacturers (NAM) claims to be the largest and most influential trade association in the United States. For the sake of brevity we concentrate our attention on this association but one should keep in mind that there are many other similar organizations. The NAM was created in 1896. For over a century, operating mostly from behind-the-scene, it has been the most powerful organization representing the interests of large corporations. Between 1900 and 1980, the NAM was mentioned in 5299 articles published in the *New York Times*¹². In recent decades, due to the growing importance of non-manufacturing sectors, its influence has dwindled, but it continues to significantly influence U.S. lawmakers. Fig. 6.2b provides a historical summary of the main themes on the NAM's agenda. Between 1934 and 1950 the main target was the New Deal policy of President Franklin Roosevelt. From 1950 until the late 1970s the crusade against communism eclipsed all other themes; after that date, communism was less seen a threat and the opposition to government "interference" again stepped into the foreground. To substantiate these statements we now briefly describe each of these periods.

Opposition to the New Deal The main reforms of Roosevelt's New Deal policy were approved by Congress in rapid succession during the first months of the new administration. With the Dow Jones index down by 85% with respect to 1929, this was a time of urgency and new measures had to be taken quickly. The National

¹²Broken up by decades the numbers are as follows: 1900-1909: 174; 1910-1929: 193; 1920-1929: 251; 1930-1939: 857; 1940-1949: 1908; 1950-1959: 958; 1960-1969: 556; 1970-1979: 360. These figures clearly show that the decade 1940-1949 marked a peak in the activity and visibility of the NAM. Between 1935 and 1941, the membership of the NAM expanded more than threefold from 2,500 to 8,000 companies. Its public relation budget doubled from \$500,000 to \$ 1 million (Ewen 1996).

Industrial Recovery Act (NIRA) gave the president unprecedented powers over the economy and over business. The National Recovery Administration (NRA) created by the NIRA established minimum wages and maximum labor hours. Symbolized by a blue eagle, it was very popular with workers. Although membership to the NRA was voluntary, public pressure made it almost mandatory. At first, the NAM urged its members to make the reforms succeed for the good of the country, but within 6 months its attitude changed. In 1935 the NRA was declared unconstitutional by the U.S. Supreme Court. The president and Congress reacted by passing a number of acts whose purpose was to replace those invalidated by the Supreme Court. By the end of 2005 the *Times* summarized the situation in the following way.

Organized industry has declared open war on the New Deal and has announced its determination to campaign by every means in its power for the defeat of “President Roosevelt’s new economic order” (*Times* 9 Dec. 1934, p. 23).

The objections of the NAM were mainly directed against the Wagner Labor Disputes Bill and the Temporary National Economic Committee (TNEC). For instance in 1935 the NAM was trying to obtain a ban on general strikes and sympathetic strikes, that is to say strikes supporting the strikers at another company (NYT 15 Jan 1935 p. 3). One of the main activities of the TNEC. was to enforce anti-trust legislation and in 1942 the NAM published a massive refutation (830 pages) of the arguments of the TNEC. (Scoville et al. 1942). In mid-1943, while the war was far from being won, NAM officials called for a government commitment to a return to free enterprise in the post-war period (NYT 22 Jun 1943 p. 27). At the end of 1944, the NAM adopted a 6-point program whose themes were basically those of *The road to serfdom* (NYT 8 Dec 1944 p. 1). The message against government intervention was repeated relentlessly in the late 1940s. Between 1946 and 1950 the NAM distributed 18 million pamphlets that pushed anti-New Deal, anti-union and anti-communist sentiments. A cartoon service serving more than 3,000 weeklies disseminated cartoons that humorized the NAM theses. For instance, the forgotten man that Roosevelt popularized

in his speeches is represented as a tattered taxpayer. The NAM also produced radio programs (e.g. the Family Robinson) and movies and it run vast national billboard campaigns(Ewen 1996) . These campaigns were indeed effective. On 23 June 1947, The United States Senate followed the House of Representatives in overriding Truman's veto and establishing the Taft-Hartley Act as a law. It amended the Wagner Act (which Congress had passed in 1935) in a way which was favorable to business. Similarly, while the prospect of universal, federally insured health coverage seemed close, the project was killed in Congress in November 1949¹³.

By mid-1950 with the beginning of the Korean War it was communism which became the main target of the NAM. But before turning to this point we must describe what can be considered as a legacy of the struggle waged against the New Deal by the NAM. Joseph P. Kennedy, the father of President Kennedy, was a staunch supporter of President Roosevelt. He donated substantial amounts of money for Roosevelt's presidential campaigns in 1932, 1936 and 1940. President Roosevelt rewarded his support by appointing him first as Chairman of the newly created Securities and Exchange Commission, and in 1938 as ambassador to Britain. It is clear that such a stand put him on a collision course with the NAM. As a matter of fact, this hostility seems to have been transmitted to Joseph Kennedy's sons. It is clearly apparent in an article that senator John F. Kennedy wrote in the *New York Times* of 19 February 1956 (Magazine Section, p. 11). The article is entitled "To keep the lobbyists within bounds" and its first story is the denunciation of a bribery through which the NAM was "able to control the appointment of members to certain congressional committees". In 1958 the Kennedy-Ives labor reform bill was opposed by the NAM and defeated in the House of Representative; another attempt made in 1959 met the same fate. This tense relation continued during Kennedy's presidency. For instance, in May 1961 the *New York Times* writes "The NAM found nothing right with President's Kennedy tax program"; it also opposed government outlays to combat the

¹³One can recall that a new attempt to pass a law in favor of universal health coverage was made in 1994 by the Clinton administration but was defeated as well.

recession or the establishment of a system of health insurance for the aged. In December 1962 the *New York Times* notes that “President Kennedy had an antibusiness reputation before he even has the keys to the White House” (NYT 17 Dec 1962, p. 12). In May 1962 Republicans charged that President Kennedy had persecuted business to the point of provoking a stock market decline. Robert Kennedy was also the target of harsh criticisms by NAM officials (see for instance *New York Times* 8 April 1961 p. 8).

The struggle against communism As this facet of the action of the NAM is somewhat outside of our main focus we will give only brief indications. As soon as 1946 the U.S. Chamber of Commerce distributed a million copies of a 50-page article entitled “Communism in the United States” and in 1947 there was a similar distribution of a pamphlet entitled “Communism within the government” which alleged that about 400 communists held important positions in the government. In June 1947, the NAM announced that it had received demands for help from businessmen in Germany and Japan who were concerned about growing Communist pressure and that it was planning to send aid abroad (NYT 1 Jun 1947 p. 50).

What were the connections between the NAM and critics of the New Deal such as Hayek and von Mises? Von Mises was being supported by the Volker Fund (see below) and was an economic adviser to the NAM throughout the 1950s (Website of the Von Mises Institute). The connection between Hayek and the NAM is less clear but it is known that he delivered an address to the 66th Congress of the NAM (6 December 1961). However, the main support came from business foundations: the John Olin Foundation, the Relm and Earhart Foundation, the Lilly endowment and above all the Volker Fund. This is the topic that we discuss in the next section.

The Mont Pélerin Society: a nursery of Nobel Prize laureates It is the William Volker Charities Fund (established by the William Volker Company of Kansas City) which provided funding for von Mises’ salary at New York University and for Hayek at the Committee of Social Thought of the University of Chicago. Harold W. Lub-

now, the president of the Volker Fund, was a great admirer of *The road to serfdom* to the point that he offered Hayek \$ 30,000 to write an American version of the book. It is likely that the Volker fund provided financial support for the promotion campaign of *The road to serfdom*. As a matter of fact, the promotion of select books was one of the main activities of the fund. It is on the basis of reports established by two readers, Murray N. Rothbard and Rose W. Lane, that the Fund selected the books which would benefit from extensive marketing campaigns.

It is also thanks to the support of the Volker Fund that Hayek could organize the Mount Pélerin Society. The first annual conference of this society took place in April 1947 in Switzerland and brought together 39 people. It is of interest to take a closer look at this audience.

- There were 4 journalists, respectively for the *Reader's Digest*, *New York Times* (namely Henry Hazlitt), *Fortune*, *Time and Tide* (London).
- Among the economists there were 4 future Nobel Prize winners: Maurice Al-lais, Milton Friedman, Friedrich Hayek, and George Stigler.
- There were 3 economists from the Institut Universitaire des Hautes Etudes Internationales in Geneva (mentioned in Fig. 6.2c) and 3 participants were from the newly created Foundation for Economic Education.
- H.C. Cornuelle took part in the conference as a representative of the Volker Fund.

Of the 23 economists who served as president of the Mont Pélerin society between 1947 and 2004, 5 became Nobel prize winners shortly after the end of their terms as president as can be seen from the following table.

Name	Term as president	Nobel prize
F. Hayek	1947 – 1961	1974
M. Friedman	1970 – 1972	1976
G. Stigler	1976 – 1978	1982
J. Buchanan	1984 – 1986	1986
G. Becker	1990 – 1992	1992

Notes: The French economist Maurice Allais (Nobel prize in 1988) attended the first meeting but did not serve as president. Three other prominent members of the Mont Pélérin Society were Ronald Coase, Vernon Smith and Erik Lundberg. Coase and Vernon became Nobel laureates in 1991 and 2002 respectively; Lundberg was President of the Swedish Bank, a member of the Nobel Committee for Prize in Economic Science from 1969 to 1979 and chairman of this committee from 1975 to 1979.

The Nobel Committee comprises 5 Swedish economists (including its chairman) plus its secretary who is also an economist. From 1969 to 1979 one of its most influential members was Erik Lundberg. In 1979 he was replaced by Assar Lindbeck who chaired the committee from 1980 to 1994. With several other distinguished economists (among whom was Milton Friedman) Lindbeck contributed to the definition of an index of economic freedom, an idea which had been put forward at the 1984 biannual conference of the Mont Pelerin Society (Grubel 1998, p. 288). In 1994, Lindbeck coauthored a book with Torsten Persson, another member of the Nobel committee¹⁴, entitled *Turning Sweden around* which called for drastic cutbacks in Sweden's social solidarity expenses.

What is the connection between the composition of the Nobel Committee and the orientation of the economic profession? A parallel with the U.S. Supreme Court can be of some help. As the Nobel Committee, the Supreme Court has only a small number of members: it consists of the Chief Justice and eight Associate Justices. Another similitude is the fact that their decisions are final and cannot be tested in another jurisdiction or committee. It is obvious that the composition of the U.S. Supreme Court has a definite influence on its decisions especially in so far as many decisions are reached with small margins. These judgments in turn shape the social and political climate in the United States. As its deliberations are not made public we do not know to what extent the choices of the Nobel Committee are influenced by its composition. However there can be little doubt that the awards have a strong influence on the the economic discipline. The Nobel prize lends a powerful platform to the recipients

¹⁴Persson became chairman of the Nobel Committee in 2002

and brings entire fields into the research spotlight. This effect is particularly marked in a time when normative research has pre-eminence over empirical and objective analysis, to introduce a distinction emphasized by Edmond Malinvaud's (1990). It is unfortunate but probably revealing that the Nobel awards to Kuznets (1971), Leontieff (1973) and Stone (1984) which were meant to reward and encourage the vital but unglamorous tasks of data collection and economic measurements did not bring about a perceptible rise of interest.

The creation of think tanks was one of the main modes of action of the Mont Pèlerin Society. Pascal Salin, who served as president of the Society from 1994 to 1996, observed that more than one hundred neoliberal think tanks were created by members of the Society throughout the world. As a matter of fact, several of the think tanks which belong to the Stockholm network are named after Friedrich Hayek: the Hayek Institute of Austria, the Friedrich Hayek Gesellschaft in Germany, the Hayek Foundation in Russia, the Hayek Foundation in Slovakia, the Hayek Society in Hungary, the Institut Hayek in Brussels.

Is there a link between these think tanks and the NAM apart from the fact that they advocate the same policies? This is fairly difficult to know for, in contrast to political parties, think tanks do not have to disclose the origin of their funding. However, the fact that social events organized by think tanks¹⁵ are often held in luxurious hotels seems to suggest that there are generous sponsors.

4 Tangible effects of neoliberal policies

What were the tangible effects of neoliberal policies on the world economy over the past thirty years? This question is somewhat outside of the scope of this chapter but it can hardly be avoided. It immediately raises another question: what is the best point of observation to answer this question? Europe may not be the best

¹⁵For instance, the Workshop of European Think Tanks organized by the Stockholm Network in February 2005 was held in a up-market hotel in Brussels.

testing ground for, if one excepts Britain, the shift to neoliberal policies has begun only in the early 1990s. The U.S. may not be a good testing ground either, because as the dominant power, this country is in the best position to take advantage of the globalization process¹⁶. The best point of observation seems to be Latin America. Why? (i) It is in Latin America that neoliberal policies were first implemented. After its accession to power in 1973, General Pinochet endorsed the program drawn up by Milton Friedman in his letter to him of April 21, 1975. made Chile the first laboratory in which the economists of the Chicago school (the so-called Chicago boys) began to implement their policies¹⁷ : taxes were reduced for companies and wealthy households, unions were subdued and suppressed, state companies and social security were privatized, education was decentralized and partially privatized, unemployment was maintained at a level which guaranteed that demands for higher wages would be under control. The fact that these reforms took place six years before Margaret Thatcher became Prime Minister in Britain emphasizes the pioneering role of the Chilean experience. Three years after Chile, Argentina followed suit. In subsequent years the neoliberal agenda was implemented in many Latin American countries: Bolivia and Mexico from the early 1980s, Peru under president Fujimori, Argentina under president Carlos Menem, Brazil under presidents Collor de Mello and Cardoso¹⁸. (ii) In a sense Latin American was an ideal testing ground for privatization policies. Indeed, over previous decades many Latin American countries had developed an extensive state owned sector. Mexico is a case in point: in 1984

¹⁶In the words of a Peruvian political leader "Some countries globalize and others are globalized".

¹⁷There had been close academic ties and exchanges between the economic department of the University of Chicago and the Catholic University of Santiago in the decade before the coup. After the coup, it is Chicago Professor Arnold Harberger who, through his frequent trips to Chile, served as go-between between the Chilean government and the Chicago School. Pinochet's economic options were endorsed by Milton Friedman in a letter exchange that followed their meeting in Santiago on March 21, 1975. Hayek's role was more indirect; in 1980 he became honorary president of the *Centro de Estudios Públicos* (CEP), a think tank whose board comprised Chilean rulers, heads of Chilean banking institutions and Chilean as well as American academics, e.g. professor Theodore W. Schultz. Hayek made a clear distinction between totalitarianism and what he called authoritarianism; thus, in a letter to the *Times* (August 3, 1978) he wrote: "I have not been able to find a single person even in much-maligned Chile who did not agree that personal freedom was much greater under Pinochet than it had been under Allende." (Walpen and Plehwe 2001).

¹⁸Incidentally, it can be noted that by observing the effects of neoliberalism in the region where it has been implemented with greatest strength we follow the methodological guideline introduced in a previous chapter as the extreme value technique.

the state controlled 1,212 firms and entities (Hart-Landsberg 2002). Such countries were therefore ideal for demonstrating the virtues of privatization policies. (iii) It is often recognized by lucid neoliberals that one of the side-effects of neoliberal policies is to increase economic inequality. In several countries in Latin America (e.g. Brazil or Venezuela) income and wealth inequalities were already high in the early 1980s. This was likely to make this side-effect less painful than in more egalitarian countries.

It would be useless to discuss the economic achievements of neoliberalism in Latin America. On the one hand, it can be observed that neoliberal mandates had produced lackluster growth at best and often had resulted in bankruptcies as in Mexico (1994), Brazil (1999, 2002) or economic collapse as in Argentina (2000). On the other hand, however, these failures can be easily brushed aside by arguing that corruption, cronyism and mismanagement had made the effective implementation of neoliberal policy almost impossible.

A more interesting question is whether neoliberalism was able to win a broad consensus because this could be tested in free elections which took place in several countries. The net result was that neoliberal policies were flatly rejected by a majority of the voters in Venezuela (1998, 2000), Brazil (2003), Argentina (2003), Uruguay (2005), Chile (2006), Bolivia (2006), Peru (2006). One could of course argue that the voters were misled by demagogues; but making people happy against their own will is a slippery road that many neoliberals would probably hesitate to advocate.

The previous judgment in terms of social consensus sheds light on only one of the facets of the question. Another important point concerns the achievements of neoliberal policies in industrialized countries such as the U.S. and the U.K. for which cronyism cannot be invoked to rationalize poor results. An assessment in terms of GDP growth rates is fairly tricky because growth is dependent on many exogenous factors that cannot be controlled. On the contrary, an evaluation in terms of income inequality may be of greater significance because inequality is a structural factor

whose evolution is not much affected by business fluctuations. Fig. 6.3a shows that a notable increase in the share earned by the top 0.1% began to build up in the mid-1970s. This should be no surprise. Schematically, the allocation of income is the result of a balance of power between wage earners and employers. By defining the rules of the game, the state plays a crucial role in this competition. From a dynamic perspective the situation is somewhat similar to the equilibrium of a chemical reaction. As one knows the equilibrium is displaced when one of the factors (e.g. temperature or concentration of one of the reactants) is modified. Similarly, income allocation will be modified depending on whether the state sides with employees as was more or less the case during the New Deal or with employers as has increasingly been the case after 1950. In fact, what is surprising is the fact that the share of the top 0.1% did not begin to pick up earlier. This may be due to the momentum acquired between 1935 and 1950, a period in which the share of the top 0.1% fell steadily from 6% to 3.2%, just as the momentum of a ship keeps her on course for a while after the engine had been stopped. According to Fig. 6.3a the U.K. followed the same track as the U.S. with a time lag of about 10 years.

Neoliberal economists point out that an increase in income inequality is a natural consequence of a vibrant economy based on free market. After all, does the experience of socialist countries not clearly show that egalitarianism leads to economic stagnation? If, pulled along in the wake of the wealthiest, the whole society experiences a steady improvement in welfare, education and other aspects, there can indeed be little objection to this argument. However, as shown in Fig. 6.3b the reality is fairly different. The real wage of non-managerial workers reached a peak level in the mid-1970s and has been globally on the decrease thereafter. Incidentally, one may wonder why this evolution differs so markedly from the trend of GDP per capita. The latter measure is a composite variable which, apart from wages includes many other income components for instance corporate profits or profits from the appreciation of stocks or real estate. The share of wages and salaries in national income was

65% in 1950, reached a maximum value of 76.4 % in 1975 and then dropped steadily; in 2004 it was down to 45.4 %; this represents an decrease rate of -1.07 percent per year. As a matter of comparison, the share of wages and salaries in the Australian national income was 54% in 2004.

Providing a good quality of education can be considered as another criterion which is fairly independent of business fluctuations. What is the picture in this respect? The United States has a great number of splendid universities and in recent decades about 75% of the Nobel prizes in physics, chemistry and physiology have been awarded to Americans. Yet, surprisingly, after having increased for over 80 years at a fairly constant annual rate of about 5% the number of PhD delivered annually (in proportion to total population expressed in millions) suddenly leveled off in the mid-1970s¹⁹.

5 A network perspective

We focus on two aspects which both concern the relation between neoliberalism and democracy.

5.1 Implication for democracy

The notion of democracy plays a key role in our world but we often fail to realize that there are several bodies in our societies where democracy is absent, for instance enterprises, armies and churches. In his book entitled “Corporation” law professor Joel Bakan notes that “Deregulation is really a form of dedemocratization because it takes power away from a government elected by the people and gives it to corporations which are elected by nobody”. As an illustration of this contention one can mention the fact that in the United States government sponsored companies such as the financial groups Fannie Mae and Freddie Mac are not only controlled by government agencies but are also accountable to Congress. More than two centuries ago, Montesquieu already made the point that power without control sooner or later leads

¹⁹Between 1978 and 2000 the ratio remained at a level of about 13 PhD delivered annually per 100,000 population.

to autocracy.

5.2 Montesquieu and the balance of power

In his famous work “On the spirit of laws” (1748) Montesquieu observes that “Every man whom some power is granted tries to get more and eventually misuses it”. It is this observation which lead him to the notion that only a balance of power between different branches of government can ensure that none of them will take precedence over the others. Hayek wrote “The road to freedom” in a time when states had concentrated in their hands enormous powers, rights and prerogatives. Quite naturally, he was concerned about the fact that this process may continue. However, instead of advocating a balance of power between states, corporations and employees he demanded almost unlimited powers for business. Did he not realize that an atrophy of the powers of the states coupled with a collapse of the unions would leave corporations a clear field. As a matter of fact, our present time seems to reproduce the characteristics of the society with which Montesquieu was familiar. In this time the contest opposed four players: the monarchy, the clergy (first estate), the aristocracy (second estate) and all other people which formed the so-called third estate. If one replaces “monarchy” by “central government”, “clergy” by “medias”, “aristocracy” by “corporate management” one gets a schematic picture of modern societies. Does this parallel provide a better understanding of the present situation? Of course it does not tell us what will happen but it provides possible scenarios.

- In some countries, such as Denmark or Sweden the monarchy counterbalanced the power of the aristocracy which produced fairly egalitarian societies and a smooth transition to democratic societies.

- In some countries which had a weak central state the aristocracy was almost unopposed; Poland was one of the best illustrations of this situation. As one knows the dominance of the nobility lead to institutional paralysis, to the coming to power of puppet governments and eventually to the partition of the country.

- In a third class of cases of which Russia is the best illustration the central government was strong but, for historical reasons, consistently sided with the aristocracy. In economic matters Catherine II was an adept of the free play of market forces which however did not prevent her from pensioning off her lovers and courtiers with large estate and gifts of serfs. In the nineteenth century this led to a process referred to as the second serfdom. Even the abolition of serfdom in 1861 was more formal than real in the sense that peasants had to make redemption payments over a period of 49 years. Redemption payments were finally canceled in 1907 that is to say only three years before the end of the 49-year period.

- In France the situation was similar to the one in Russia in the sense that there was a strong central government which, especially after 1720, established a close alliance with the aristocracy. However, the third estate was much stronger than in Russia which eventually led to the head-on confrontation of the Revolution of 1789²⁰.

Which one of these roads will our societies follow in coming decades?

²⁰Having a strong central state closely bound to the aristocracy, Britain belongs to the same class but the walls of the aristocratic class were more porous than in France which reduced the “osmotic pressure”.

A Appendix A: From Edward Bernays to Isaac Asimov

Edward L. Bernays, who is considered as the father of the public relations (PR) industry wrote, “Those who manipulate the unseen mechanism of society constitute an invisible government which is the true ruling power of our country. We are governed, our minds molded, our tastes formed, our ideas suggested largely by men we have never heard of”. Bernays sees a society in which opinion-molding tacticians are continuously at work, analyzing the social terrain and adjusting the mental scenery from which the public mind derives its opinion. There is a clear connection with the theme of Asimov’s novel “Foundation” (1951, 1952, 1953)²¹ but whereas Bernays’s horizon was at most a few decades, Asimov’s psychohistorians shape the history of our galaxy over several centuries.

Who was Edward Bernays (1891-1995)? During the First World War, Bernays served in the U. S. Committee on Public Information (CPI), the vast American propaganda apparatus mobilized in 1917 to package, advertise and sell the war as one that would “Make the world safe for democracy.” The CPI would become the mold in which marketing strategies for subsequent wars, on to the present, would be shaped. Contrary to with marketing techniques which are fairly well known, public relations techniques are rather used behind the scene. The ways and means through which it is possible to influence the *Zeitgeist* of a nation do not get much coverage. A meeting of scholars, the publication of a book, the writing of a newspaper article (or even of a “scientific” article) are hardly events which could be expected to change a society. It is only because these factors are used in conjunction with many others and over time spans of the order of several decades that they are effective. Their influence is gradual, almost unnoticeable. The purpose of this appendix is to give some indications about the techniques used in public relations campaigns and to replace them in the context of a broader historical perspective.

²¹Isaac Asimov (1920-1992) is a American writer best known for his works of science fiction and for his popular science books.

The most fundamental technique of the PR industry is the so-called third party rule. It implies that the testimonial should come from people who do not seem to have any connection with the industry which pays for the campaign. It is mainly through this technique that the PR distinguishes itself from marketing. An example can help to illustrate this point. The *Wall Street Journal* of July 19, 2004 published a full-page article about the possible risks of using cell phones while driving. However, the article gives none of the results which are mentioned in Table 6.1. How were the authors able to give a substantial account without mentioning these facts? From the public relations perspective the real challenge of such an article is to give the impression that the issue is taken seriously, yet without mentioning hard facts which would undermine the intended message. The vocabulary which is used provides a first indication: the word “safety” appears 15 times, whereas the word “accident” appears only once and the words “deaths” or “fatalities” do not appear at all. A common technique is to give the impression that it is a complex problem for which there is no clear solution. It is at this point that the recourse to the third party technique becomes essential. The article mentions a research done at the University of North Carolina and published in the summer of 2003 which is quoted as saying that “cell phones rank next to last on a list of common distractions for drivers”. How can one understand that a study performed by university researchers can lead to results that are so obviously in contradiction with those summarized in Table 6.1? There are two explanations (i) The study was funded by the American Automobile Association which, on this matter, is hardly an impartial player in the sense that its local sections sell cellphone services. Even if we assume that the funding did not influence the results of the study it can nevertheless influence the phrasing of the conclusions. As far as the general public is concerned it is the broad conclusion which matters (ii) The complete release of the study contained reservations stating that the study had a number of limitations. Understandably these fairly technical qualifications were not reported in the account of the study released by the American Automobile Association which was quoted in

the Wall Street Journal.

Another illustration can be found on the website of the Institut Turgot, a French think tanks which is a member of the Stockholm network²². One reads (my translation): “The Turgot Institute hires and pays researchers for delivering scholarly studies showing the failure of state interventionism and the merits of an economic organization based on individual freedom and personal responsibility.”

Although probably effective the previous techniques are relatively benign. In a book that Sheldon Rampton and John Stauber (2001) devoted to the methods of the public relations industry the authors point out that more questionable methods are used occasionally to silence whistle blowers and spoilsport scientists. The threat of facing lengthy lawsuits is a very effective deterrent. Sometimes the threat becomes real as in 1996 when the famous TV talk show, Oprah Winfrey, was sued over remarks made by one of her guests regarding the dangers of mad cow disease. Even though the law suit was finally dismissed in early 2000, its cost run in millions of dollars in attorney fees. Many PR firms maintain extensive files on ecologists, public interest groups or scientists. There is of course nothing illegal about that but on occasion they use the information to discredit their opponents; needless to say, they do not release the information directly but resort to third parties. At this point the border line between the methods used by intelligence agencies and those used by PR firms becomes rather fuzzy.

From the previous considerations one may get the impression that the PR industry is of relatively recent creation. this is certainly true as far However, in previous centuries similar functions were carried out by other institutions. For an illustration let us come back to episode of the Counter-Reformation that we already mentioned. As one knows the Jesuits were instrumental in stemming Protestantism in Bohemia, Hungary, Poland, Southern Germany, France and the Spanish Netherlands. Created

²²The founder and current president of the Institut is Jacques Raiman, a member of the Mont Pèlerin Society and its vice-president is Charles de Croisset, a vice-president of Goldman Sachs Europe.

in 1534 the new order was organized along military lines. They became preachers and confessors to people in power: kings, dukes, wealthy merchants. Throughout Europe they set up hundreds of schools and colleges attended by the sons of wealthy families, a method of opinion-moulding which was certainly as effective as the creation of think tanks. This was the peaceful side, but one cannot forget that the confrontation also led to the Thirty Years' war (1618-1648) which had a devastating effect on Germany.

Table 6.1 Studies about the risk of using cell phones while driving

	Year	Country	Main conclusions
1	1995	France	Reaction time of drivers is 60% slower
2	1997	Canada	Risk of accident multiplied by 4 to 5; hands-free phones offer no benefit
3	1999	Japan	<ul style="list-style-type: none"> • In the 6 months before the ban there were 1,473 cell phone related accidents; in the 6 months after the ban there were 580 • In the 12 months before the ban there were 2,830 cell phone related accidents; in the 12 months after the ban there were 1,391
4	2000	UK	Fourfold accident risk during (and up to 5 mn after) cell phone calls
5	2001	US (Utah)	Phone conversations create distractions levels much higher than other activities such as radio, talking with passengers, etc.
6	2004	US (Harvard)	Cell phone related accidents kill each year 2,000 people in the United States (330,000 injured)
7	2004	Sweden	No significant difference between hand-held and hands-free phones

Notes: The third column indicates the countries where the studies were carried out. It should be noted that Japan was one of the few countries where police reports gave indications about cell phone use in accidents; in most other countries this information is not recorded.

Sources: 1: Le Monde (29 Dec. 1995); 2: New England Journal of Medicine (February 1997) cited in Le Figaro (13 Feb. 1997); 3: Edmonton Sun (Alberta, Canada, 27 Feb. 2004); 4: The Independent (6 May 2000), Daily Telegraph (4 Oct. 2003); 5: Daily Mail (30 Jan. 2003); 6: Edmonton Sun (Alberta, Canada, 27 Feb. 2004); <http://www.ncsl.org>; 7: International Herald Tribune (12 Apr. 2004).

Table 6.2 Ban on cell phone use while driving: cross-national comparison

	Country	Year	Month
1	Austria	2002	
2	Canada	No ban	
3	Denmark	1998	July
4	Finland	2003	January
5	France	2003	April
6	Germany	2001	February
7	Italy	2003	July
8	Japan	1999	November
9	South Korea	2001	July
10	Spain	2002	
11	Sweden	No ban	
12	UK	2003	December
13	US	No ban	

Notes: The bans concern hand-held phones only; so far no country has banned hands-free phones in spite of reliable evidence showing that using them is no less dangerous. “No ban” means that (as of July 2004) there has been no nationwide ban. In New York State, overriding Mayor Michael Bloomberg’s veto, the City Council has passed a ban which became effective in November 2001. However, ticketed drivers can escape the \$ 100 penalty if they can prove that they have bought a hands-free set since they were stopped. In July 2004, New Jersey became the second state with a ban on hand-held phones; however, police may charge violators only after stopping them for another infraction. In European states, the penalty ranges from 30 euros in Germany to 60 euros in Denmark.

Sources: Guardian (23 March 2002); Agence France Presse (1 December 2003); Miami Herald (8 March 2004); http://www.cellular_news.com/car_bans; <http://www.nj.com/printer>.

Table 6.3 Regional differences in the penetration of neoliberal think tanks

Country	N	Pop [10 ⁶]	Think tanks per 10 ⁷ pop	Country	N	Pop [10 ⁶]	Think tanks per 10 ⁷ pop	Country	N	Pop [10 ⁶]	Think tanks per 10 ⁷ pop
Ukraine	1	52	0.2	Georgia	1	5.4	1.9	Switzerl.	3	7	4.3
Russia	3	147	0.2	Lithuania	1	3.7	2.7	Sweden	4	8.9	4.5
Belarus	1	10	1.0	U.K.	16	59	2.7	Kosovo	1	1.9	5.3
Germany	8	82	1.0	Norway	1	4.3	2.3	Ireland	2	3.6	5.6
Spain	4	39	1.0	Albania	1	3.5	2.9	Czech Rep	6	10	5.8
France	7	58	1.2	Greece	3	10	2.9	Belgium	6	10	5.9
Poland	5	39	1.3	Hungary	3	10	2.9	Bulgaria	5	8.5	5.9
Italy	10	58	1.7	Austria	3	8.1	3.7	Croatia	3	4.5	6.7
Romania	4	23	1.8	Denmark	2	5.2	3.8	Estonia	1	1.5	6.7
Netherlands	3	16	1.9	Finland	2	5.1	3.9	Macedonia	2	2.1	9.5

Notes: The column after the name of the country gives the number N of think tanks belonging to the Stockholm network which is a confederation of think tanks of neoliberal inclination. The columns under the heading “Pop” give the populations of the countries in millions; the columns labeled “Think tanks” give the number of think tanks per 10 million population. Several of the countries which before 1990 belonged to the Eastern bloc are characterized by high think tank rates. The purposes of these think tanks can be illustrated by an excerpt of one of them, Avenir Suisse: “Designed after the Anglo-Saxon model, Avenir Suisse was founded in 1999 by fourteen internationally operating Swiss companies. By communicating scientific results in clear-cut terms to a large public, Avenir Suisse enhances the circulation of relevant facts”.

Source: <http://www.stockholm-network.org>

Table 6.4 Promotion campaign of Hayek's book "The road to serfdom"

Publication year	Country	Comment, publisher
1943	Spain	Spanish translation, University de Cordoba
1943	Switzerland	German translation, Reutsch
1944	England	English edition, Routledge
1944	U.S.	American edition, University of Chicago Press
1944	Sweden	Swedish translation
1945	France	French translation, Librairie de Médicis
1945	U.S.	Hayek's conferences, radio round tables
1945	U.S.	Condensed version, Reader's Digest, Book-of-the-Month Club
1945	U.S.	Cartoon version, Look Magazine
1945	U.S.	Cartoon version, General Motors (Thought Starter No 118)
1945	Germany	Hayek's conferences in the British and U.S. zones
1946	Denmark	Danish translation, Gyldendal
1946	France	Condensed version in French, Lhoste-Lachaume
1946	France	Third French edition, Editions Politiques, Economiques et Sociales
1948	Italy	Italian translation, published in Milan

Notes: The publication of 1943 in Spanish comprised only a few chapters of the book. The cartoon version (currently available on the Internet) is a crude representation which bears little resemblance with Hayek's book.

Sources: On line catalogue of Harvard Library, British Library of Political and Economic Sciences (LSE), Digital Library of the Hochschulbibliothekszentrum (HBZ) of the Land of North Rhine-Westfalen.

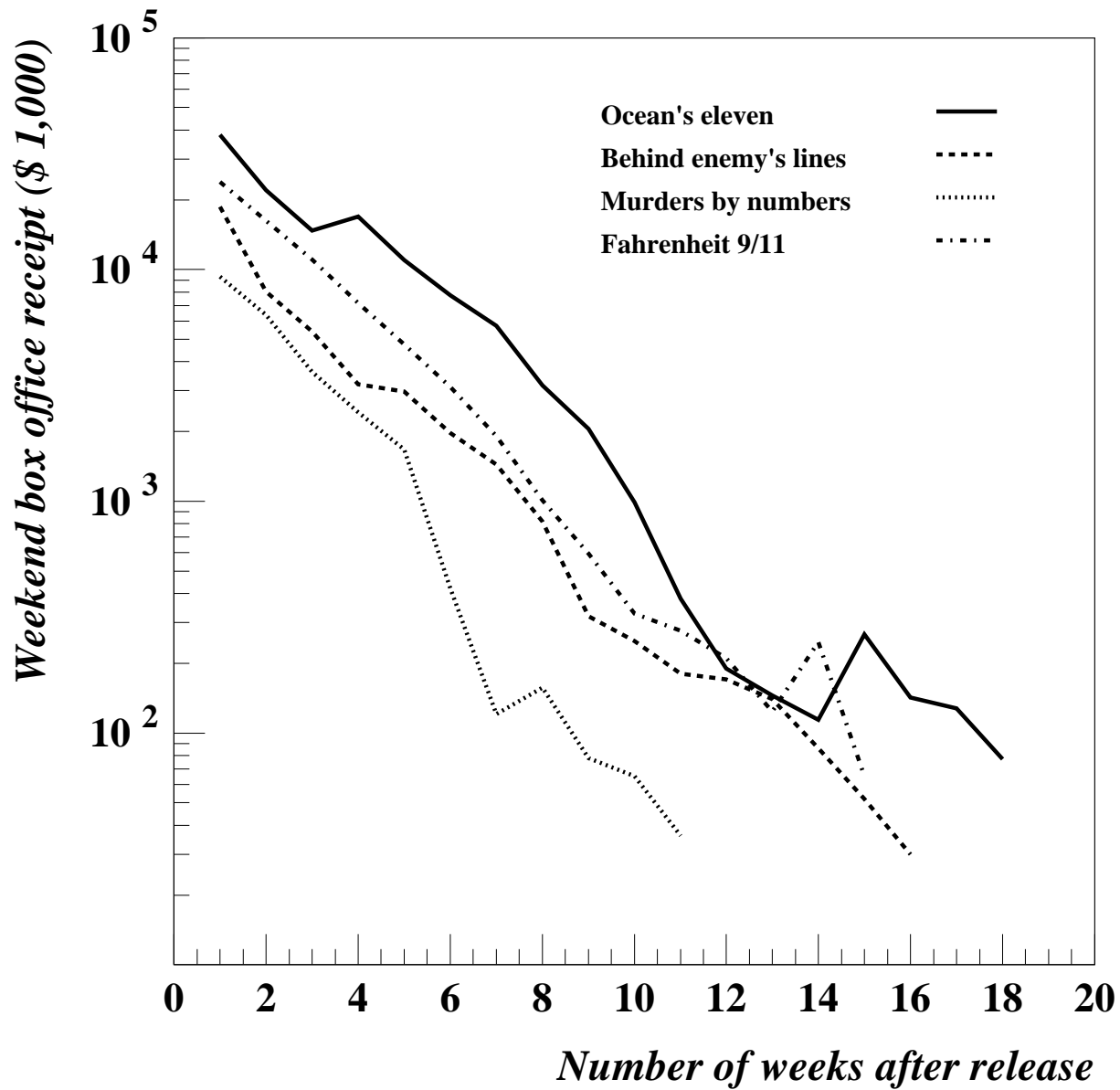


Fig. 6.1 a Weekend receipts for four films. The downward trend displayed in this graph for the 4 selected films reflects a pattern which applies to 90% of the films. Roughly, in each week after release the receipt is divided by 1.5. Sources: On line websites: <http://www.boxofficemojo.com/movies>; <http://imdb.com> (Internet Movie Data Base).

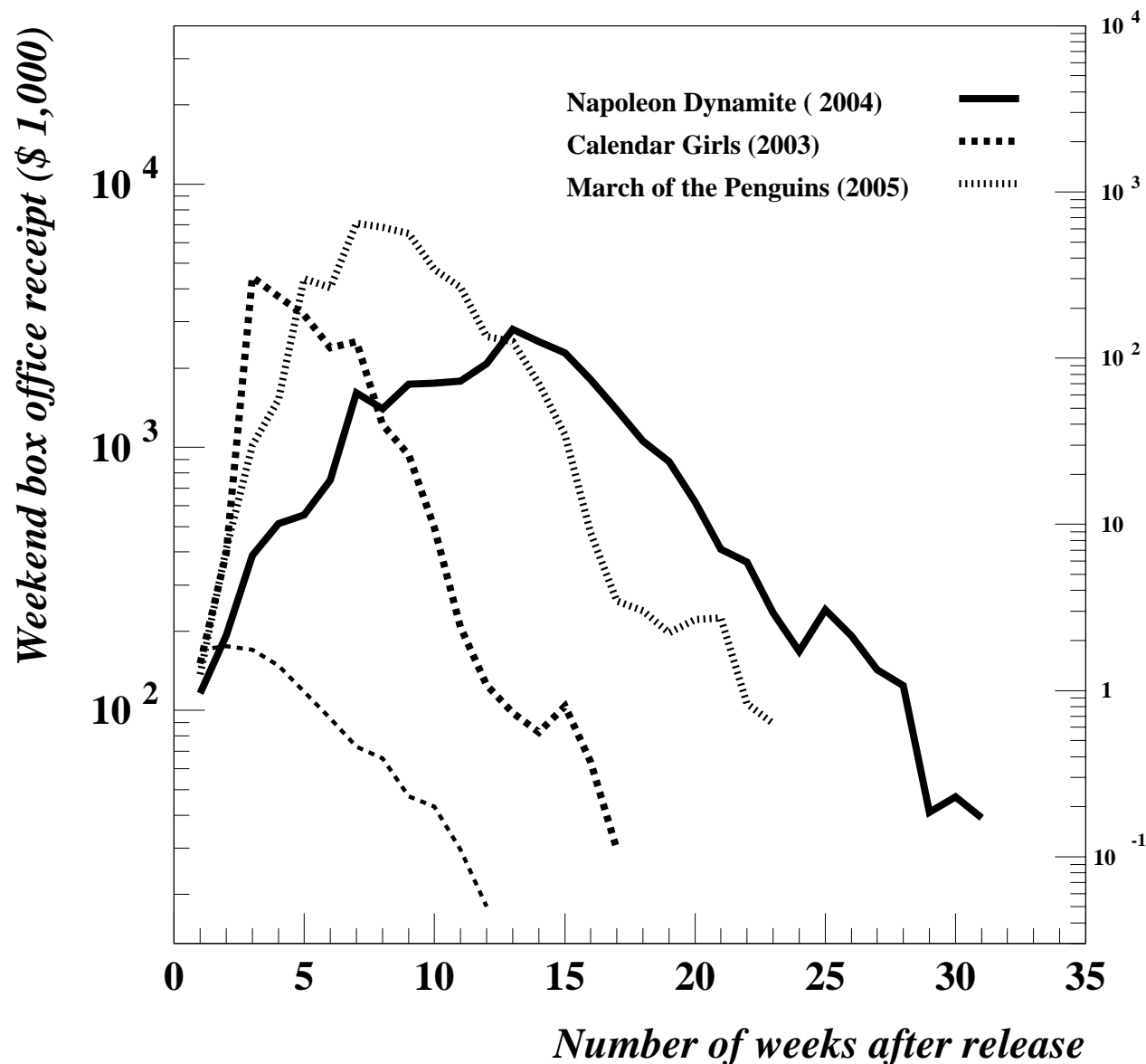


Fig. 6.1 b Humpback shaped receipt curves. For a small number of films the receipt increases after the opening week. The data for Calendar Girls refer to receipts in the U.K. (right-hand side scale labeled in millions of pounds), the two other films concern receipts in the U.S. One might be tempted to interpret these curves as reflecting a spread-the-word process; however, evidence about the organization of the marketing campaign suggests that these humpback receipt curves were planned by the distributors. *Sources:* See Fig. 6.1a.

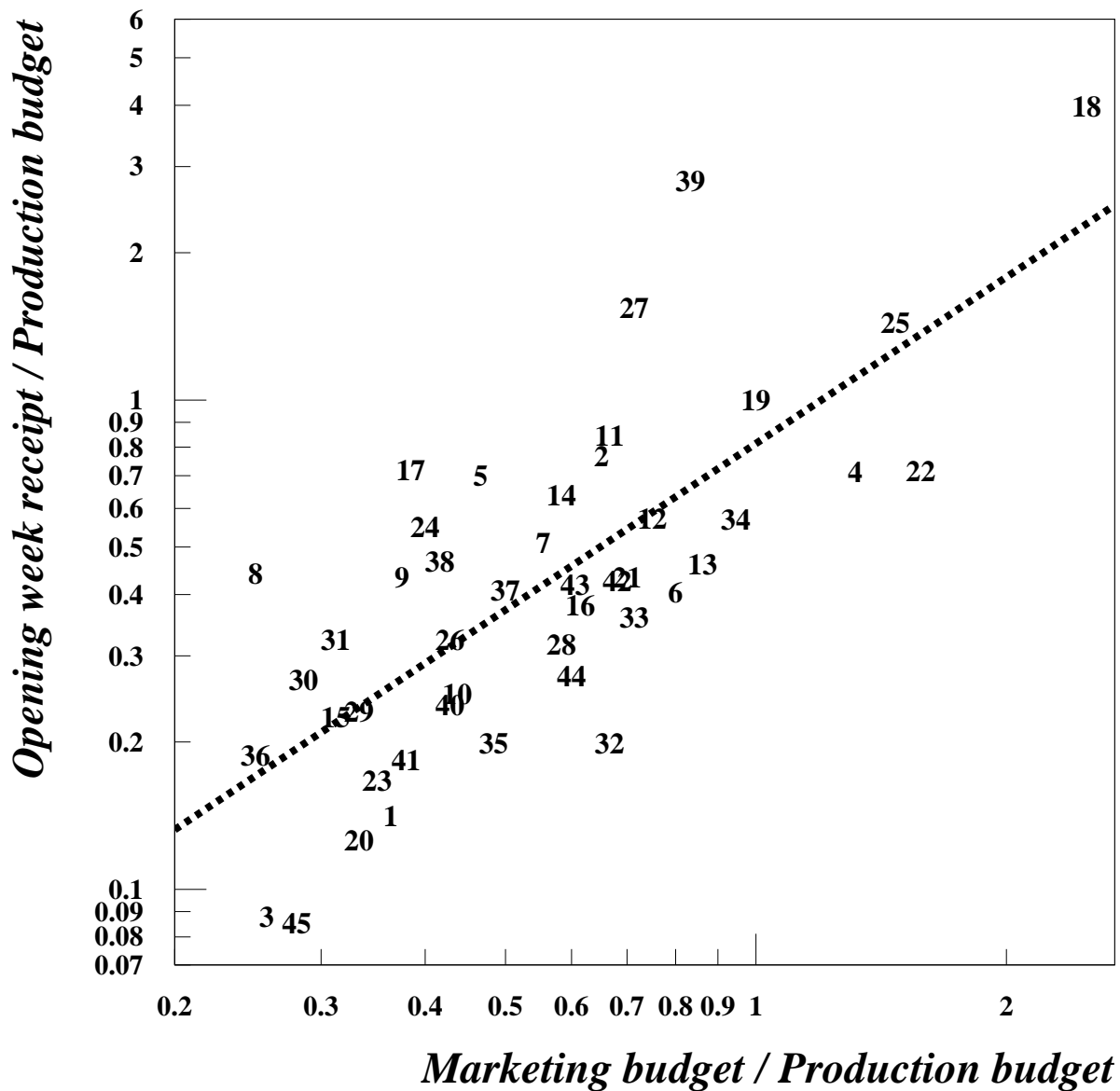


Fig. 6.1 c Relationship between opening receipts and marketing budget. The correlation of the scatter plot is 0.73. The slope of the regression line of the log-log plot is 1.1 ± 0.3 which means that the two ratios are almost proportional. Three of the outliers which are above the regression line are: “Spiderman” (8), “Shreck2” (27) and “Passion of Jesus Christ” (39); two of the outliers located below the regression line are: “New York Minute” (32) and “The Alamo” (45). In this sample the highest marketing budget / production budget is “Farenheit 9/11” (18). *Sources: See Fig. 6.1a.*

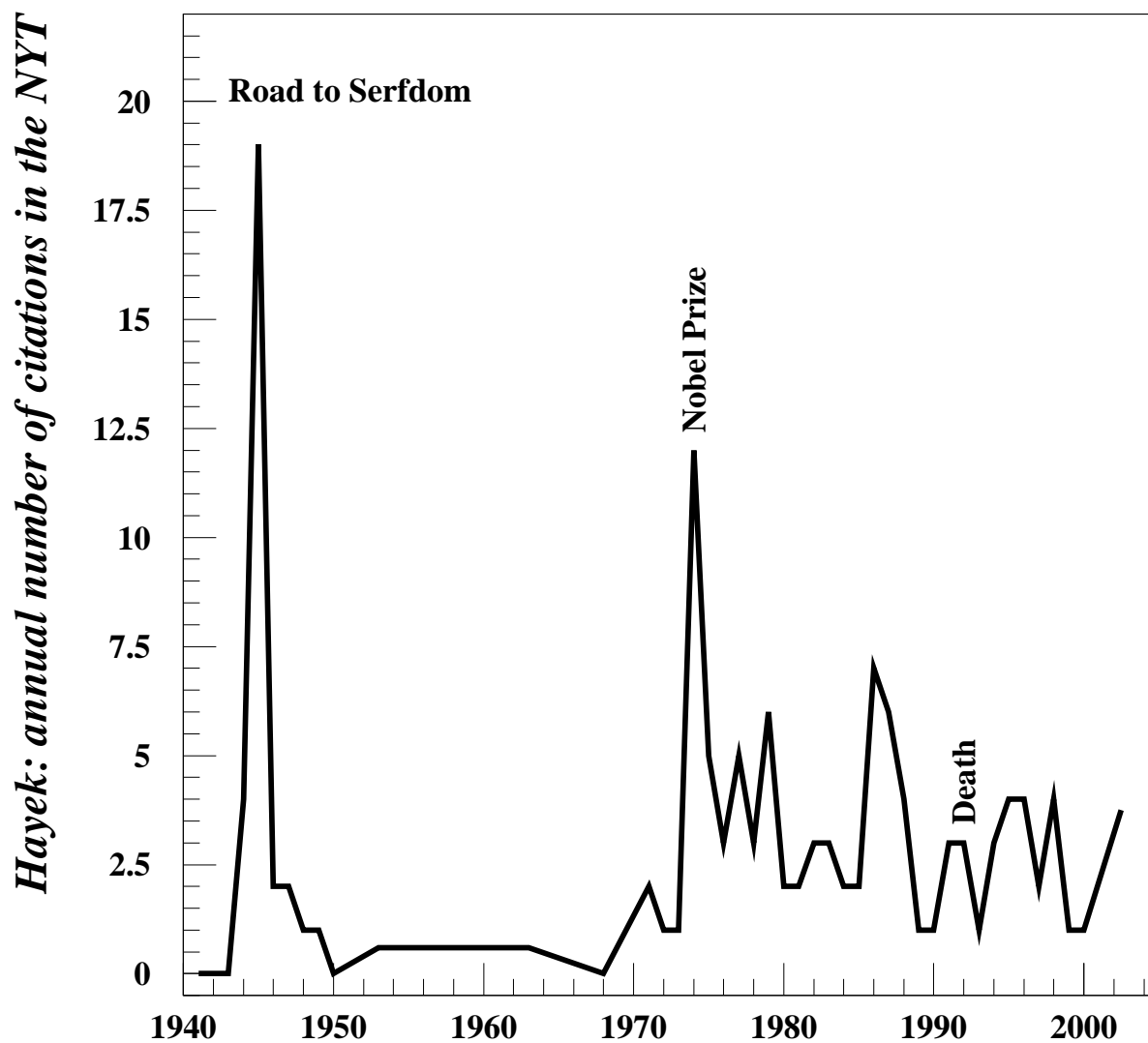


Fig. 6.2 a Number of article per year published in the New York Times which mention Friedrich Hayek. It is remarkable that the maximum did not occur after the Nobel prize award but after the publication of “The road to serfdom” at a time when Hayek was relatively unknown. *Source: Website of the New York Times.*

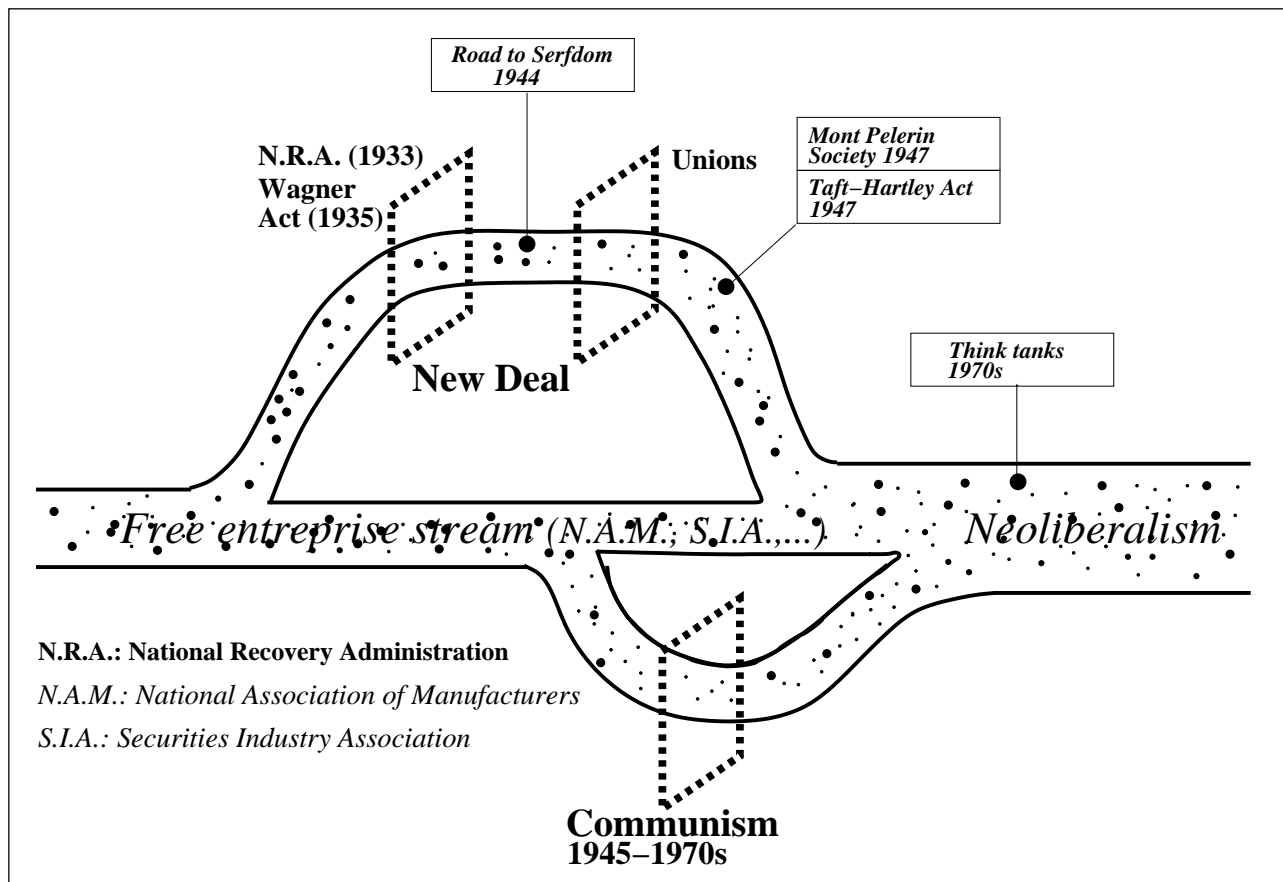


Fig. 6.2 b Diagrammatic representation of public relations campaigns run by business associations, 1930-2000. The left-hand side of the stream corresponds to the early 1930s while the right-hand side refers to the late 1990s. The campaign against communism which took place between 1950 and the late 1970s marked a diversion from the mainstream objectives. Additional explanations about the Wagner Act, the Taft-Hartley Act, “The Road to Serfdom”, the Mont Pélérin Society and the neoliberal think tanks can be found in the text.

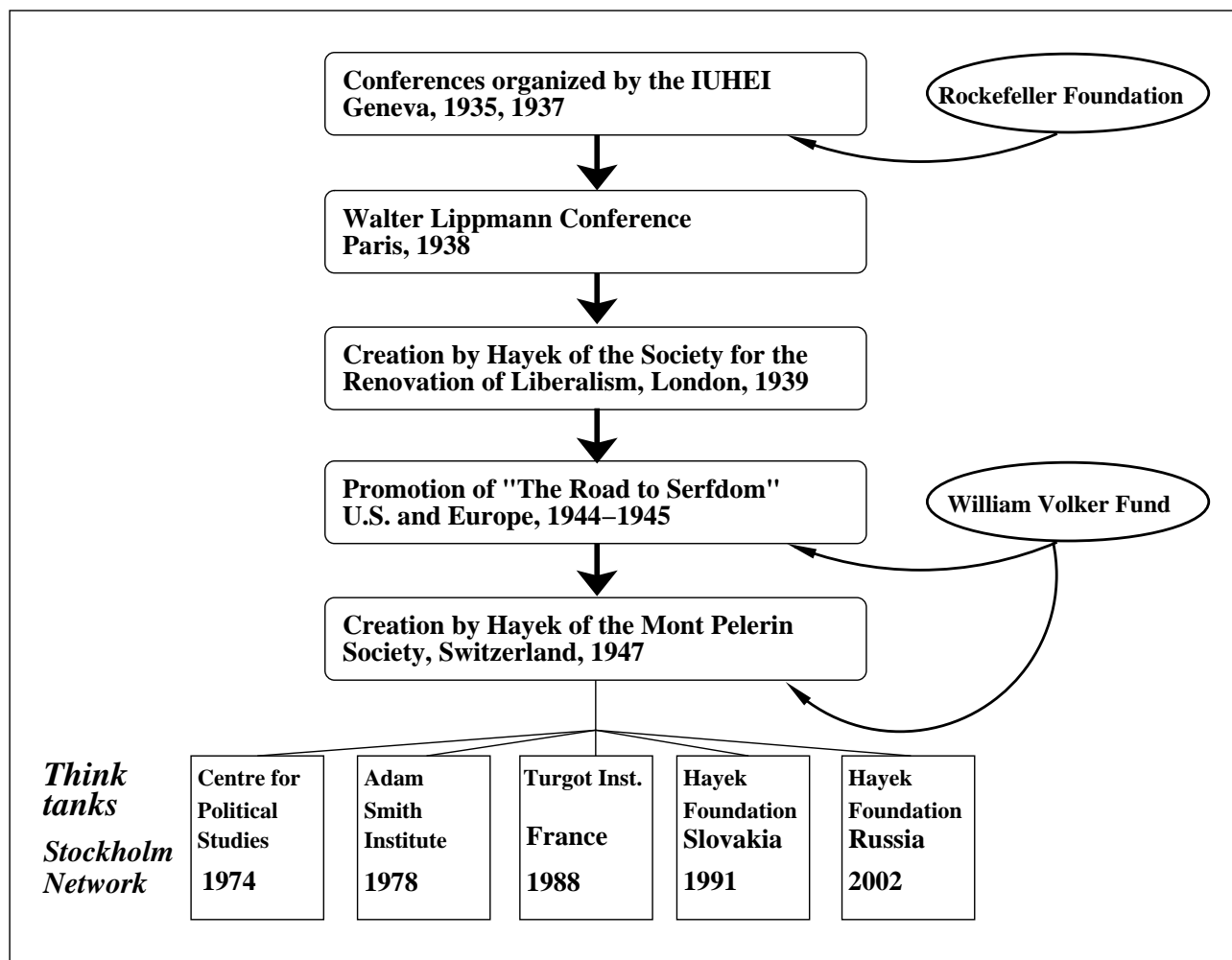


Fig. 6.2 c Promotion of neoliberalism over several decades. The IUHEI (Institut Universitaire des Hautes Etudes Internationales) was established in Geneva in 1927 thanks to funding from the Rockefeller Foundation. These conferences were different from standard scholarly meetings in the sense that they had a public relations objective as revealed by the number of invited journalists. At the Mont Pelerin meeting of 1947 more than 10% of the 39 participants were journalists; Walter Lippmann who was himself a very influential journalist was a member of the Society for the Renovation of Liberalism which paved the way for the Mont Pelerin Society. Sources: Cockett (1994), Hayek (1994)

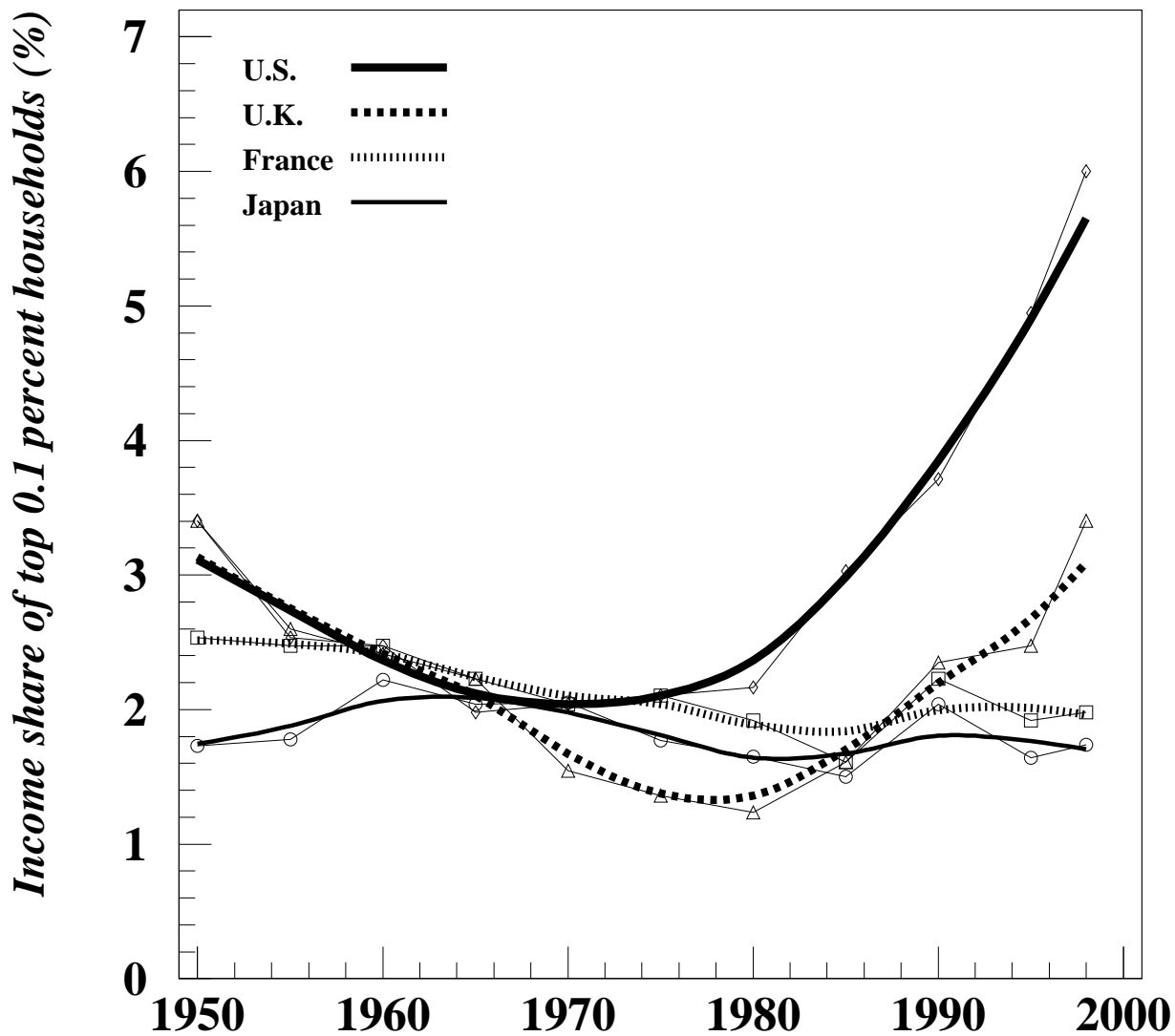


Fig. 6.3a Income inequality in several countries. Vertical scale: share of national income earned by the 0.1% of the households with highest income. The data are based on incomes reported to the fiscal administration; they represent incomes before the payment of income taxes and exclude capital gains. Under an egalitarian distribution of income the top 0.1% would earn 0.1% of national income; in the U.S. their share is in fact 20 and 60 times larger in 1970 and 1998 respectively. *Sources: U.S., U.K., France: Piketty and Saez (2003); Japan: Moriguchi and Saez (2004).*

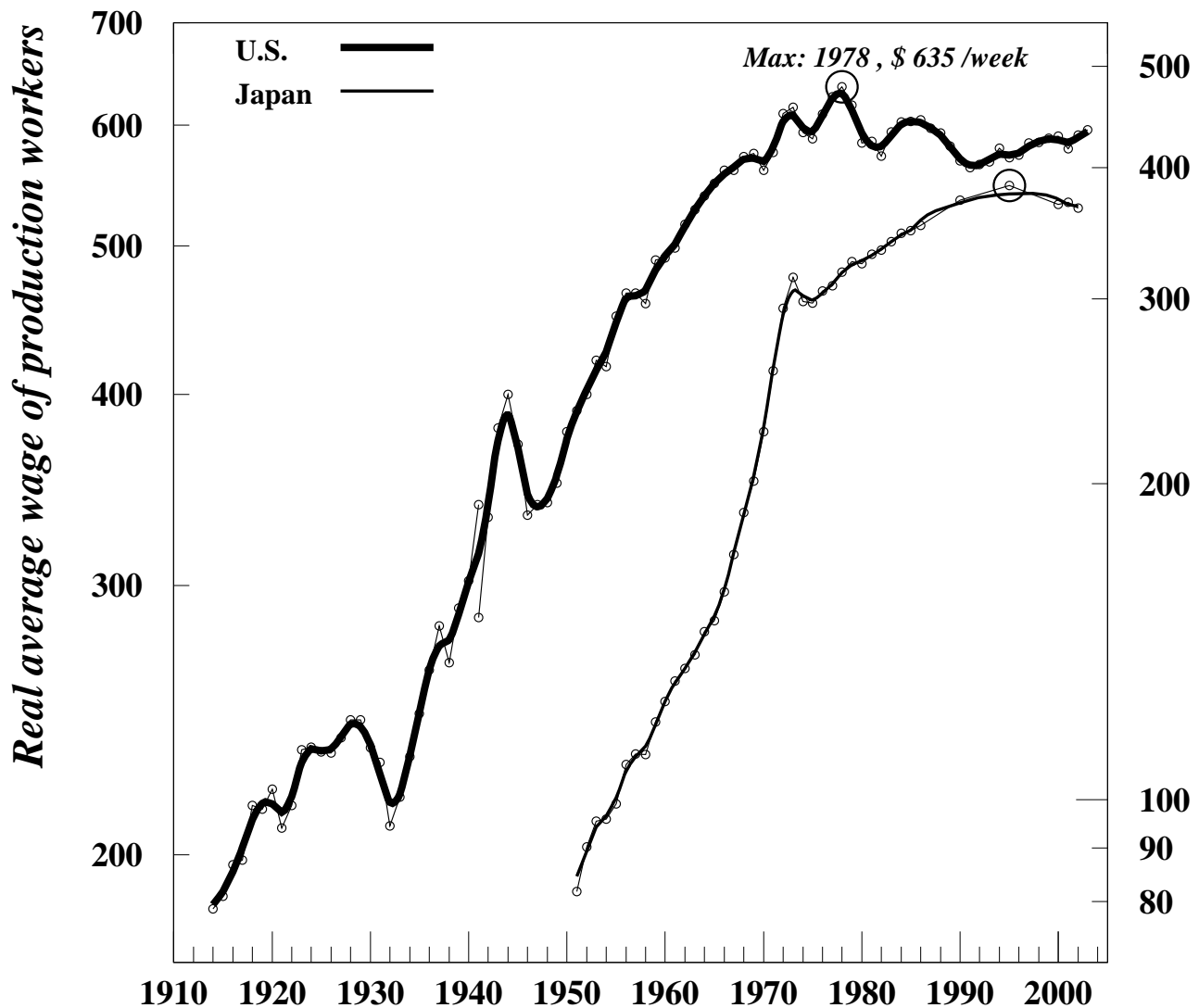


Fig. 6.3b Real wages in the United States and Japan. Thick solid line: Real average earnings per week for production workers (manufacturing sector) in the U.S. expressed in 2000 dollars (left-hand side scale); thin solid line: Real average earnings per month for production workers (manufacturing sector) in Japan expressed in thousands yen of 2000 (right-hand side scale). Nominal wages were transformed into real wages by dividing them by the consumer price index. In 2003, U.S. weekly earnings were 6.7% lower than in 1978. Earnings of manufacturing workers are the only data available on such a long time interval. For the broader category of production workers the evolution since 1950 is similar but there was in addition a reduction in the number of weekly hours in the period 1970-2003. *Sources:* U.S.: 1914-1941: Liesner (1989, p. 98-99), 1941-2003: Website of the U.S. Department of Labor; Japan: 1951-1986: Liesner (1989, p. 266-267), 1987-2003: Japan Statistical Yearbook; see also Rodnesky (2004, p. 18).