

## Free Market ‘Education’

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*Nothing is so important to the defence of the modern corporation as the argument that its power does not exist – that all power is surrendered to the impersonal play of the market. And nothing is more serviceable than the resulting conditioning of the young to that belief.*

JOHN KENNETH GALBRAITH<sup>1</sup>

IN 1946 SEVEN MEN MET IN THE NEW YORK OFFICE OF DAVID GOODRICH, CHAIRMAN OF B. F. GOODRICH COMPANY. THEY INCLUDED A BUSINESS ASSOCIATION EXECUTIVE, LEONARD READ, DONALDSON BROWN OF GENERAL MOTORS, HENRY HAZLITT OF THE *New York Times* and Claude Robinson of the Opinion Research Corporation, as well as Goodrich himself. This was the beginning of the Foundation for Economic Education (FEE), an organization that is dedicated to advancing individual economic freedom, private property, limited government and free trade through ‘economic education’. It was possibly the earliest free market think tank and certainly provided a model for subsequent free market think tanks both in the US and internationally.<sup>2</sup>

Goodrich became FEE’s chair, Hazlitt its vice-president, economist Ludwig von Mises was appointed its economic adviser, and Read became FEE’s president and driving force. Read had been general manager of the Los Angeles Chamber of Commerce and then executive vice-president of the National Industrial Conference Board (a creation of the National Association of Manufacturers – NAM). Read found both organizations to be too moderate for his liking but his work with them supplied him with valuable corporate contacts.

The FEE was set up with the support of 20 of the largest corporations in the US, including General Motors, Chrysler, Southern California Edison, DuPont, and various oil and steel companies. Some 46 corporations had contributed a million dollars to FEE by the end of 1949. FEE also raised money by selling literature promoting free enterprise. Its articles were used by hundreds of newspapers and magazines, and *Reader’s Digest* was particularly keen on reprinting its articles.

As the years went by, FEE’s goals and leadership overlapped with that of the far-right John Birch Society, which was subsequently formed in 1958 by Robert Welch, a former long-term NAM director and chair of its Educational Advisory Committee. However, while many of the FEE’s corporate donors would not want

to be seen to be funding the John Birch Society, the FEE was a respectable recipient of their generosity.<sup>3</sup>

In a 1990 tribute to FEE, John Blundell, president of the influential UK free market think tank, the Institute of Economic Affairs (IEA), said: 'It is safe to say that had it not been for Leonard [Read] and FEE in the '40s, '50s, and '60s, those who followed and expanded the efforts on behalf of the free society in the '70s and '80s would have faced a much, much tougher battle.'<sup>4</sup>

FEE was one of several organizations formed around this time to promote free market economics. These groups, together with business associations and individual economists, sought to interpret the Depression in a way that left free market ideology unscathed and to oppose the New Deal on the grounds that it contradicted free market principles and undermined the incentive provided by the market. They continued to promote the competitive model of the market in books and articles.<sup>5</sup>

To economists the beauty of a free market based on competition was that it was efficient – the producer who could produce goods at the least cost won. But for business people the theory had its merit on a political level.<sup>6</sup> It disguised the power that they wielded, it re-labelled their drive for profit as public service, and it provided an argument against government regulation of business activities. Economics was presented as a science but was more often simply an argument for the promotion of free enterprise, with minimal government interference. Galbraith observes that:

*...mainstream economics has for some centuries given grace and acceptability to convenient belief – to what the socially and economically favoured most wish or need to have believed. This economics, to repeat, is wholly reputable; it permeates and even dominates professional discussion and writing, the textbooks and classroom instruction.<sup>7</sup>*

To serve this function of making free enterprise beliefs acceptable, Galbraith notes that economic messages must have three aspects. Firstly, it needs to provide a rationale for minimizing government intervention. Secondly, it needs to justify 'untrammelled, uninhibited pursuit and possession of wealth' in terms of the common good. Thirdly, it needs to explain poverty and unemployment as resulting from the individual faults of those who find themselves in that situation.<sup>8</sup>

The massive campaign of 'economic' education that was undertaken by US businesses and their associations and front groups following the Second World War sought to achieve all three. Various organizations and individual companies established economic education programmes, including NAM, the US Chamber of Commerce, the Advertising Council and the Committee for Economic Development.<sup>9</sup>

The objective of 'educating' people about the economic system was to ensure that they would be more pro-business and accepting of market values. In his