Excerpts from

The Corporate Rich and the Power Elite in the Twentieth Century

How They Won, Why Liberals and Labor Lost

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The Corporate Rich and the Power Elite in the Twentieth Century

The Corporate Rich and the Power Elite in the Twentieth Century demonstrates exactly how the corporate rich developed and implemented the policies and created the government structures that allowed them to dominate the United States. The book is framed within three historical developments that have made this domination possible: the rise and fall of the union movement, the initiation and subsequent limitation of government social-benefit programs, and the postwar expansion of international trade.

The book's deep exploration into the various methods the corporate rich used to centralize power corrects major empirical misunderstandings concerning all three issue-areas. Further, it explains why the three ascendant theories of power in the early twenty-first century—interest-group pluralism, organizational state theory, and historical institutionalism—cannot account for the complexity of events that established the power elite's supremacy and led to labor's fall. More generally, and convincingly, the analysis reveals how a corporate-financed policy-planning network, consisting of foundations, think tanks, and policy-discussion groups, gradually developed in the twentieth century and played a pivotal role in all three issue-areas. Filled with new archival findings and commanding detail, this book offers readers a remarkable look into the nature of power in America during the twentieth century, and provides a starting point for future in-depth analyses of corporate power in the current century.

Introduction to Excerpts

by G. William Domhoff

The following 64 pages of substantive textual excerpts from *The Corporate Rich and the Power Elite in the Twentieth Century* have been selected to highlight the breadth, width, and degree of new insights in this archive-based study of the three main power issues of the twentieth century: (1) the rise and fall of private sector unions, which were opposed by the corporate rich from the outset, and then gradually undercut, to the extent that private-sector unionism is now smaller than it was in 1932; (2) the corporate-sponsored creation and subsequent restraint of government social insurance programs, with a special focus here on the passage of the Affordable Care Act in 2010; and (3) the planning and development of an international system of trade, which corporate-financed experts began to plan during World War II, with a special focus here on the crucial role of the Business Roundtable in the passage of the legislation that enabled NAFTA and the World Trade Organization in 1994, and the restoration of normal trade relations with China's communist dictatorship in 2000.

The excerpts begin with definitions and with an overview of Congressional coalitions, drawn from the introductory chapter, which also highlight the great power of the Southern plantations/agribusinesses at the Congressional level in the national power equation. The excerpts conclude with an overview of the shortcomings of the three main rival theories of the power structure of the United States, which claim that power is more widely shared in the United States than this book shows to be the case; this final excerpt also provides an overview and explanation of the high degree of corporate domination at the beginning of the twenty-first century..

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Introduction

This book demonstrates exactly how the corporate rich (the owners and managers of large incorporated properties) developed the policies and created the governmental structures that allowed them to dominate the United States in the twentieth century. By "dominate" I mean that the corporate rich were able to establish the organizational structures, rules, and customs through which most people carried out their everyday lives, due to their control of many millions of jobs and their success in convincing government officials to adopt their top policy priorities.

Domination by the corporate rich, in other words, was the institutionalized outcome of their great economic and political power. Even when there were loud vocal complaints from highly visible individuals or groups, and a considerable degree of organized protest and resistance, the routinized ways of acting in the United States mostly followed from the rules and regulations needed by the big banks and corporations to continue to make profits. Domination also allowed the corporate rich to maintain a distinctively luxurious lifestyle, which further imbued them with feelings of superiority, and reinforced their implicit belief that they were entitled to dominate.

The main focus of the book is on three policy issues that made overall domination possible: successfully resisting unions, initiating and then limiting government social programs, and creating a postwar international trading and investment system.

The Corporate Community

Although corporations were in constant competition with each other throughout the twentieth century, and frequently at risk of being taken over by investment bankers, rival corporations, or equity funds, they also shared the same goals and values, especially and most obviously the profit motive. All of them were eager to control relevant labor markets, minimize government regulations, and avoid taxation to the greatest extent possible. Large corporations and financial institutions also had several other common bonds, including shared ownership, the use of the same legal, accounting, advertising, and public relations firms, and longstanding patterns of supply and purchase. They also were pulled together through belonging to one or more business associations that look out for their general interests.

The fact that the corporate rich were opposed in varying degrees by the labor movement, liberals, leftists, and strong environmentalists reinforced their sense of being a small, beleaguered group. Although the corporate rich overestimated the coordination among these oppositional groups, most of them were in fact members of a loosely knit liberal-labor alliance that began to form in the late 1920s and became more solidified by the mid-1930s as one part of the New Deal. This alliance was able to challenge the corporate rich on a wide range of issues for the remainder of the twentieth century, including the three issues focused on in this book. However, the large divisions that developed within the liberal-labor alliance in the late 1960s over several issues, starting with the civil rights movement, led to its decline in the 1970s and near-collapse by the 1980s.

At the outset of the twentieth century, the wealthy industrialists and several other business sectors were concerned with the need for new ways to regulate the ruthless competition among them, as well as the need for protection against populist farmers, middle-class reformers, and socialists. In particular, government antitrust legislation led more industrialists to take advantage of the rights and privileges that legislatures and courts were granting to the legal device called a "corporation" (Parker-Gwin and Roy 1996; Roy 1997).

This combination of economic, sociological, and legal factors led to the development of a *corporate community* by 1900. It was at this point that the wealthy became *the corporate rich*, with their fortunes in all business sectors (later including "agribusiness") protected by their incorporated fortresses, which successfully pushed for further legal protections and legal rights in ensuring decades. These corporations also shared common (overlapping) members on their boards of directors.

Plantation Owners and Southern Democrats

For all the emphasis on the corporate community in this book, Southern plantation owners and their satellite business associates in the South, and in major trade and financial centers, such as New York, played a pivotal role in deciding the outcome of many policy battles. Although plantation owners were junior partners in relation to the burgeoning corporate community after their defeat in the Civil War, they nonetheless exercised total domination in the former slave states. Their terrorist-based imposition of a caste status on African Americans through racial stigmatization at birth, disenfranchisement, neighborhood and school segregation, and the prohibition of black-white marriages was nearly complete as the twentieth century began (Berreman 1960; Berreman 1981, pp. 265–266, 273–277; Davis, Gardner, and Gardner 1941; Dollard and Leftwich 1957; Myrdal 1944, Chapter 31). They also disenfranchised, but did not entirely segregate, many low-income whites through a variety of means (e.g., Key 1949; Kousser 1974). The plantation owners and their allies were then able to project their unity, wealth, and power to the national level through their predominant role in the Democratic Party.

The breadth of the potential power base for the plantation owners is first of all evidenced by the fact that there were 17 slave states and territories before the Civil War, all of which had established legalized segregation in all walks of life by the early twentieth century. (West Virginia became a separate slave state during the Civil War and Oklahoma was a slave-and-segregation territory before it became a state in 1907.) School segregation was not declared unconstitutional until 1954, and for the most part it continued by means of private and suburban schools for well-off whites throughout the century. (In that same year, 27 states still banned racial intermarriage, with all of them in the South, Great Plains, or Rocky Mountains, with the exception of Indiana, which has been heavily shaped by its early links to the South.)

The Civil Rights Act of 1964 and the Voting Rights Act of 1965 outlawed the other forms of segregation, and the Supreme Court declared laws against marriage between Caucasians and African Americans unconstitutional in 1967, at which point it overturned the remaining 17 anti-marriage state laws, all of which were in the former slave states. In the case of housing, there was legalized housing segregation throughout the United States until 1968 due to laws and rulings at the federal, state, and local levels, which in turn meant that most public schools remained segregated in a caste-like fashion (Rothstein 2017, for the highly detailed evidence for these conclusions on residential and school segregation). Experts on neighborhood segregation call it the American version of apartheid, and note that is is the most important basis for continuing racial stratification (Massey 2016; Massey and Denton 1993).

By the late 1960s, and despite the legal changes at the federal level, the informal norms and customs that shaped the South in general, and the rest of the country as far as housing, school segregation, and racial intermarriage were concerned, were firmly in place. People of African heritage remained unique in that they are the only Americans who have faced the combined effects of race, slavery, and segregation (Pettigrew 1988, pp. 24–26). Any changes therefore turned out to be very slow and small (Pettigrew 2008). At the same time, the gradual transition of a majority of white Democrats in the South into the Republican Party was underway, which made increases in integration in the South even more difficult (McKee 2019 Chapter 4).

The transition of white Southerners from the Democrats to the Republicans was a cautious one at the state and local levels due to a traditional party identity in part based on the resentment of "Yankees," but also due to the realization that the South would lose power in Congress if established Southern Democrats gave up their seniority and committee chairships. Even though more and more white Southerners voted for Republicans at the presidential level, and drifted away from any identification with the Democratic Party, it did not make sense for Southern Democrats to change parties before they were certain that there would be a Republican majority in the House and Senate. For the most part, Southern whites voted Republican at the presidential level in 1968 and thereafter, and Democratic at the state and local level, which created a "one-and-a-half" party system while excluding and isolating black voters to the extent that few African Americans held office at any level of government well into the 1980s (Black and Black 2002; Davidson and Grofman 1994a; Davidson and Grofman 1994b).

The Power Elite

The corporate rich maintained their domination through a leadership group called "the power elite." This power elite is defined as those people who served as directors or trustees in profit and nonprofit institutions controlled by the corporate rich through stock ownership, financial support, involvement on governing boards, or some combination of these factors. This definition differs somewhat from the original definition provided by sociologist C. Wright Mills (1956, pp. 3–4, 18–20). It agrees with his definition in stating that the power elite are those individuals who have a superior amount of power due to the institutional hierarchies they command, but it differs in a theoretically important way by restricting the term to persons who are in command positions in institutional hierarchies controlled by the corporate rich.

More specifically, this revised conception of the power elite makes it possible to integrate class and organizational insights in order to create a more complete theory of power in America, which makes it a more resilient theory than the class-based Marxist theory and a more encompassing theory than the perspectives discussed in Chapter 15. Empirically, it leads from the corporate community to the foundations, think tanks, and policy-discussion groups that made up the policy-planning network, as well as to the major organizations in the opinion-shaping network (Domhoff 2014, Chapters 4 and 5). These were in fact the institutions that were involved in the key decisions. The military, contrary to Mills (1956, p. 6 and Chapters 8–9), was not central to any of the key decisions discussed in this book, or in any other policy arena in the twentieth century that has been studied (Domhoff 1967, pp. 115–127; Domhoff 1996, Chapter 6; Huntington 1961; Janowitz 1960). Nor were those Mills defined as the "political directorate" (the top appointed officials in executive departments of the federal government) an independent group. As shown in numerous past studies, they were members of the corporate community and the policy-planning network (e.g., Burch 1980; Burch 1981; Domhoff 1998, pp. 247–256; Mintz 1975; Salzman and Domhoff 1980).

Although the power elite were a leadership group, the phrase always is used with a plural verb to emphasize that the power elite were also a collection of individuals who had some internal policy disagreements as well as ambitions for the same government appointments. They sometimes had bitter personal rivalries that received detailed media attention and often overshadowed the general policy consensus. In other words, the power elite were not a monolithic leadership group. In that regard, the book adheres to Mills' (1959, p. 6) view that the sociological imagination stands at the intersection of personal biography and the class and institutional structures that history hands down to each new generation. To reiterate in order to avoid possible misunderstandings, a set of for-profit and nonprofit organizations provided the institutional basis for the exercise of power on behalf of the owners of all large income-producing properties.

In the early decades of the twentieth century, there were relatively few members of the Southern rich who were part of the power elite. Those who were tended to serve on the boards of directors of Northern banks and corporations with economic interests in the South. In addition, some of the richest of the Southerner planters and bankers participated in a few of the organizations in the policy-planning network. For the most part, however, the policy interactions between the corporate rich and the plantation owners took place through a few formal business associations that focused on specific business sectors, such as agriculture or banking. The corporate rich and the plantation owners in the past also interacted indirectly through elected Congressional members and their staffs, which meant Northern Republicans and Southern Democrats until very late in the twentieth century.

Challengers and Supporters of the Power Elite

As briefly noted earlier, unions, grassroots environmentalists, social-justice groups, consumer groups, and political liberals in general were the most frequent challengers to the efforts that were initiated through all four of the networks that connect the corporate rich to the government. They lobbied on specific issues that arose within the special-interest process, created temporary coalitions to oppose new policies generated in the policy-planning process, and, most of all, supported liberal and pro-union candidates within the Democratic Party, both in primaries and general elections. More generally, these groups were the mainstays of the liberal-labor alliance that came into existence in the context of the early New Deal. As also mentioned earlier, this alliance figured prominently on all three of the major policy issues that are analyzed in this book.

However, the liberal-labor alliance was severely handicapped from the outset by the fact that a single-member-district plurality electoral system left them with little choice but to work within the Democratic Party. The alternative would have been to take the big risk of allowing ultraconservative Republicans to win even more elections (e.g., Lipset 1963, pp. 295–311, for a sweeping cross-national and historical synthesis; Rosenstone, Behr, and Lazarus 1996, for an updated focus on the American case). By depriving the Democrats of a significant percentage of their voters, an independent third party on the left would be ignoring the short-run daily needs of low-income Americans and people of all colors, who would suffer a setback under Republicans, as everyday working people well knew. Research comparing income growth during Democratic and Republican administrations between 1948 and 2014 has demonstrated this point in a systematic fashion (Bartels 2016, pp. 69–73). The result was a less-than-ideal political alliance with Southern Democrats.

On the other end of the political spectrum, the Republicans had potential allies on many issues of concern to them when they could convince these would-be allies to eschew the rightist third parties that sometimes appeared. These potential allies were the result of a combination of sociological and psychological factors that predispose some individuals in all social classes to varying degrees of social or economic conservatism. These factors include a preference for hierarchy over group decision-making, strong religious or nationalist beliefs, anti-immigrant and anti-government sentiments, a belief in white superiority, and/or an authoritarian personality (e.g., Domhoff 2013a; Pettigrew 2017; Tomkins 1964). These extremely conservative individuals created a variety of conservative organizations, which often received financial support from wealthy conservatives through personal donations and foundation grants. As a result, the disparate conservative groups and the corporate community joined together in the political arena as a corporate-conservative alliance.

The Power Elite, the Liberal-Labor Alliance, and Congress

Although there is good direct evidence that the corporate community and the policy-planning network had a strong relationship with the White House and other departments and agencies of the executive branch, these links were not sufficient for corporate domination. It was also essential for the power elite to be able to reach and influence Congress as well. The legislative branch was and is a strong and independent part of the federal government, and potentially an arena of contention on every major issue that comes before it, in part because of the potential role of majority public opinion.

In the case of Congress, the four networks that linked the corporate rich and the power elite to government were adapted to deal with the emergence of two enduring voting coalitions, the conservative coalition and the spending coalition. These two voting coalitions primarily reflected general corporate dominance from the late 1930s onward, but within a context of some important policy differences within the corporate community, along with the importance of the liberal-labor alliance to the spending coalition. (Before the New Deal, corporate and plantation dominance of Congress was so obvious that it has not been questioned.) However, there were also some very important issues, such as the National Labor Relations Act of 1935, on which unusual voting coalitions emerged, and still others on which the liberal-labor alliance was able to achieve at least partial success.

The conservative coalition, which is called a cross-party coalition in some sources, consisted at its core of a majority of Southern Democrats voting with a majority of Republicans. It most often formed on three general issues of great concern to employers North and South, which in essence defined the substance of their conflict with the liberal-labor alliance at the national policy level: legislation relating to labor unions, overly generous social benefits, and government regulation of business (see Clausen 1973; Mayhew 1966, for systematic studies pointing to the concerns shared by the conservative coalition). This coalition formed on anywhere from 14 to 40 percent of the contested votes in different sessions of Congress between 1939 and 1980, and it rarely lost, except for the 89th Congress (1965–1966) (Shelley 1983, pp. 34, 39). Since 1939, it has never lost on any legislation having to do with unions (e.g., Brady and Bullock 1980; Katznelson, Geiger, and Kryder 1993).

The spending coalition, on the other hand, consisted of a majority of Southern and non-Southern Democrats voting together to provide subsidies, tax breaks, and other government benefits to their most important supporters. A majority of the non-Southern Democrats supported agricultural subsidies and price supports, which greatly benefited plantation owners, ranchers, and agribusiness interests in the South, Midwest, and California. The Southerners in turn were willing to support government spending programs for roads, urban redevelopment, hospital construction, public housing, school lunches, and even public assistance, which were the main concerns of the urban real estate interests (i.e., the growth coalitions mentioned briefly earlier in the chapter). These growth coalitions financed the political machines and remained in place even though the political machines gradually disappeared or were transformed after the mid-1970s—except in Chicago and a few other cities (Domhoff 2005b; Logan and Molotch 2007; Molotch 1999). This mutual back-scratching bargain, which had its origins in the decades after the Civil War, provided the Democrats with their major policy basis (once again, see Clausen 1973; Mayhew 1966, for indications based on systematic studies that this second coalition existed).

Most, if not all, of these spending programs were opposed in principle by the majority of Northern Republicans and their ultraconservative supporters in the corporate community, although not always by corporate moderates until they hardened their views on social insurance in the 1980s.

The Pivotal Role of Southern Democrats

Based on this analysis of the two main Congressional voting coalitions, the Southern Democrats were clearly the pivotal voting group in Congress because all but a very few of them shared three general views: (1) they supported racial segregation; (2) they were opponents of organized labor, not only to insure their domination of the plantation owners' traditional workforce, but to attract companies in the North that were in heavily unionized states; and (3) they knew that the South needed subsidies for the plantation owners as well as welfare-type supports for their subjugated workforce.

If the Southern Democrats sided with the Republicans on an issue, which meant that the representatives of major employers in the South and North were united, then the conservative coalition triumphed on a great majority of its appearances in most sessions of Congress. However, even though the Southern Democrats were essential to the conservative coalition, the degree to which it was a success depended on the number of Republicans in the House or the Senate. For that reason, the conservative coalition could only be successful if Republicans could defeat large numbers of moderate and liberal Democrats outside the South (e.g., Shafer 2016, pp. 36–38). In fact, the correlation between the size of the Republican delegation and success for the conservative coalition was.59 (Shelley 1983, p. 145). Although the size of the Republican delegation was critical, the Southern Democrats maintained a leadership role through the many committees they chaired due to the overall Democratic majority in most sessions of Congress, which gave them their choice of chairships due to the Democrats' adherence to the seniority system (e.g., Irish 1942).

The conservative coalition mostly played a defensive role between 1939 and 1977, eliminating New Deal agencies and spending programs, or else cutting back or blocking new liberal-labor proposals. However, in 1946–1947 and 1953–54, when Republicans temporarily controlled both houses of Congress, and after 1977, it showed it could play an initiatory role as well, passing or reshaping legislation that was useful to it.

Most striking, there are only two instances when the conservative coalition did not stay together on a labor issue critical to either Northern or Southern employers. The Southern Democrats abandoned the corporate community in 1935 by supporting the passage of the National Labor Relations Act, as explained in Chapter 2. Conversely, Republicans left the Southern plantation owners and their business allies high and dry when they withdrew their support for the Southern Democrats' filibuster of the Civil Rights Act of 1964 (e.g., Klinkner and Smith 2002; Whalen and Whalen 1985).

Based on this analysis, the fact that Democrats formally controlled Congress during most of the years between 1939 and 1994 is in fair measure irrelevant in terms of understanding the corporate community's domination of crucial government policies. Instead, the essential point is that a conservative majority had predominant power in Congress on issues related to corporate power throughout most of these years, including on union issues in the two most liberal sessions of Congress in American history, 1965–1966 and 1975–1976, as shown in Chapters 4 and 5.

Still, it is important to reiterate that the ultraconservatives within the corporate community, who are discussed in many social-science accounts as if they represented the entire business community, lost on some of their issues due to the existence of the spending coalition (Domhoff 2013b, pp. 80, 116–121, 135–138). In fact, in a detailed study of 107 successful pieces of legislation between 1953 and 1984, the ultraconservatives lost on 52.3 percent of them, a finding based on the use of the policy stances taken by the Chamber of Commerce as the index of the policy preferences of the ultraconservatives in the power elite (Smith 2000). The ultraconservatives often lost to the spending coalition on issues concerning subsidies for housing or urban real estate interests, which usually enjoyed the support of corporate moderates as well. The ultraconservatives also lost to agribusiness interests on votes for the agricultural subsidies that were vital to plantation owners and other large agribusiness interests. They lost to the spending coalition and the corporate moderates four times—in 1958, 1963, 1965, and 1972—on programs that provided federal aid to public schools in depressed areas and to universities to support graduate students and basic research in science and engineering. They were defeated on government regulations mandating equal pay for women in 1963 and outlawing age discrimination in the workplace in 1967. Then, too, and as already noted in discussing the success of liberals within Congress, the ultraconservatives were unsuccessful in their opposition to some forms of income support for low-income workers and retirees.

Moreover, in spite of intense opposition by ultraconservatives in the corporate community and the conservative coalition in Congress, the liberal-labor alliance was largely responsible for putting Medicare on the legislative agenda, and the civil rights movement created the disruption that led to the Civil Rights Act of 1964 and the Voting Rights Act of 1965. These instances are exceptions to the generalizations presented in this discussion of the power elite and Congress, but they are important ones that are discussed in more detail later in the book.

Part 1

The Rise and Fall of Labor Unions

Part 1 pivots on the origins of the National Labor Relations Act in 1935 and its gradual dismantling between 1938 and 1985. The act represents both a major turning point in American labor history and a major theoretical challenge to a corporate-dominance theory. It promised to put the power of government behind the right of workers to organize unions and bargain collectively with their employers about wages, hours, and working conditions. Whatever its shortcomings and long-term failures, it changed the American power structure for nearly 45 years between the mid-1930s and the late 1970s. In telling this story, these chapters show that corporate moderates had a larger role in creating the National Labor Relations Act than is usually understood, even though they fiercely opposed its final form and led the charge against it from the day it became law. These chapters also show the crucial role of the Southern rich in allowing the act to pass, and then making its gradual dismantlement possible by turning against it completely in 1938.

The first chapter briefly overviews the first appearance of unionism and workers' political parties in the late 1820s and early 1830s, which then fell into abeyance for a variety of reasons. It then turns to the pitched battles between corporations and union organizers from the late 1870s until the late 1890s. It includes a comparison with the more successful unionization efforts beginning in several European countries in the 1880s, which helps to explain why unions had relatively little success in the United States, except for their important role from the mid-1930s to the late 1970s.

Following a detailed chapter on the clashes and precedents that informed specific aspects of the National Labor Relations Act, along with explaining why it passed and the successes of the union movement in the first three years after it passed, later chapters describe the step-by-step dismantling of the act. This dismantlement was temporarily halted by the need for national unity during both World War II and the Korean War. The way in which the increasing white resistance to the civil rights movement in the 1960s contributed to the downfall of the unions is also analyzed. The series of defeats for private-sector unions after 1970s, which was partly compensated by the growth of public-sector unions, along with a brief analysis of a failed legislative initiative in 2009, provide the conclusion to Part 1.

Some degree of quantitative structure and precision is given by making use of the concept of "union density" as a rough index of liberal-labor power, as measured by the percentage of nonagricultural employees that are members of a union in any given year. Union density is by no means a perfect measure of liberal-labor power because it in part reflects changes in the rate of unemployment. However, no indicators in the social sciences are fully accurate in terms of the concept they are measuring, including in economics (Diener, Lucas, Schimmack, and Helliwell 2009, Chapter 3; Domhoff 2014, pp. 4–8, 193–197; Lazarsfeld 1966; Morgenstern 1963). To provide an indication of its variation, and hence of its possible usefulness, union density was only 1.6 percent when any semblance of a sound estimate could be made in 1880. After gradual growth in the remainder to the nineteenth century, followed by a significant increase over a five-year period to 17.4 percent in 1921, due to World War I, there was a decline to a low point of 11.0 percent in 1933. Union density surged in the late 1930s and reached high points at the end of World War II (34.2 percent in 1945) and the Korean War (32.6 percent). Thereafter it gradually declined to 14.0 percent in 1995, when this invaluable time series ends (Freeman 1998, Table 8A.2). These large variations suggest there was a rise and fall in union power at various times over the span of the 115 years, which is useful in verifying the events that were turning points in union history.

Why, Then, did Congress Pass the National Labor Relations Act?

Based on the way in which conservative Democrats in Congress limited other reforms between 1935 and 1938, it seems likely that the National Labor Relations Act was a unique piece of legislation even for a liberal Congress, which means it is not possible to explain its passage with generalities such as a general "loss of business power." Nor does it seem likely that the labor militancy of the spring and summer of 1933 and 1934 can provide an explanation because the 1934 version of the National Labor Relations Act was defeated in the midst of that militancy. Moreover, there was relatively little militancy in the following year, when the new—and stronger—version did pass.

It is much more likely that liberals and labor leaders were able to pass this legislation for very different reasons than are usually put forth. First and foremost, the liberal-labor alliance was able to convince most moderate and conservative Democrats in Congress to vote for the act willingly by excluding agricultural and domestic labor from its purview. This purposeful exclusion meant that the great bulk of the Southern workforce would not be covered, making it possible for Southern Democrats to support the legislation (cf., Farhang and Katznelson 2005). The exclusion of farm labor also made it easier for the Progressive Republicans of the Midwest and West (who were often critical of corporations and always supportive of agriculture) to vote for the act. Translated into class terms, the exclusion of agricultural and domestic workers meant that the plantation owners and related agribusinesses did not have any direct stake in opposing the act. In other words, the corporate leaders did not lose power in general, despite the calamity of the depression. Instead, they lost on this issue because their key allies, the plantation owners and Southern Democrats, did not stick with them.

Wagner understood the necessity of this exclusion. As far back as the debate over the National Industrial Recovery Act, he had insisted that the act did not cover agricultural labor, and he had seen the 1934 version of his anti-lynching bill die without even making it out of committee. That is, he fully realized that Southern Democrats still controlled the Democratic Party and Congress despite the large majority of Democrats from the North and West. He knew that Southern Democrats would not be reluctant to use the filibuster in the Senate if all else failed, as they did against later versions of the anti-lynching bill. When the leader of the Socialist Party, Norman Thomas, wrote to Wagner to complain about the exclusion of farm labor, Wagner replied as follows on April 2, 1935, a month before the bill was voted on in the Senate:

> I am very regretful of this, because I should like to see agricultural workers given the protection of my bill, and would welcome any activity that might include them. They have been excluded only because I thought it would be better to pass the bill for the benefit of industrial workers than not to pass it at all, and that inclusion of agricultural workers would lessen the likelihood of passage so much as not to be desirable.
>
> (Wagner 1935a)

The importance of satisfying Southern Democrats is also seen in an interview many years later with Keyserling, the Columbia Law School graduate and Wagner employee who helped craft the National Labor Relations Act to meet likely objections by members of the Supreme Court. As he told the interviewer, Secretary of Agriculture Henry Wallace did not want to include farm labor because "[h]e was entirely beholden to the chairmen of the agricultural committees in the Senate and House, who were all big Southern landowners like Senator Smith and Congressman Bankhead" (Casebeer 1987, p. 334). Moreover, Keyserling knew whereof he spoke from his lived experienced. His father was one of the major cotton growers in South Carolina, the state in which he grew up.

The National Labor Relations Act also passed handily because it was ultimately acceptable to the centrists and liberals who controlled the executive branch on this issue, meaning Roosevelt, Perkins, and the corporate lawyers and law professors who worked for the temporary National Labor Relations Board. Although Roosevelt and Perkins originally had little use for unions, and preferred governmental paternalism through legislation protective of workers, they believed through long experience that unions were a safe and sensible method for dealing with workers. And from the point of view of moderate and liberal corporate lawyers, the act had a very respectable regulatory pedigree that had worked well for the corporate community in the past, including the Interstate Commerce Commission, the Federal Trade Commission, the Securities and Exchange Commission, and the Railroad Labor Board, all of which had been accepted by the Supreme Court. From an historical perspective, the New Deal's collective-bargaining legislation "gathered up the historical threads and wove them into law" (Bernstein 1950, p. 18).

Third, the legislation passed because of the newly developed electoral cohesion between the native-born craft workers and predominantly immigrant and African American industrial workers in the Northern working class, who began to vote together for Democrats in the early 1930s, helping to overcome to some extent the divisions that had existed since at least the 1880s (e.g., Mink 1986; Stepan-Norris and Zeitlin 2003). Many of them also worked together in an effort to create industrial unions in heavy industry, and almost all of them supported union leaders and liberal elected officials in their efforts on behalf of the National Labor Relations Act. As already shown, some of the most important craft-union leaders in the AFL had reservations about the act because they knew it would put them at the mercy of labor-board decisions on voting procedures and on the determination of the size of bargaining units. However, they backed passage of the act even though none of their suggested amendments to the proposed legislation was incorporated, and they were at least somewhat assuaged by the fact that their exclusion of black workers in construction and other trades would not be challenged (Frymer 2008, pp. 25–29; Tomlins 1985, pp. 139–140).

Finally, the National Labor Relations Act passed because Roosevelt had entered into a political alliance on this issue with leaders of the industrial segment of the working class, which had gained his attention through the disruptions its activists and leaders had been able to generate. That is, the key labor leaders on this issue were Hillman and Lewis, precisely the people that would create the new movement for industrial unions after the passage of the act. Furthermore, a range of labor-relations experts had reassured Roosevelt that experience had shown that stronger unions provided the best hope for limiting corporate power, although he did try to make changes in the days before he finally gave his assent.

Roosevelt faced a choice between trade unions regulated by the government and the continuing use of force to repress militant labor activists in the face of provocations and violent physical attacks by private police squads employed by members of the corporate community. As far and away the most important leader of the new liberal-labor alliance, as well as the most cautious and enigmatic, Roosevelt chose unions over periodic violence and property destruction of the kind that had first broken out in 1877. But he only did so after the liberal-labor alliance proved that it could produce a voting majority in Congress that included the Southern Democrats, and after his own attempt at last-minute amendments had failed.

In summary, then, the National Labor Relations Act passed for a confluence of reasons, starting with the fact that the Great Depression led to both social upheaval and a united working class, which in turn led corporate moderates to suggest a new government institution that soon took on a life of its own—in the sense that liberals, a handful of corporate lawyers serving in government, labor leaders, and labor-relations experts refashioned it to their own liking within the context of past Supreme Court decisions and the Norris-LaGuardia Act. The union leaders who spoke for the working class found allies in the liberal Democrats they had helped to elect to Congress and in the pragmatic patrician liberal they helped elect to the presidency. It was possible for the liberals and Roosevelt to work with labor on this issue because the plantation owners and large-scale farmers outside the South had been satisfied by the removal of their workforce from the purview of the legislation. Although the election of moderate-to-liberal Northern Democrats to Congress and the militancy of a united working class were necessary conditions, as rightly mentioned by most of the scholars who have studied this legislation, it was in fact the Southern Democrats that had the final say-so on this critical piece of legislation.

As shown in the next chapter, this analysis is supported by the events that followed during the three years after the act passed, all of which had to do with race relations in both the North and the South, and the desire on the part of plantation owners for complete control of labor markets in the Southern states. The wealthy Southerners turned against the act in 1937 when the new CIO unexpectedly tried to organize integrated industrial unions in the South. Their sudden and very adamant change of heart meant that the entire ownership class became united against the National Labor Relations Act.

At the same time, the AFL and CIO entered into an intra-class war, which included both the skilled/unskilled divide and a racial dimension. Thus, the working class became more divided at the same time that owners and managers North and South were becoming more united. When the Republicans gained enough seats in the House and Senate in 1938 to forge an effective conservative voting coalition with the Southern Democrats, which could stop any legislation that employers North and South did not want, the handwriting was on the wall for the development of a strong union movement in the United States. In fact, as explained in the next chapter, the outbreak of World War II and then of the Korean War were the main factors that made it possible for unions to solidify their gains by 1954, and then fend off the corporate community and the power elite for the next two decades.

Problems Within the Union Movement

Despite the setbacks for organized labor at the hands of the Taft-Hartley Act, the Supreme Court, and the Eisenhower Administration, by the late 1950s the major unions were well entrenched in the large industrial companies that stood at the heart of the corporate community. Nor had the Landrum-Griffin Act directly damaged the large industrial unions, and they no longer had to deal with the direct threats posed by the anti-union "consulting" firms. Indeed, the 1950s were sometimes claimed to be the heyday of a "hidden affair between big labor and big business," as one journalist called it (Nossiter 1959), and later as the beginnings of a truce between the corporate community and unions, as mentioned earlier in the chapter. The unions' strong position seemed to be indicated by the fact that the union-density percentage had hovered around 32 since its Korean War high point of 33.5 in 1954, although it did drop to 30.4 percent in 1960. In addition, a merger between the AFL and CIO in 1956 held out the hope that the union movement might develop greater political clout now that it spoke with one voice.

However, the unions in fact faced several major difficulties. To being with, less than a majority of union members were registered to vote (Boyle 1995, Chapter 5). Further, the number of workers in unions had stagnated at about 16 million between 1954 and 1960. Most of all, perhaps, unions faced serious internal problems because of the unwillingness of white workers to support the integration of African Americans into craft unions, especially in the construction industry (Frymer 2008, pp. 54–65). In 1959 the NAACP passed a resolution warning labor leaders that it might ask the National Labor Relations Board to decertify the many unions that were discriminating against black workers at the local level in both the North and the South. When black trade unionists brought several resolutions concerning discrimination to the floor of the annual AFL-CIO convention in that same year, the only support for the defeated measures came from the liberal UAW delegates, despite the racial discrimination practiced by a large percentage of their union's rank and file (Boyle 1995, Chapter 5; Frymer 2008, Chapter 3; Quadagno 1994, p. 62; Roof 2011, p. 120).

Up to that point, the racial animus harbored by many white union members had not had much if any impact on the growth and solidarity of the union movement overall, although integrated unions had lower wage differentials among members and more avenues for input by rank-and-file members (Stepan-Norris and Zeitlin 2003). However, caste-based racial exclusion in housing, schools, marriage, and jobs came to matter in a major way in the face of the civil rights movement and the uprisings and rioting in many cities across the country between 1964 and 1968, leading to defeats for both the Democratic Party and the union movement.

Summary: The Beginning of the End for Union Power

As demonstrated in the next chapter, serious union decline began in the late 1960s for two separate reasons. First, corporate resistance to unions stiffened as manufacturing companies faced stronger competition from abroad, along with a need to continue to automate their production processes. Corporate leaders were not willing to have their "right to manage" challenged under any circumstances, but they thought the issue was especially critical in the new competitive environment they had created for themselves through their strong lobbying for tariff reductions. (As already noted, this issue is discussed in detail in chapters in Part 3.)

Second, the growing divisions between liberals and labor over how to react to the civil rights movement's demands for integration of neighborhoods, schools, and workplaces made the unions vulnerable to a renewed corporate attack. As the disruption generated by activists in the black community (and then the anti-war movement) continued to escalate after 1965, it soon became apparent that the liberal trade unions could not organize a large voting coalition in favor of the government programs they favored. Even in the case of the UAW, its leaders' hopes for an enlarged welfare state on the basis of a black-white worker's coalition in both the North and the South, with the segregationist Southern Democrats finally displaced, were "little more than ashes" by 1968 (Boyle 1998, Chapter 8). More exactly, the UAW simply did not have the ability "to maintain a cross-class, biracial coalition committed to continued reform" (Boyle 1998, p. 230). Instead, it lost the support of its major allies and the confidence of many of its white members: "For very different reasons, African-Americans, white workers, liberals, and the New Left all came to see the UAW, as they saw the Johnson Administration, as a prop for the status quo," historian Kevin Boyle (1998, p. 230) concludes in a concise summary of his masterful full-length study of the UAW between 1945 and 1968, published three years earlier (Boyle 1995). Far from any notion that labor had sold out, lacked militancy, or betrayed its promise, its story was one "of struggles fought—and lost" (Boyle 1998, p. 230). More generally, there was an unraveling of the liberal-labor alliance, just a little over 30 years after it first came together (Boyle 1995, Chapters 9–10; Matusow 1984).

To make matters worse, longstanding tensions increased between Reuther, who was the de facto leader of the liberal unions, and the president of the AFL-CIO, George Meany, a former plumber with a classic craft-union mentality and little interest in helping African American workers, if any. Meany's support for the Vietnam War and foot-dragging on integration exacerbated the tensions. Reuther withheld UAW dues to the AFL-CIO to express his displeasure with Meany's leadership, which led Meany to suspend the UAW from the AFL-CIO. Reuther then formed a new Alliance for Labor Action in July 1968, which was joined by "the most unlikely of partners," the Teamsters, noted for corruption and political conservatism. The failure of the Alliance for Labor Action reflected the UAW's isolation, and that of the liberal unions in general, from the rest of the labor movement at that point (Boyle 1995, pp. 246–247).

However, that fact provided no comfort for the corporate community. It was far more concerned that the most powerful of the private-sector unions, liberal or not liberal, could still use slowdowns, work stoppages, and strikes to win wage increases, cost-of-living clauses, and better benefits in a context of tight labor markets and domestic turmoil. As noted a moment ago, these tactics were being used at the same time as corporations were facing more foreign competition in American markets and trying to sell more goods overseas. As a consequence, reducing union power became the primary concern for both moderates and ultraconservatives in the corporate community by 1968, whether the immediate issue was inflation, wage rates, profit margins, or foreign trade.

This renewed emphasis on defeating unions occurred just as Richard M. Nixon prepared to assume the presidency, thanks to a narrow victory over Hubert Humphrey in the popular vote by a 43.4 to 42.7 percent margin, which led to a 301 to 191 victory in the Electoral College. Nixon's triumph was in part made possible by the defection of white Democrats to the third-party candidacy of Alabama's segregationist governor, George Wallace, who won five Southern states and 13.5 percent of the nationwide popular vote. His strong support in 1968 in two highly populated Midwestern industrial states, Ohio (where he had 11.8 percent of the vote) and Illinois (where he had 8.5 percent), may have contributed to Nixon's narrow victory in them. All that said, Nixon's victory owed even more to the white Democrats who cast their votes for him instead of Humphrey.

The sea change in white voting patterns due to racial issues actually first manifested itself in early 1964, when Governor Wallace of Alabama won 30 percent of the white Democratic vote in primaries in Indiana, with his strongest support in a heavily black area in the northern part of the state and a fundamentalist Christian area in central Indiana, where few African Americans resided (Rogin 1969). He also won 33 percent of the Democratic vote in Wisconsin, and 47 percent in the former slave-and-caste state of Maryland (Carleson 1981, pp. 31–37; Rogin 1969). In Maryland, he won 16 of 23 counties, many of which were on the state's eastern plantation shores, along with the state capitol and the white "ethnic" neighborhoods of Baltimore (Carter 2000, p. 215).

The large and rapid changes in voting preferences by white union members has been pieced together from Gallup polls since the late 1930s and from more detailed studies by the American National Elections Studies at the University of Michigan since 1952. They first of all indicate that between 72 and 80 percent of union members had voted for the Democratic presidential candidate between 1936 and 1948 (Frymer 2008, p. 4, Figure 1.1). Despite the white workers' increasing concern with the demands of the civil rights movement, as evidenced by the George Wallace vote in three Democratic Party primaries in 1964, the percentage of white union members voting for Johnson in the national elections rose to a record 84 percent (Frymer 2008, p. 3). This was at least in part due to ultraconservative Republican presidential candidate Barry Goldwater's strong anti-union record, his talk of privatizing Social Security, and his musings about perhaps dropping nuclear bombs on Vietnam if necessary. But Johnson's record-setting Democratic percentage in 1964 fell to 40 percent in 1968, a shocking turn of events, and the Democratic percentage of the union vote sank to a new low of 36 percent in 1972 (Frymer 2008, p. 3).

The reasons for this very large change can be seen in Boyle's (1995) study of the UAW, which drew in part on surveys of its members commissioned by the union's research department. The passage of the Civil Rights Act in 1964 already had led to a considerable increase in integration in automobile factories in 1965 and 1966. For example, the percentage of African Americans in the UAW's unskilled membership ranks rose from 12 percent to almost 20 percent between 1960 and 1967 (Boyle 1995, p. 213). By 1965, one-third of white UAW members said the civil rights movement was moving too fast, and by 1967 one-half of the union's white members "opposed further integration" (Boyle 1995, p. 220). In 1968 the Democratic presidential candidate's support in one blue-collar country near Detroit fell by 19 percentage points from 1964, and by 22 percentage points in a county near Flint, the city in which the UAW had proven its mettle; Wallace won 14.2 percent of the vote near Detroit and 15.4 percent near Flint (Boyle 1995, pl. 255–256). Even though the Democrats ended up winning Michigan because of the three-way split in the vote, the fact remains that "Half of the voters in United Auto Worker areas [i.e., city neighborhoods or nearby suburban communities] had cast their ballots for conservative candidates, a profound change for a union whose members had been among the Democrats' most loyal supporters," and they continued to "move away from the Democratic party" over the next two decades (Boyle 1995, p. 256).

At the same time as many Northern white union members were moving toward the Republicans, so too were Southern whites. In 1964, the five Deep-South states with the highest percentage of African Americans (Alabama, Georgia, Louisiana, Mississippi, and South Carolina) cast the majority of their votes for Goldwater. They knew that his strong advocacy of "states' rights" meant that he would do nothing to change race-based caste relations in the South. In 1968, the white majority in eight of the 17 former slave-and-caste states voted for Nixon and another five states voted for George Wallace on his third-party ticket. As a result, the Democratic Party only won Texas in the South, along with three small, former slave-and-caste states, Delaware, Maryland, and West Virginia.

Although it is true that the Vietnam War was extremely divisive, and resulted in undying enmity between some groups, it is unlikely that very many defections to Nixon or Wallace by previous Democratic supporters can be attributed to opposition to the war or the anti-war movement. Instead, polls suggested that even though a majority of blue-collar and white-collar employees disliked the anti-war movement, they were opposed to the war as well (Boyle 1995, pp. 220–223; Hamilton 1972, Chapter 4; Hamilton 1975, Chapter 5; Mueller 1973; Mueller 1984). It therefore seems more plausible that the defections were due to the white resistance to the liberal Northern Democrats' support for integration, which many white Democrats perceived as a challenge to white dominance and the property rights they had in their jobs.

Based on these changes in white voting patterns in the second half of the 1960s, it is the Democrats' loss of many of its white voters, in conjunction with the harder line being taken by the corporate moderates, that prepared the way for a right turn. The allegedly improved organization and outreach of the ultraconservatives does not explain the right turn in the United States on labor or any other issues (*pace* Hacker and Pierson 2010; Mizruchi 2013; Phillips-Fein 2009). A fractured liberal-labor alliance was defeated by an enlarged corporate-conservative alliance because many white Americans at all class levels resented and resisted the demands by the civil rights movement, and soon thereafter by feminists and the LGBT movement (e.g., Hardisty 1999). Thus, in the same time period between 1965 and 2000 in which individual rights and freedoms expanded for people of color, women, and people with alternative sexual orientations, corporate domination also unexpectedly increased. Individual freedom turned out to be one thing, and collective power turned out to be quite another in a society riven by racial exclusion, religion, and ethnicity.

As a result of white voting shifts based on one or more of these new challenges to the status quo, the overwhelmingly anti-union Republican Party, dominated by conservatives and ultraconservatives in both the North and the South, now was in charge of the White House. Republicans therefore had the power to shape the NLRB and the Supreme Court. In addition, they could count on the rejuvenated conservative coalition, which had expanded its potential strength to 60 percent of the vote in the House and 52 percent in the Senate, thanks to the outcome of the 1968 elections (Shelley 1983, pp. 151, Table 8.5 and 154, Table 8.6).

I realize all this may sound a little unusual coming from a corporate-dominance theorist, but it's a multivariate world. People have racial, ethnic, and religious identities as well as class identities. Based on the United

States' history of slavery and continuing waves of immigration from many different countries, factors such as race, religion, and ethnicity came to be more important than class in shaping voting behavior from the mid-1960s to the end of the century (Manza and Brooks 1997; Manza and Brooks 1999; Zweigenhaft and Domhoff 2018, pp. 201–216). The explanation for the right turn is therefore not to be found in the idea that the corporate community or its ultraconservative wing somehow pulled its act together and asserted itself.

This corporate-assertiveness theory is the great conceit of the conventional academic wisdom of the twenty-first century. It comes close to explaining away the white defections from the liberal-labor alliance and the complicity of white trade unionists, however accidental or shortsighted, in the decline in industrial unions over the next 15 years. Contrary to this conventional academic wisdom, white resentments and resistance to integration, gender equality, and tolerance for all sexual orientations were the final, and critical, ingredients in the equation that changed the power structure between the 1968 and 1976 elections. A significant segment of everyday white voters made it possible for the corporate moderates to begin the right turn they had wanted to make by 1968 for their own reasons.

Conclusion

The union movement in the United States rose and fell for a complex combination of reasons that are relatively unique to the United States, if not completely unique. First, and this is common to many if not all industrialized democracies, there is the fact that a small percentage of unionized workers can persist because of the problems some owners face in dealing with the issue of replacement costs, whether due to the necessity of highly skilled workers, timeliness in delivery or shipment, or the inaccessibility of the work site for many potential replacement workers (Kimeldorf 2013). Short of highly authoritarian training and work structures, and/or the use of physical violence condoned or carried out by government agencies, the business sectors with high replacement costs may provide a small irreducible union base.

Second, in the United States there was a united corporate opposition to unions and the liberal-labor alliance from 1934 onward, which was joined in 1937–1938 by plantation owners in the South. The resources available to the corporate community meant that even established unions were always on the defensive, which in turn meant that resources that might be put into expanding the union movement had to be used to defend the few gains that had been made. However, this constant pressure was not enough to halt the rise of the unions and their persistence as a major power based into the late 1970s in some industrial sectors, and even into the early 1980s in a few instances.

There were two key variables in terms of the rise and fall of unions: the stance of the Southern rich, rooted in agricultural exports of extremely valuable cash crops, and the voting decisions of middle-income whites outside the South, blue collar and white collar, union and non-union. As demonstrated in Chapter 2, it was the liberal-labor alliance's accommodation of the Southern Democrats in 1935 that made the passage of the National Labor Relations Act possible, but it was the Southern Democrat's growing opposition to sit-down strikes and interracial organization in 1937–1938 that turned their most important benefactors, the Southern rich, into its unrelenting opponents, and thereby united the full power elite against the act.

But even that united opposition was not enough to defeat the union movement once World War II intervened and the unions and their members could provide a strong base for the Northern Democrats in Congress and for Democratic presidents. As a result, the highly organized corporate challenges to the union in the 1950s and 1960s had to settle for limiting the spread of unions outside of their base in the Northeast, Midwest, and some parts of the West Coast. In doing so they used a variety of means, including state-level right-to-work laws, decisions by the National Labor Relations Board during the Eisenhower Administration, and decisions by the Supreme Court in the 1950s and 1960s on common-situs picketing and plant closings, all of which hampered union organizing.

Thus, it was not until a large minority of middle-income whites switched their votes to the Republicans (and the openly racist Southerner, George Wallace), starting in 1964 in the South, and in 1966 and 1968 outside the South, that the corporate community and the conservative coalition could make any major advances despite their ongoing efforts. (At the same time, an increasing number of white professionals began voting for the Democrats, which staved off the full impact of the switch by the white working class for many years (Manza and Brooks 1999).)

As was the case at the end of the 1960s, when unions began to suffer political and organizing defeats, so too for the 1970s and 1980s. It was not that union leaders sold out or made mistakes, or that activists did not try hard enough or were not militant enough. Instead, it was once again a matter of battles fought and lost, as labor historian Kevin Boyle (1995; 1998; 2013) concluded in the case of the largest, most powerful, and most liberal industrial union of the 1950s and 1960s, the United Automobile Workers.

Even with all that, it is not as if there had been "majority rules" via Congress on union issues. As seen most clearly in the case of the Labor Law Reform Act of 1977, the defeats were at the hands of a determined minority that had clear strategic advantages, including the filibuster for many decades. Despite the Democratic reforms of the Senate in the mid-1970s, it still would have taken 60 senators to pass the relatively mild pro-union legislation in 1977, which failed in the face of opposition from 42 senators, almost all of them from right-to-work states.

While all this was going on, the Supreme Court made several decisions that gradually took away many of the statutory guarantees of protection against employers that had been granted to workers by the National Labor Relations Act, in exchange for labor peace. Decisions made by the NLRB during the Nixon, Ford, and Reagan administrations created a long list of prohibitions on actions by unions and their organizers. By 1985, a law that was originally meant to facilitate unionization and collective bargaining, as a moderate and nonviolent way to handle class conflict, had been turned into an employer-protection, anti-union law. That is a strong and counterintuitive conclusion, but sociologist Holly McCammon (1990; 1994; McCammon and Kane 1997) has provided the evidence that makes her conclusion one that is hard to deny.

In 1932, when there were few or no public-sector workers in unions, union density stood at its lowest level since 1918, 11.0 percent. In 2009, when the card-check act advocated by unions was not even voted on because 44 senators had stated they would not support it, union density in the private sector was only 7.9 percent. Union density therefore can be seen as an excellent indicator of the lack of union power, and of working people's power more generally, in the United States.

Part 2

How the Corporate Moderates Created Social Insurance Programs, and Later Tried to Undermine Them

The origins and fate of the Social Security Act of 1935 and related national-level social-insurance programs is a very different story than what happened in the case of unions. By and large, government social-benefit programs were not seen as a mortal threat by corporate moderates, although they resisted them or tried to cut back on them if they (1) impinged upon wage levels in low-wage industries; (2) became large enough to threaten corporate control of labor markets; or (3) began to be expensive enough to cut into profits in a serious way. As a result of the corporate moderates' relative moderation on social-insurance programs, they were sometimes amenable to social programs when there was social upheaval or working-class pressures. At that point, they either created social-benefit programs within their policy-planning network or shaped those put forward by the liberal-labor alliance to their liking.

The corporate moderates were even more amenable to a social-welfare program if it had major benefits for them, as turned out to be the case with the provisions of the Social Security Act of 1935, which was the first large-scale social-benefits program ever created by the federal government. As will be shown in great detail, some of the same companies that led the fight against the liberal-labor version of the National Labor Relations Act of 1935, such as Standard Oil of New Jersey and General Electric, were strong supporters of the Social Security Act. In addition, experts employed by Industrial Relations Counselors, Inc. had a major role in shaping two of the legislation's most important provisions, old-age pensions and unemployment insurance.

Most Americans, as well as many social scientists and historians, assume that big business has always been opposed to Social Security. They make that assumption for several reasons, starting with the fact that the most outspoken business leaders of the 1930s, the leaders of the NAM and the Chamber of Commerce, railed against it when it was considered by Congress, and tried to undermine it ever after. Moreover, as one part of the general right turn by corporate moderates, they joined the effort to cut back on these programs in the late 1970s, although they only partially succeeded in terms of programs concerning old-age pensions.

The original Social Security Act is also interesting for what it did not include, government spending for health (medical) insurance. A legislative drafting committee actually spent a large amount of time trying to craft a satisfactory program, but the resistance on the part of the American Medical Association, backed by ultraconservatives, was so intense that the attempt was abandoned (e.g., Starr 2017, pp. 267–269; Witte 1963, pp. 174–186). However, the eventual provisions for health insurance (in the form of Medicare and Medicaid in 1965, and the Affordable Care Act in 2010) were included under the umbrella of the Social Security Act.

The fact that many Americans now have government-supported health insurance owes much to the efforts of the liberal-labor alliance, but the story is more complicated than that because at a certain point in the late 1940s and early 1950s many hospitals started to need government subsidies to survive. Then government medical insurance became a financial cornucopia for private insurance companies, pharmaceutical companies, medical technology companies, and doctors, which dramatically changed the nature of healthcare in the United States. The history of Medicare and Medicaid is recounted as part of Chapter 7, and the story of the Affordable Care Act, which was supported by corporate moderates, is discussed in the final subsection in Chapter 9.

There is also a political angle to the twenty-first century's conventional wisdom about all forms of social insurance. This conventional wisdom, inside and outside of academia, says that corporate leaders were always against all forms of social insurance. Conversely, the liberal-labor alliance was their champion. Since most moderate conservatives within the corporate community became outspoken critics of the Social Security Act beginning in the 1980s, and wanted to cut back on government pensions, they were perfectly willing to blame liberals for the existence of these programs, and in any case may not know that corporate moderates provided the guidelines for the Social Security Act in the 1930s. Members of the liberal-labor alliance, on the other hand, were happy to accept credit for the creation of the programs they now defended so vigorously. In doing so they either do not know or ignore the fact that the liberals of the 1930s thought the old-age pensions and unemployment insurance provisions of the Social Security Act of 1935 were too centrist. Nor do they remember that the liberal-labor alliance was disappointed by the final versions of both the Medicare Act of 1965 and the Affordable Care Act of 2010.

The Affordable Care Act

There were several small changes in government support for healthcare in the late 1990s and early 2000s that were acceptable to, or actively encouraged by, the corporate community and the Republican-dominated Congress. The most important in terms of low-income citizens was a new benefit for children whose parents made less than two times the poverty level. It aided several hundred thousand children at the outset, and eventually several million. More relevant from a corporate point of view, which favored as much privatization of healthcare services as possible, the Medicare Modernization Act of 2003 offered major incentives to insurance companies to press harder for HMOs, with initial payment rates 25 percent higher for Medicare patients enrolled in HMOs than for those who preferred traditional fee-for-services physicians; it also included "tax incentives to encourage higher-income elderly to purchase private healthcare as a substitute for Medicare" (Quadagno 2005, pp. 199).

In addition, the Medicare Modernization Act added coverage for Medicare patients' medication costs, which passed with ease once the drug companies were given the right to set the price. Medicare would pay for medications, with no possibility that Medicare could try to bargain (Quadagno 2005, pp. 199). More generally, the 2003 Medicare legislation was supported by a "mammoth coalition" that was opposed by an "equally heavy set of groups," but the supporting groups in this instance had been created by the health insurance and drug corporations, who created this benefit in the face of opposition from the entire liberal-labor coalition (Baumgartner, Berry, Hojnacki, Kimball, and Leech 2009, p. 231). (The generosity of the Republican Congress to the health services industry in 2003 was an important basis for the "cost savings" that were negotiated by the Democrats to make the Affordable Care Act affordable a few years later.)

The compromises contained in a new insurance package legislated in Massachusetts in the early spring of 2006 created a prototype for a similar package of healthcare assistance that eventually became the Affordable Care Act in 2010 (hereafter usually the ACA). This unanticipated new opportunity originated in 2004 when the Bush Administration refused to renew special payments of $385 million per year to the state to support its expanded Medicaid program. This rejection came in the context of the budget deficits the Bush Administration had created for itself with its large

2001 and 2003 tax cuts, along with the impending expense for its new Medicare drug benefit. It was also looking to trim back Medicaid expansions in other states as well, not just in Massachusetts.

Faced with a potential budget crisis due to this refusal, the Republican governor, Mitt Romney, who already had a task force thinking about healthcare issues, reached out to the state's powerful liberal voice in Congress, Senator Ted Kennedy. Romney sought Kennedy's help in convincing President Bush and his secretary of Health and Human Services to grant another three-year extension (McDonough 2011, p. 39). Kennedy had friendly relationships with both the president and the Health and Human Services secretary, and he lobbied them heavily. However, the fact that the governor was a Republican with potential national appeal very likely had a more important role in convincing the Bush Administration to provide the extension. This time, however, if Massachusetts did not develop its own self-financed program within a three-year window, it would have to reimburse the federal government for its extra annual federal supplement, which would add up to nearly $1.2 billion for those three years. This provision created a powerful incentive to compromise.

Even with a billion-dollar IOU looming in the background, the wrangling between the state's business community and the liberal-labor activists, along with the conflicts between Romney and the Democratic legislature, were not settled until shortly before the federal deadline. The cohesive state-level corporate coalition created for this issue feared a possible tax increase for business if the federal money disappeared and the debt had to be paid. Since the issue concerned expanding access to the uninsured, it was not directly threatening to businesses, but the plan the corporate coalition supported was a minimal one. It included an individual mandate to buy health insurance, but not an employer mandate to offer insurance to employees. The Massachusetts Business Roundtable, the Associated Industries of Massachusetts, the Greater Boston Chamber of Commerce, and the Massachusetts Taxpayers Foundation worked together to keep costs for business low, but it was moderate on this issue in that it could lean a little left of center if need be (McDonough 2018).

At the same time, the Affordable Care Today coalition, which called itself ACT!, in concert with its liberal allies in the Massachusetts House, and with strong support from the Service Employees International Union (SEIU), demanded an expansion of the current state Medicaid program and the coverage of more children from low-income families. To pay for the program, it wanted an employer mandate to complement the individual mandate. To develop support for its program, ACT! held numerous rallies and engaged in vigorous lobbying. It also circulated a petition to put its healthcare plan on the ballot in November 2006, if the legislature did not act before the deadline (McDonough 2011, pp. 38, 40).

The liberal-labor alliance had a silent ally, the Blue Cross Blue Shield Foundation. In the late 1990s, Blue Cross Blue Shield of Massachusetts had an abundance of cash and was thinking about emulating the various Blue Shield Blue Cross companies in other states that began to convert to a for-profit status beginning in 1994. However, it decided to stay nonprofit and use some of its extra money to create a foundation, which had the explicit mission of working toward universal coverage in the state. The company's leadership also decided to hire a former liberal aide to a Democratic governor to head the foundation, who at the time worked for the Massachusetts Hospital Association. The foundation issued a series of reports on reform options, held forums, and served as a bridge that helped connect the business community, ACT!, and the legislature (McDonough 2011, p. 38).

After a long stalemate, and in the face of the federal deadline, ACT! accepted a much smaller employer mandate than it had advocated at the outset. The Democratic majorities in both houses of the state legislature, with liberal House members prodding the more mainstream Senate Democrats, substantially expanded the Romney plan. It now included deeper and broader financial subsidies, an expansive statewide set of benefits, and a $295 per employee penalty (brokered by the business leaders in negotiations with the governor and the legislature) for those businesses with 11 or more employees that did not provide health insurance (McDonough 2011, p. 40). Even then, Romney used his veto powers to eliminate the employer mandate when he signed the legislation in April 2006. The legislature then overrode this and several other Romney vetoes of specific provisions.

Because the plan in essence called for everyone to pay as much as they could, it was a societal effort to cover major healthcare expenses for every citizen in Massachusetts that might need extra help some day. In that regard, it was a "collective" endeavor that is consistent with liberal values. However, Romney also could construe ("frame") the legislation in conservative terms as the ultimate in individual self-responsibility because everyone had to look out for themselves by having insurance. In doing so, Romney drew on the fact that the ultraconservative Heritage Foundation had reintroduced the Committee for Economic Development's endorsement of an individual mandate into the healthcare argument in 1990, and had recommended that insurance exchanges should be set up to make it easier to individuals to shop for an insurance plan. To underscore these points, Romney had a Heritage representative as one of the speakers at the celebration of the enactment of the plan (McDonough 2011, pp. 37–38, 40).

In other words, both liberal and ultraconservative ideologies could be used to justify the same program to their very different constituencies. However, by that point, some 16 years after Heritage first spoke, most national-level ultraconservatives had decided to reject the idea of an individual mandate as an imposition on individual freedom. They also had concluded that their opposition to any form of government-sponsored health insurance would be a winning electoral strategy if they constantly invoked the threat to freedom that government social insurance allegedly posed. They therefore derided Romney's involvement in "Romneycare" when he made an unsuccessful bid for the Republican presidential nomination in 2008 (McDonough 2011, p. 43).

In the immediate aftermath of this legislative success, there was renewed corporate, liberal-labor, and Congressional interest in the possibility of national reform along similar lines. The program seemed to work and it had potential ideological appeal to both liberals and at least some Republicans. In February 2007, the Business Roundtable agreed to join a diverse coalition to discuss possible reforms, which also included the SEIU and AARP. It even included the NFIB for a short time due to the willingness of its new president, appointed in late 2006, to take part. (In terms of his business background, as might be expected from the NFIB by this point, the new president had made many millions of dollars when he sold the Virginia-based high-tech company he headed to a large British technology corporation for $300 million (McCarthy 2005).)

The new healthcare coalition, called Divided We Fail, had the modest goal of determining if its members shared enough common ground to recommend or support a possible plan (McDonough 2011, p. 54). In May 2007, the CEO of Safeway organized a Coalition to Advance Health Care Reform, which included 36 other companies (McDonough 2011, pp. 53–54; Nizza 2007). The Business Roundtable (2007) endorsed the individual mandate a month later. In doing so, it borrowed a page out of Romney's playbook by saying that it is the *responsibility* of all Americans to obtain insurance, which is in effect an endorsement of the individual mandate in the name of personal responsibility.

By this point, a new, all-encompassing insurance trade association joined the parade as well. America's Health Insurance Plans (AHIP) had been created in 2003 to represent the large insurance companies as well as some large managed care companies that did much of their billing to insurance companies. The new association also included the smaller companies that had completely opposed Clinton's plan from the start in 1993 through their Health Insurance Association of America (Altman and Shactman 2011, pp. 260–261). The new AHIP, including the smaller insurance companies that had joined it, had started to rethink its position shortly after the passage of the Massachusetts healthcare legislation, and began putting out plans to save money on healthcare in late 2006 and early 2007 (McDonough 2011, p. 55). It expressed support for an individual mandate in 2007.

In making this transition, AHIP's members may have had their eye on increasing their business opportunities in a context in which they were losing their biggest customers to self-insurance plans (Brill 2015, p. 51).

By 1999, according to research by the nonprofit Employee Benefit Research Institute, 66 percent of companies with 1,000 or more employees had at least one self-insured health plan, a figure that reached 84 percent by 2011; similarly, the percentage of all private-sector employees in self-insured company plans rose from 41 percent in 1999 to 59 percent by 2011 (Fronstin 2016, p. 3; Miller 2012). Whether members of AHIP worried about this trend or not, at the least they knew a new corporate-friendly government healthcare program that incorporated many more millions of people could be a potentially lucrative market for them.

The legislation the corporate moderates were willing to support at this point would include both an employer mandate and an individual mandate, make maximum use of private-sector health insurance and HMOs, and retain Medicare. In fact, all of these features were already part of a proposal in 1993 by moderate Republicans in the Senate, which was offered as an alternative to the Clinton initiative. As Quadagno (2014, p. 35) concluded, "[t]he ACA's key provisions, the employer mandate and the individual mandate, were Republican policy ideas, and its fundamental principles were nearly identical to the Health Equity and Access Reform Today Act of 1993, a bill promoted by Republican senators to deflect support for President Bill Clinton's Health Security plan." These principles also parallel the assumptions underlying the proposal put forth by corporate moderates in the early 1970s, including the individual mandate, as best embodied in the report by the CED (1973).

The highly visible public statements in 2007 by many corporate leaders concerning their views on health insurance are consistent with the expectations theory of policy change, which hypothesizes that clear signals from leaders in the corporate community are one of the ways in which large corporations influence policy decisions (Swenson 2002, Chapters 9–10). Whether these signals were the reason or not, the early frontrunner for the Democrat presidential nomination in 2008, Hillary Clinton, made clear at a forum for Democratic presidential hopefuls, sponsored by the SEIU in late March 2007, that she had a plan that included these provisions. However, her most visible liberal opponent at that moment made a strong play for her liberal supporters. A former trial lawyer who had been the Democratic senator from North Carolina from 1999 to 2005, and the Democratic nominee for vice president in 2004, he in effect endorsed a plan advocated by many liberals and labor leaders through Health Care for America Now (HealthCAN). As a large umbrella organization, it had major financial backing of at least $26 million dollars from liberal philanthropies. HealthCAN eventually collected signatures from 140 members of Congress, who said they backed the general principles of the organization's overall plan (McDonough 2011, p. 57).

Called the "public option," this left-liberal idea called for a government-sponsored healthcare plan that could be included within the array of private insurance plans that would be made available. The ostensible aim was to provide competition for the private insurers to force them to offer plans at reasonable prices, but the implicit hope of strong liberals, and leftists who liked the idea as well, was that it would be favored by the general public to a large extent, or be ready to fill the gap if the private insurance market became too expensive or failed. The specifics of the plan advocated by HealthCAN were developed by political scientist Jacob Hacker (Hacker 2007; McDonough 2011, pp. 56–57, 133–134), who earlier wrote the book on the failed Clinton Plan (*The Road To Nowhere*, 1996).

Many mainstream liberals, centrists, and health economists thought Hacker's plan was more problematic than strong liberals claimed. Whatever the merits of the plan according to different groups of liberals and centrists, it was anathema to the insurance companies because it might shrink their market to a size at which they could not agree to accept applicants with previously existing conditions. It was also unacceptable to hospitals and physicians because they feared it might eventually lead to price controls (Altman and Shactman 2011, pp. 296–302).

As for the third major Democratic candidate, future President Barack Obama, he expressed doubts that people should be forced to buy insurance. When he released his own plan in late May, which built on the existing system, he pledged that it would not contribute to the federal debt. The plan would bring in low-income individuals through tax credits and subsidies, and create Heritage-style state-run insurance exchanges that would include a public option. It called for a provision that would allow Medicare to negotiate prices with the drug companies, but did not include an individual mandate. Instead, there was only a mandate that parents had to purchase healthcare for their children.

The Obama plan hewed as close to the center of the political spectrum as possible. Three economists known to be concerned about cost control wrote most of its provisions. One of them, a professor of economics at Brandeis, had led the small government staff that created the Nixon plans for 1971 and 1974. He also had been among those marginalized or dismissed by president-elect Bill Clinton in January 1993, based on his doubts that it would be possible to control costs as effectively as Clinton and his trusted adviser believed to be possible (Altman and Shactman 2011, pp. 34, 53, 62–63, 245.) Obama's rivals for the nomination heavily criticized his plan's omission of the individual mandate because it was widely agreed that such a mandate was necessary. It was therefore inadequate from a policy point of view. However, there are indications that Obama soft-pedaled the individual mandate because he knew from polling that many voters did not like the idea, and in any case he wanted to appear more centrist than Clinton and her rivals to her left (Altman and Shactman 2011, p. 249; Brill 2015, pp. 36, 61; Starr 2011, pp. 186–187).

While Republican Senator John McCain and Democrat Obama campaigned for the presidency in the months before the election, the two Senate committees most crucial to healthcare issues, the Finance Committee and the Committee on Health, Education, Labor and Pensions, hosted an all-day bipartisan meeting for approximately 250 elected officials and staff members at the Library of Congress. The purpose was to keep the healthcare issue alive in Congress, with the hope there would be healthcare reform whichever candidate won the presidency. Then, in October, with a month remaining before the elections, Senator Kennedy, the chair of the Committee on Health, Education, Labor and Pensions, instructed members of his staff to meet with approximately 20 officials from a wide range of organizations that represented various business groups, along with mainstream liberals, centrists, and even a few conservatives.

In arranging for this meeting, Kennedy wanted to learn if the members of this potentially broad coalition were still in favor of healthcare reform. As everyone at the meeting was well aware, the Business Roundtable had released a four-part health plan a week or two before the meeting, which included the individual mandate despised by ultraconservatives, along with subsidies for low-income people (McDonough 2011, p. 53). It soon became clear as the discussion unfolded that no one in the room was for any of the more liberal plans that had been offered in recent months. Nor did any of them favor a slow, incremental approach that would start with federal support for state-level initiatives. When it came to an approach similar to Romneycare, there was strong majority support. However, the representatives from five business groups, including those from the Business Roundtable and the Chamber of Commerce, conspicuously abstained. They soon met separately and decided they were on board under two conditions: (1) it would be a uniform national plan so businesses would not have to deal with 50 different state governments; and (2) there would be no tampering with the 1974 pension legislation that made it possible for corporations to self-insure at the state level (McDonough 2011, p. 37). There were no objections to these two provisos from the other participants in the fledgling coalition.

By this point the ultraconservative front group, the National Federation of Independent Business, which continued to mislabel itself as a business association, had returned to its usual all-out opposition (and the president who had joined the Divided We Fail coalition was no longer its president) (Mandelbaum 2009b; McDonough 2011, p. 54). Meanwhile, the NFIB continued to be treated as a legitimate representative of small business in the academic literature, despite all the evidence to the contrary. Consistent with that past evidence, a 2008 national survey of small-business owners with 100 or fewer employees showed that approximately one-third said they were Democrats and 29 percent said they had no party affiliation, leaving only about one-third as self-declared Republicans; then too, most of the NFIB's campaign donations continued to go to Republicans, even while insisting it was a nonpartisan organization (Mandelbaum 2009a). In 2011–2012, shortly after the Affordable Care Act passed, the NFIB gave over 98 percent of its campaign contributions to Republicans, drawing in good part on large donations it obtained from a secretive Republican Political Action Committee (CMD 2012).

More generally, the Divided We Fail coalition failed because the Business Roundtable on the one side and AARP and the SEIU on the other could not agree. However, the Business Roundtable did not reject the possibility of new legislation. It therefore continued to work for the kind of reforms it wanted (McCanne 2009). Looking at the failure of the Divided We Fail coalition in terms of the likely calculations of AARP and the SEIU, and the liberal-labor alliance more generally, the reformers very possibly believed they could win more in the governmental arena than the Business Roundtable was willing to concede to them to be part of a broader center-liberal coalition.

Staying consistent with his campaign promises, and against the advice of some of his political advisers, Obama continued to state that he wanted to make healthcare legislation his first order of business and a potential legacy. He further said he would leave the details of the legislation to the Congressional committees that had been setting the stage through their public and private meetings with key stakeholders. In that context, he carefully avoided any statement on the individual mandate. Veteran Democratic staff members from the two key Senate committees then wrote a detailed draft of the bill between June 17 and July 15, 2009, which included the individual mandate. At this point the president said he would accept it (McDonough 2011, p. 60).

Although President Obama did not involve himself in the details of the legislation, he and his White House aides did make a concerted effort to line up as much business support as they could, which in good part involved bargaining over the amount of cost savings each business sector was willing to provide. By late June the White House, with the considerable help of the Democratic chair of the Senate Finance Committee and his staff, could announce that the trade association for the drug companies had agreed to have its member companies provide $80 billion in discounts to Medicare patients over a ten-year period, partly in exchange for the greatly expanded market that would be created by the new legislation (McDonough 2011, p. 76). In addition, the pharmaceutical manufacturers were in effect foregoing some of the riches handed to them by the Medicare Modernization Act in 2003 by helping to cover a gap in that legislation. This gap had been necessitated by a constraint Congress had imposed on itself in terms of how much a new spending bill could contribute to an increase in the national debt. This show of proper budgetary caution had left some of the elderly paying a higher percentage of their prescription costs once they had spent more than a certain minimum and before they reached a high point at which the government paid most of the cost (McDonough 2011, p. 172–173). The drug companies further cemented the bargain by spending an estimated $150 million in lobbying and media coverage in support of the legislation (Kirkpatrick 2009; Mizruchi 2013, p. 257).

The Obama Administration then entered into negotiations with three major associations representing a wide range of hospitals. They were able to reach agreement by early July for $155 billion in savings over a ten-year period (McDonough 2011, p. 78). In exchange, the hospitals were exempted for a ten-year period from any general payment cut that might be made by a new Independent Payments Advisory Board, which would be mandated to make general payment cuts if certain overall spending levels were exceeded (Altman and Shactman 2011, p. 371). The large for-profit hospitals and hospital chains, represented by the Federation of American Hospitals, were fully accommodated on their main issues at that point, although they insisted it would not be a reasonable deal for them if less than 95 percent of the population was covered. The nonprofit Catholic Hospital Association, which strongly supported coverage for everyone for moral reasons, was able to reach an acceptable compromise with the Democrats for dealing with the highly charged issue of public funding for abortion. However, negotiations with the largest association of hospitals, the American Hospital Association, took much longer because it included a wide array of hospitals. Its member hospitals in rural regions felt they were being short-changed by a reimbursement formula that seemed to favor large urban hospitals, so lengthy negotiations within the association and with the government were necessary to resolve the issue to everyone's satisfaction (Altman and Shactman 2011, p. 266).

The AMA did not come out in favor of the plan until December after lengthy bargaining in which it gained little or nothing. The AMA was the only major organized body that was not asked for a cost saving, but it did not receive solid guarantees for any of the changes it had sought, although a few medical specialties gained some small breaks. The potential for yearly cuts in Medicare payments to physicians, which had been included in legislation in 2000, but usually suspended on a year-to-year basis, was not rescinded, although it was suspended for at least another year. A promised independent vote on the issue did not occur because the bill had to be finalized in a hurry when the Democrats unexpectedly lost a Senate seat in Massachusetts in a special election after the death of Senator Kennedy.

Nor could the AMA modify or remove the plan for an Independent Payment Advisory Board, which worried physicians because they felt they would be the first to be hit by any cutbacks the board recommended. The AMA also saw the public option as a threat for similar reasons (Altman and Shactman 2011, pp. 271–273; McDonough 2011, pp. 52, 173–176).

Similarly, negotiations with the trade association for medical devices also took longer than expected, despite a willingness to compromise by both sides, so the final details, and a cost saving of $20 billion, were not agreed upon until the same month, December, that agreement was reached with the AMA.

Despite the efforts to accommodate as many major sectors of the health-care community as possible before introducing the legislation into Congress, the Democrats could not reach agreement on a range of issues with the insurance companies represented by AHIP. The most important of these issues involved the size of the cost givebacks expected of the industry through its individual companies. The Democrats, working through the chair of the Senate Finance Committee and his staff in this instance, asked for the same level of cost savings that the pharmaceutical companies had agreed to, $155 billion over a ten-year period. However, AHIP offered only $80 billion based on its own studies. An independent assessment by a Wall Street firm concluded that the insurance industry could afford to go higher, and the nonpartisan Congressional Budget Office said that none of AHIP's suggested efficiencies would save any money. But AHIP would not budge on this issue (Altman and Shactman 2011, pp. 262–264; McDonough 2011, pp. 78, 169).

At the same time, liberals successfully added what they considered to be necessary provisions that would limit insurance company profits. For example, the companies would be required to pay out 80 percent of what they received from companies with small plans and 85 percent of what they received from companies with large plans. Then, too, the AHIP negotiators were deeply angry about the exemption of hospitals from any payment cuts by the Independent Payment Advisory Board for a ten-year period. In those circumstances, the insurance industry claimed there could be considerable cost increases for them (Altman and Shactman 2011, p. 371). Nor did the insurance industry want the liberal plan for a public option included in the bill because of the uncertainties it would introduce into the actuarial analyses used in pricing decisions. In the face of this entangled bundle of differences, the negotiations ended in July 2009, and AHIP began lobbying against the plan, claiming it would increase insurance premiums dramatically. AHIP also quietly started to give what eventually added up to $86.2 million to the Chamber of Commerce to attack the plan in the name of small businesses (McDonough 2011, pp. 78–79, 169). (In 2011, AHIP gave $850,000 to the NFIB as part of an effort to convince Congress to repeal a provision in the ACA it did not like (Potter 2013).)

Once the details of the legislation were agreed upon by the White House and Democratic leaders in Congress, virtually all of the Republicans in Congress opposed the legislation for their usual reasons, including those advanced by AHIP, the NFIB, and the Chamber of Commerce. At that point, however, the Democrats had 60 votes in the Senate and a

258–177 majority in the House, so any disagreements that mattered were among Democrats. With the exception of the public option in the Senate, those disagreements did not include the issues that had been negotiated with representatives of the corporate community. Instead, they primarily involved social issues relating to religion, sexuality, and most of all, abortion, which led to prolonged and highly contentious battles.

Ignoring the reassurances and appeals of the Catholic Hospital Association, which had a strong representation of nuns in its leadership, the conservative male hierarchy of the Catholic Church, with the help of Protestant evangelicals, came close to defeating the legislation in the House on the basis of their shared opposition to abortion. However, enough liberals very reluctantly accepted a compromise on abortion for the bill to pass (Altman and Shactman 2011, pp. 288–291). In the end, only one Republican in the House, a Vietnamese American from New Orleans, supported the bill, to the great displeasure of his colleagues.

When the bill returned to the Senate for final consideration, the corporate community's opposition to the public option rose to the fore within the context of the effort to win the final few Democratic votes that were needed. As already noted, the public option was anathema to the insurance companies, including the large insurance companies in Hartford and New York, and they had a sympathetic friend in the centrist Democratic senator from Connecticut. The price of his vote, along with that of a conservative Democrat from Nebraska, was the removal of the public option (Altman and Shactman 2011, pp. 290–291, 296–302, for a detailed discussion of this contentious issue). The Senate majority leader also had to make specific deals with three Democratic senators to secure their votes. The Nebraska senator demanded that the federal government pay the full cost for any Medicaid expansion in his state. The senator from Louisiana received special Medicaid payments for her state, and the Senator from Arkansas won the elimination of any penalties for employers that did not provide health insurance for provisional employees (McDonough 2011, p. 91–92)

Following the passage of the Affordable Care Act, the healthcare industry became even more concentrated due to a new wave of mergers, with hospitals more clearly at the center of the system (Starr 2017, pp. 274–275). At the same time, healthcare in the United States remained more expensive than in most countries, primarily because of higher administrative costs, higher drug costs, and higher salaries for physicians. Then, too, and not insignificant in terms of the importance of consumer demand, the higher cost of American healthcare also involved the wider use of potentially life-saving surgeries and other intensive medical applications; they had been strongly demanded by middle- and upper-middle-class Americans, many of whom voted Republican. Most physicians also had advocated intensive medical procedures as well. Nevertheless, the ACA did cut projected healthcare costs, as Obama's economists and the Congressional Budget Office had predicted it would (Altman and Shactman 2011, pp. 246, 251; Cutler and Sahni 2013).

This general analysis of the power struggle over the Affordable Care Act contrasts once again with that of the political sociologist who sees the "corporate elite" as fractured. Although he notes that some corporate leaders were "involved at all stages of the process" that led to the Affordable Care Act, he concludes that the corporate elite was "far less central than it had been during the debate of the Clinton plan, and had "essentially sat on the sidelines" (Mizruchi 2013, p. 258). Whatever the merits of this surprising claim about sitting on the sidelines may prove to be if new archival evidence appears, several conclusions seem to be firmly established based on detailed analyses of the origins and passage of the legislation that were not taken into consideration in making his assertion (Altman and Shactman 2011; McDonough 2011; Quadagno 2011). All of them provide information showing that the corporate moderates played a major role.

There are numerous indications of this central role: (1) the act was based on principles that were created and insisted upon by the moderate conservatives in the corporate community; (2) many corporate moderates joined health-insurance coalitions with non-business groups in 2007, and the Business Roundtable endorsed the individual mandate in 2007 and offered its own plan in 2008; (3) corporate moderates were involved in all stages of the legislative process (recall that the Business Roundtable was consulted as late at December 24, 2009); (4) the issues of concern to the pharmaceutical, hospital, and medical devices sectors of the corporate community were accommodated before the legislation went to Congress; (5) the corporate moderates did not try to block the bill; (6) the concerns of the insurance companies—and hospitals and physicians—were assuaged to some extent by the removal of the public option; and (7) the efforts to defeat the bill by AHIP, the Chamber of Commerce, and the NFIB failed.

The passage of the ACA, which corporate moderates favored, when juxtaposed with the failure of the Clinton healthcare plan in 1994, which the corporate moderates opposed, provides strong evidence that they were a pivotal point in the ACA process. But it is also true that the legislation could not have passed if the liberal-labor alliance had not been willing to give ground on abortion funding. The act was therefore the product of a coalition of corporate moderates, the liberal-labor alliance, and the Democratic Party, a coalition that had rarely appeared after the 1960s.

For the most part, as already mentioned at the end of Chapter 7, the ACA was more similar to than different from the CED's report on *Building A National Health-Care System* (1973). As in the CED plan, corporate employees still had employer-provided health-insurance plans, and Medicare remained in place for the elderly. The CED had called for community trusts for the poor and near-poor, which would be overseen by Medicaid officials, whereas the ACA has state-level insurance exchanges that offer a range of federally subsidized private insurance plans. The CED projected that Medicaid would decline in its importance, and the ACA proponents similarly projected that Medicaid would be at least partially replaced by the state insurance exchanges.

Instead, Medicaid has continued to grow over the decades, so once again the corporate moderates were neither seers nor all-powerful. In 2017, perhaps as many as 19 percent of all those with any form of health insurance were covered by Medicaid. More generally, about one-third of those with health insurance were in one of three government insurance programs: Medicare, Medicaid, or the Veterans Administration (Pear 2017).

Conclusion

The Social Security Act of 1935, which was clearly based on principles that emerged from the experience of corporate moderates with their private insurance plans, and then honed into specific plans within the policy-planning network, was the first major government program to provide social insurance to a majority of Americans. Its provisions for old-age pensions, unemployment insurance, and assistance for single mothers with young children, along with old-age assistance for those who do not receive Social Security pensions, established the foundations for an expanded system of social benefits in the future. The Social Security Act was gradually supplemented by disability benefits, Medicare, Medicaid, the Earned Income Tax Credit, job-training programs, rent support, subsidies to developers for building low-income housing, and the expansion of supplemental nutritional assistance in times of major crisis. Finally, the Affordable Care Act, in conjunction with expansions in Medicaid, helped to reduce the percentage of Americans without health insurance from 16.0 percent in 2010 to 9.1 percent in 2015, and it would have been even lower if many Republican-dominated state legislatures had not refused to accept the expansion of Medicaid (Starr 2017, p. 472).

Taken together, these government programs made it possible for the elderly, low-income people, the unemployed, and single mothers with young children to squeeze by on a day-to-day basis, especially after Social Security pensions were indexed for inflation in the mid-1970s, and food stamps were made more readily available in times of economic crisis. In addition, as noted in Chapter 8, the urban poor and the homeless received some help, albeit very limited, from foundation-funded and tax-subsidized Community Development Corporations, corporate-sponsored low-income housing programs, United Way, churches, and local charities.

Nevertheless, the fact remains that the poverty rate, which fell from 22.4 percent in 1959 to 11.1 percent in 1973, due in part to the creation of various crisis-generated social benefits that were later cut back, such as rental and low-income housing subsidies that benefit the poor, varied between 12 and 15 percent between the late 1970s and 2012 (Seefeldt, Abner, Bolinger, Xu, and Graham 2012). As a result, the United States had the most meager welfare state among the 35 industrialized democracies that are compared by means of information compiled by the Organisation for Economic Development and Cooperation.

All of these outcomes are further evidence for the power of the corporate rich and the power elite through their policy-planning network and the conservative coalition in Congress. New social-insurance programs were created in the 1930s and then again in the 1960s in the face of economic calamity or social unrest. They grew little or were reduced in size when a united corporate community opposed any further expansions. The lack of further growth in these programs indicates that the power elite were able to starve the federal government by limiting taxes on high incomes and capital gains, by holding wages to a minimum, and by supporting an opinion-shaping network that repeatedly blamed the victims of corporate power for their poverty and lack of education.

It is also notable that the one program that continued to grow, federally supported health insurance, was not close to universal until 2010, and it was based on the principles that the corporate moderates had first decided upon by 1973. Put another way, the healthcare program did not reach its early twenty-first century form until the liberal-labor alliance abandoned its hopes for a single-payer ("Medicare-For-All") system and for a system of regional health alliances that would replace most employer-based insurance programs.

With the exception of their acceptance of health insurance for nearly everyone, the corporate rich and the power elite had increased poverty after the 1970s, while most similar countries were reducing it. In 1979, the average American could expect to live about 1.6 years longer than people in other well-to-do nations, but by 2015 they were likely to die nearly two years earlier than citizens in comparable countries (Ingraham 2017). At the same time, differences in life expectancies between higher-income and lower-income people in the United States grew as well (Chetty, Stepner, Abraham, Cutler, Lin, Scuderi, Turner, and Bergeron 2016).

Part 3

The Rise of an International Economic System, 1939–2000

The five chapters in Part 3 focus on the readily traceable, gradual, step-by-step creation of a new international economic system during and after World War II. The early chapters reveal the key role of domestic economic considerations in explaining why the corporate moderates, in their role as internationalists, crafted an international economic framework. Their reasons included the fear of losing power to the liberal-labor alliance in a more domestically oriented economy, as well as a desire for even greater profits. By 1946 or 1947, their concern with defeating the Communist countries became an added motivation. (To make the chapters as reader-friendly as possible, the month and year of some important events are repeated so that it is not necessary to keep them in mind or leaf back in the chapter.)

The chapters first of all focus on the role of two major policy-discussion organizations in the postwar era, the Council on Foreign Relations and the Committee for Economic Development, the latter introduced in Chapter 3, and in later decades on the Business Roundtable, in formulating the policies necessary for an international economic system. These three organizations, with important assistance from foundations, think tanks, and a wide range of special committees they helped to create, brought these policies to the attention of the federal government through a variety of avenues. They then played a major role in creating the governmental structures for implementing them. They carried out their plans in the face of continuing setbacks at the hands of the ultraconservatives and the conservative coalition until the mid-1970s.

At about the same time as the ultraconservatives began to soften their stance on trade issues, the corporate moderates lost the support they had enjoyed earlier from the liberal-labor alliance, which by the early 1970s vehemently rejected the off-shoring of jobs that became one of the most visible features of later phases of the internationalization process. Despite these challenges, the corporate moderates' plans, which took far longer to realize than they originally imagined, finally were successful. They culminated, for all intents and purposes, with the passage of the North

American Free Trade Agreement (NAFTA) in 1993, Congressional approval of American participation of the World Trade Organization (WTO) in 1994, and the establishment of permanent normal trade relations with China in 2000.

Based on findings that unfold in these chapters, it also can be added that previous analyses of the international economic system tend to overlook the early years of the planning for it, underestimate the degree to which the corporate moderates had a coherent vision, and ignore the role of the policy-planning network. More specifically, most of these earlier analyses miss the fact that the important corporate and governmental figures they rightly focus upon were part of the policy-planning network, and drew most of their new ideas and advisory experts from it. Then, too, some earlier analyses either make the internationalization of the economy seem like a natural unfolding of the inner workings of an enterprise-and-market system, or suggest that its development was more ad hoc and piecemeal than it was, and usually in reaction to specific events and new opportunities.

The Bush Administration Negotiates NAFTA

The informal negotiations leading to NAFTA began in early 1990, after a Harvard-trained Mexican economist, Carlos Salinas, won the presidency of Mexico and began to think about an ambitious plan for the development of the Mexican economy. To do so he assembled a team of American-trained Mexican economists, and after some hesitations, indicated his intentions to American officials. He met in Houston with Bush and Baker shortly thereafter, and developed close relations with them (Mayer 1981, pp. 38, 42). He also reached out to the American corporate community through the CEOs of two corporations, American Express and Eastman Kodak, which had a strong economic presence in Mexico; they were also the co-leaders of the Business Roundtable's task force on trade expansion (Mayer 1998, pp. 39, 42). In addition, Salinas contacted Senator Bill Bradley (D-NJ), who had taken an interest in Mexican economic development since 1985, after serving on a Senate committee that helped resolve the Mexican debt crisis (Mayer 1981, p. 37).

Based on post-NAFTA interviews with participants from all three countries, two Canadian political scientists pieced together the highly complex negotiation process that then unfolded (Cameron and Tomlin 2000). The researchers were able to conduct frank and in-depth interviews that made it possible to construct a sophisticated, multi-level analysis of the negotiations. It was possible to develop this analysis because they started with a deep understanding of the secretive negotiations due to the background information they obtained from an extremely well-informed confidential informant within the Canadian government. The interviewees often expressed surprise at what the interviewers already knew, and were usually very forthcoming (Cameron and Tomlin 2000, pp. 12–13, for the interview strategy, and Chapter 4 for the motivations and goals of the leaders in each country; Mayer 1998, Chapter 3, for an independent parallel analysis).

The informal negotiations that later would lead to the formal negotiations, along with the major role the Business Roundtable would play, first came into notice within the formal political arena in late September 1990. At that point President Bush notified the relevant Congressional committees that he would seek an extension of his fast-track authority for both NAFTA and possible American entry into a World Trade Organization if the negotiations ended satisfactorily (Cameron and Tomlin 2000, p. 70). Liberals, union leaders, and grassroots environmental activists immediately made their all-out opposition to both NAFTA and the WTO abundantly clear for a variety of reasons relating to job loss, union decline and possible environmental degradation (Dreiling 2001, Chapter 4; Mayer 1998, pp. 69–77). By January 1991, they had joined forces to create a coalition to defeat the Bush proposal.

With Democrats holding solid majorities of 55-45 in the Senate and 265-165 in the House, the two most important Democrats on the fast-track issue, Lloyd Bentsen, a Texas rancher and insurance magnate, who was chair of the Senate Finance Committee, and Dan Rostenkowski, a Chicago machine Democrat, who was chair of the House Ways and Means Committee, wrote to the president. They stressed the need for any fast-track agreement to address the rights, health, and safety of workers as well as environmental protections. At the same time, Rostenkowski contacted the Business Roundtable leaders active on trade issues, warning them that it was "time to get your asses in gear if *you* want to win this thing" (Cameron and Tomlin 2000, pp. 74–75, my italics). They responded by expanding their Coalition for Multilateral Trade Negotiations into the Committee for Trade Expansion, which included the NAM, the Chamber of Commerce, and ECAT, as well as numerous individual corporations. They then began lobbying for fast-track authority, primarily through the Washington representatives of the member corporations, along with several law, lobbying, and public relations firms. Three months later, fast-track won 233-194 in the House with strong Republican support and mixed Democratic support. Reflecting the initial opposition of textiles and other protectionist industries in the South, a majority of the Southern Democrats opposed the measure, 43-41 (Destler 2005, p. 206).

The formal negotiations among the official representatives from the three countries were based in the American case on the deliberations within "more than 30 advisory committees on such broad topics as investment, intellectual property, agriculture and labor as well as more narrowly focused topics such as chemicals, paper products, textiles, and dairy and livestock products" (Mayer 1998, p. 114). These committees met regularly with the relevant U.S. negotiators. Overall coordination for the negotiations was provided by ACTPN, most of whose members were corporate executives, although there were two labor representatives and an environmental representative as well. The co-chairs of ACTPN were the same CEOs from American Express and Eastman Kodak that had been part of the process since its informal beginnings, and they were still the co-chairs of the Business Roundtable's trade task force (Mayer 1998, p. 114). The STR, corporate lawyer Carla Hills, who was a CED trustee, orchestrated the overall process. The details of the deliberations were secret, and the participants had security clearance.

The negotiations were completed in mid-August 1992. President Bush, the Mexican president, and the Canadian prime minister formally signed the agreement on December 17, 1992. Leaders within the Business Roundtable then met with other business leaders, the president of Mexico, and the Mexican counterpart to the NAM to discuss strategy (Mayer 1998, p. 234). The Americans also used the occasion to greatly expand their Committee on Trade Expansion into USA*NAFTA, which soon claimed to have 2,300 corporate members, along with 46 trade associations and a number of law firms (Dreiling 2001, p. 95).

An Eastman Kodak executive that advised the company's CEO on international trade was placed in charge of managing the day-to-day operations of USA*NAFTA (Mayer 1998, p. 234). The Washington representatives for large corporations once again did most of the legwork, aided by lawyers, Republican and Democratic lobbying firms, and public relations and advertising agencies (Mayer 1981, p. 235). Following the past precedents set by the Business Roundtable in dealing with construction unions in the 1970s and local healthcare systems in the 1980s, USA*NAFTA appointed "state captains" in all 50 states, most of whom came from highly visible local and regional corporations, to work with the lobbying and public relations specialists in arranging visits with the Senators and members of the House from their states (Dreiling 2001, p. 95). In 20 of these states, the state captain appointed regional and local committees to bring the efforts even closer to local business communities and to elected officials in the House that were sitting on the fence on the issue.

The most detailed policy and political account of the NAFTA process, written by a political scientist serving as an aide to Senator Bill Bradley, concludes that the Business Roundtable was the "effective parent" of USA*NAFTA (Mayer 1998, p. 252). Subsequent quantitative work on a network of 228 pro-NAFTA corporations, along with several major policy-discussion groups, supports his conclusion. It demonstrates that the Business Roundtable was near the center of the network, along with ECAT and NAM. The president's Advisory Committee on Trade Policy Negotiations and numerous trade advisory committees were in the network as well, through their direct corporate links (Dreiling 2001, pp. 95, 99, 129).

In a follow-up study with a similar database for 1997 and 2003, sociologists Michael Dreiling and Derek Darves (2016, Chapter 6) found that being part of a policy-discussion group significantly increased the chances that one or more of a corporation's executives would serve on a trade advisory committee, belong to one of the temporary pro-trade alliances, or testify before a Congressional committee on a trade issue. In particular, involvement in the Business Roundtable increased the chances that at least one of a corporation's executives would serve on a trade advisory committee by 152 percent, be a member of one of the temporary pro-trade alliances by 234 percent, or testify before a Congressional committee on trade policy by 346 percent (Dreiling and Darves 2016, pp. 215–216, 218). Thus, there can be little doubt, based on a combination of case-study and network-analysis findings, that the policy-planning network, and especially affiliation with the Business Roundtable, had a major impact in the realm of international trade issues.

As the approval process began in January 1993, there was one large new factor in the equation. A little over a month before President Bush signed the agreement with Canada and Mexico, he had lost the presidency to Democrat Bill Clinton in a three-way race. A single-issue, anti-trade candidate, billionaire H. Ross Perot, one of the 25 richest Americans at the time, received 18.9 percent of the votes while spending $72 million of his own money. The new president, who had most recently been the governor of Arkansas and the chair of the Democratic Leadership Council, a centrist party organization with a strong contingent of Southern Democrats, would therefore assume the task of shepherding the NAFTA package through Congress.

The Clinton Administration and NAFTA

The first Democratic president since Jimmy Carter continued in the bipartisan tradition of appointing corporate moderates from the policy-planning network to top positions in his administration. President Clinton's first secretary of state practiced corporate law in Los Angeles and served on the board of directors for Lockheed Martin, Southern California Edison, and First Interstate Bancorp, and was also a vice chair of the CFR. There were also another 31 members of the CFR in Clinton's administration, most of them in the State Department, including the president of the CFR as the undersecretary of state for political affairs by 1995. The director of the CIA, the American representative to the United Nations, the chair of the Council of Economic Advisors, and the director of the Office of Management and Budget also were members (Domhoff 1998, pp. 251, 254–255). The STR, born and raised in Nashville, was a Los Angles corporate lawyer and fundraiser for the Democratic Party (Dryden 1995, pp. 384–390).

As pro-trade as the administration was, there were still delays and problems before NAFTA was finally signed in December 1993, just as fast-track authority for NAFTA was about to expire. The problems arose because Clinton had campaigned on the promise of supporting NAFTA, but also said that adding side provisions would provide stronger guarantees for environmentalists and trade unions than the Bush Administration had included. As useful as this added wrinkle was in gaining support from both liberals and centrists in the electorate, the new side agreements proved to be difficult for the Clinton Administration to agree upon, and difficult to negotiate with Mexico and Canada. Moreover, Clinton's early focus as president was on passing a budget and implementing his healthcare plan, which took much longer than he expected. It was not until mid-August 1993, that he gave NAFTA any time at all, right about the time the final round of negotiations was completed. With the vote already scheduled for November 17, it was not until the few weeks before that date that Clinton gave NAFTA his full attention.

These delays meant that there was little that USA*NAFTA could do while it waited, and in any case many of the Business Roundtable leaders and other corporate policy groups were focused on the budget and healthcare as well. Further complicating the problems for the corporate executives and groups that were charged with making sure that NAFTA passed, they were concerned that the NAFTA process would stall out, or that the side agreements would go too far for them. They therefore withheld their full support until they were certain as to what they would be supporting, or opposing, as the case might be. In fact, within a month after discussions of the side agreements began, lawyers employed by the Business Roundtable were warning its leaders that the results may not be to their liking. The Business Roundtable, ECAT, NAM, and the Chamber of Commerce then sent a joint letter of concern to the new STR (Mayer 1998, pp. 181–182).

Once the new side agreements were announced in mid-August, they were enthusiastically endorsed by the seven large, national-level environmental groups, which had been part of the process of creating the environmental regulations (Destler 2005, p. 202; Mayer 1998, p. 291). These groups, which included the National Wildlife Confederation, the National Resources Defense Council, the Environmental Defense Fund, and Nature Conservancy, were part of the policy-planning network through their corporate and foundation financing as well as their shared corporate directors, as also evidenced by the fact that they been instrumental in creating the Environmental Policy Administration and the White House Council on Environmental Quality during the Nixon Administration (Domhoff 2014, pp. 84–85; Gonzalez 2001; Mitchell 1991; Robinson 1993).

Unlike the corporate moderates' relationship with mainstream environmentalists, there was little or no chance from the start that the corporate moderates could accommodate union leaders, who could see no sensible way in which they could safely be anything but opposed (Mayer 1998, p. 178). They were therefore entirely dissatisfied with the labor side agreements and remained in complete opposition. They were joined in their opposition by the liberal grassroots environmental activists that had been opposed to the granting of fast-track in 1991 (e.g., Friends of the Earth, Greenpeace, and the Sierra Club) (Destler 2005, p. 202). Working together through the Citizens Trade Committee, which also included consumer and religious groups, they recognized that they could not sway Congress via lobbying. They therefore focused their efforts on creating strong grassroots pressure that might convince Clinton and other Democrats that there would be serious electoral costs if they did not find a way to delay or defeat NAFTA (Dreiling 2001, Chapter 4; Mayer 1998, p. 185). If there would have been any added strength in a united opposition, it was lost to the fact that union leaders and most liberals would have nothing to do with Perot, who continued his anti-trade crusade through speeches at big gatherings and through television time that he purchased.

With the Congressional side deals finally in place, and the Citizens Trade Committee already staging grassroots rallies and spending whatever it could on media advertising, the White House turned to the selling of NAFTA to Congress. This process in good part involved trying to provide fence-sitting Democrats with the political cover they felt they needed before they exposed themselves to potential electoral defeat by supporting NAFTA (Mayer 1998, pp. 277, 279). Clinton appointed a corporate lawyer from Chicago, William M. Daley, to coordinate the lobbying and public relations campaign. He was the son of a legendary Chicago mayor, who had served for 21 years in tumultuous times (1955–1976), and the brother of the person who had been serving as Chicago's mayor since 1989, so he was well known in both the Democratic Party and the corporate community. To provide reassurances and outreach to Republicans in Congress, he was joined by a recently retired Republican member of the House from Minnesota, who was at the time a guest scholar at The Brookings Institution.

Daly then hired two lobbying firms, one that worked primarily with Democrats, the other primarily with Republicans, to put together grassroots campaigns in 50 districts represented by Democrats and about 30 Republican districts (Mayer 1998, p. 288). In conjunction with the USA*NAFTA state and local captains, their goal was to locate people that might prove influential in supporting NAFTA in talks with other local residents. As indicated by the political scientist who had been an aide to Senator Bill Bradley, Daley spent much of his time coordinating the efforts of the White House and USA*NAFTA (Mayer 1998, pp. 275, 279–280, 286, 289). By that point USA*NAFTA had its own office in the Capitol building, so it had ready access to members of Congress (Dreiling 2001, p. 95).

However, the corporate leaders were not fully convinced that Clinton would provide strong backing for NAFTA and stay the course. They therefore sought face-to-face reassurances in a White House meeting with the president and his White House NAFTA team. The two sides met under the auspices of a joint invitation from David Rockefeller, by then the 78-year-old patriarch of Wall Street, the corporate community, and the CFR. Although the corporate leaders were skeptical and suspicious, all of the White House participants except for the president were part of the corporate community, starting with Daley. Clinton's national economic adviser was the former chair of Goldman Sachs and a member of the CFR; the secretary of treasury was the multimillionaire founder of a large insurance company in Texas before being a senator; the secretary of commerce was a corporate lawyer in Washington; the White House chief of staff was the former president of a large natural gas company in Little Rock; and the STR was a corporate lawyer from Los Angeles (Domhoff 1998, p. 252).

Following this meeting, the leadership of USA★NAFTA passed from the CEO of Eastman Kodak to the CEO of Allied Signal, who in turn brought in one of his top corporate assistants to run the day-to-day operations. Reacting to concerns expressed by the public relations firms hired by USA★NAFTA in regard to the impact the opponents seemed to be having on public opinion, the Business Roundtable then contributed $5 million for advertising as the corporate campaign began in earnest in September (Mayer 1998, p. 248). At this point corporate CEOs were asked to make telephone calls and personal visits to the representatives from House districts in which their companies had headquarters or large corporate facilities (Mayer 1998, pp. 280, 285–286). The corporate grassroots and media campaigns began in earnest at this time as well (Mayer 1998, pp. 282–292 for an overview). The full extent of these efforts is spelled out in an interview-based case study by the multimillionaire publisher-editor of *Harper's Magazine*, who entitled his book *The Selling of "Free Trade": NAFTA, Washington, and the Subversion of American Democracy*, to highlight the extreme lengths to which he thought the corporate leaders went to pass the legislation (MacArthur 2000).

The opponents in Congress, led by the House majority whip, a senior Democrat from Michigan, thought they had the necessary votes to defeat the measure. However, the pro-NAFTA forces won by a large margin in the House, 234-200, where the vote was expected to be very close. Most of the surprise came from a 53-32 vote in favor by 85 Democrats from the South, who finally had been satisfied by the provisions concerning textiles and citrus fruits on which they had demanded concessions.

The passage of NAFTA proved to be the last major piece of legislation on which white Southern Democrats and the conservative coalition would have a significant role in providing a winning margin. Most of these white Southern Democrats were swept out of office a year later by either black Southern Democrats or white Republicans due to the gerrymandering bargain between the black Democrats and the Republicans. Black Democrats won 12 new seats and Republicans picked up 32 seats in the space of the three Congressional elections between 1992 and 1996 (McKee 2010, p. 72; Zweigenhaft and Domhoff 2018, pp. 122–123, 214). Then, too, recall that five white Southern Democrats in the House and one in the Senate switched to the Republican side after the 1994 elections.

From GATT to WTO

As mentioned earlier, the GATT negotiations that began in 1986 included the possibility that a new World Trade Organization (WTO) might eventually emerge from them. This possibility became a reality in April 1994, when 123 nations signed on to the new plan, with the United States one of the last to do so. The eventual Congressional approval of American entry into the WTO culminated the efforts by the corporate moderates that began in the mid-1940s, when they had to settle for the GATT organizational structure in 1947, due primarily to opposition from the ultraconservatives in the corporate community and the conservative coalition.

The new agreement first of all mandated a dispute settlement process that included legal sanctions. It also strengthened legal protections for intellectual property rights, such as drug and software patents, movie and television show rights, and publisher royalties. It created greater investment opportunities in foreign countries for financial companies and it limited government subsidies for specific companies or industries, even while supporting government grants for research. Finally, it included agricultural products within a multilateral trade agreement for the first time, although most of the initial goals and specific guidelines concerning agriculture were very modest (Chorev 2007, pp. 161–169, on key provisions).

The possibility of joining the WTO generated relatively little controversy in the United States at the time, at least compared to the conflict over NAFTA, in part because organized labor largely sat on the sidelines. However, with the White House and the corporate community still arguing about Clinton's healthcare plan, and with the Office of the U.S. Trade Representative once again struggling to resolve internal policy disagreements, there was another long hiatus between the end of the negotiations and the legislative approval process. The vacuum was filled by various pressure groups that claimed the United States might lose some of its sovereignty if it joined the WTO. For consumer advocate Ralph Nader and his many supporters, who were generally on the liberal-labor side of the political divide, the danger was said to be in the possible overriding of American laws protecting the environment and ensuring product safely. For the hard right, led by the ultraconservative nativist Republican provocateur of the day, Patrick Buchanan, the WTO raised the threat of "world government" (Destler 2005, p. 221). For the anti-trade advocate Perot, the danger was once again the loss of jobs, which would sap American economic power. In this context, the textile industry took the opportunity to lobby successfully for further short-term concessions that kept Southern Democrats in support of the legislation.

As a result of the delays, party politics entered into the equation and the vote was postponed until after the fateful 1994 Congressional elections. At this point the corporate moderates stepped into the process with a lobbying campaign in October and November (the Alliance for GATT Now), asking Congressional members to withhold any decisions or announcements on their votes until after the elections (Chorev 2007, p. 159). This campaign seemed especially important in the case of the Senate, where the vote was expected to be close (Destler 2005, pp. 226–227). After an easy 293-123 victory for the WTO in the House, the price the Republicans in the Senate exacted was agreement to a "WTO Dispute Settlement Review Commission." It would provide important symbolic assurances to those everyday citizens who worried about the possibility that joining the WTO might threaten the nation's sovereignty. The commission's five members, all Federal appellate court judges, appointed by the president in consultation with Congressional leaders, would review all dispute settlements that went against the United States position. If it found three decisions in any five-year period that were demonstrably unfair, Congress would have to vote on whether or not to stay in the WTO. With that agreement in place, both parties in both houses supported the legislation by at least a two-to-one margin in December 1994 (Destler 2005, pp. 227–228).

Normalizing Trade With China

A small amount of trade with China began in a halting fashion shortly after President Nixon decided the time was right in the early 1970s to move toward an accommodation with the Chinese Communist leadership that had come to power in 1949. However, the authorization for trade with Communist countries, under a clause in the Trade Act of 1974, necessitated a year-by-year Congressional approval of trade relations. During the 1980s the volume of trade began to grow significantly after China adopted a market economy, albeit one in which the dictatorship exercised unquestioned control over it. Moreover, China became eager for membership in the WTO soon after it was established in 1995. Its representative on trade issues offered the United States a long list of concessions in 1999 in exchange for permanent normal trade relations with the United States and American support for China's admission to the WTO.

Eliminating the need for yearly renewal of trade relations with China would mean an end to any constraints on China's internal and external policies that were created by the need for yearly renewal. However, Clinton already had removed any considerations of human rights issues from the annual renewal process in 1994, due to dust-ups with the corporate rich and the power elite. His secretary of state had been "publicly rebuffed" while he was in China for asserting the need for such a linkage; a day after his return to Washington he was publicly criticized once again, this time by his former colleagues at the Council on Foreign Relations. They did so through their sponsorship of an "unprecedented public forum in which three former secretaries of state and numerous other notables attacked the linkage policy" (Destler 2005, p. 212). Clinton himself had earlier received sharp corporate criticism as well. In May 1993, the Business Coalition for U.S.-China Trade, consisting of 37 trade associations and 298 companies, including such international giants as Boeing and General Electric, sent Clinton a letter opposing such conditions on trade with China (Destler 2005, p. 211).

On the other hand, normal trade relations and Chinese membership in the WTO might provide further safeguards for foreign investment in China and further legal protection for intellectual property rights. (However, the Chinese government's respect for intellectual property rights remained minimal.) More certainly, normal trade relations would remove any corporate hesitation in off-shoring American corporate production to China, which was seen as a seemingly endless source of disciplined low-wage labor. Clinton's trade and foreign-policy advisers were for the change, but the president and his political advisers worried that it might not be the right time to approach Congress. His hesitations were reinforced by his main economic adviser, the former chair of Goldman Sachs, who by this point had been elevated to secretary of treasury. Clinton decided to wait, and even thought a better deal might be possible.

The corporate moderates were deeply disappointed by this possible delay because Europe had entered into normal trade relations with China several years before, and they did not want to lose out to their counterparts in Europe and Asia in the growing Chinese investment, labor, and consumer markets. Nor did they think the United States could gain anything by way of further concessions by waiting. They made their unhappiness known directly to Clinton, who soon found a way to resume the process after one or two face-saving maneuvers (Destler 2005, p. 275).

By the time Clinton introduced the necessary legislation in late November 1999, the liberal-labor alliance had gained the full support of leftist activists on union and environmental issues. These activists had picked up momentum after playing a part in thwarting further progress at the third annual meeting of the recently formed WTO, which was held in Seattle. Their marches and nonviolent blockades at entrances had blocked access to the meeting hall for many of the assembled national trade ministers, and the subsequent unexpected breaking of windows and setting fires in trash bins by anarchist activists had brought out the National Guard. To the degree that discussions could be held, a coalition of leaders from less developed countries made their displeasure known concerning labor and environmental regulations, which they felt might slow their own growth and possibly give marketing advantages to foreign multinationals in their own countries. In that regard, their concerns were more nearly the opposite of those expressed by the union and environmental activists at the heart of the street protests (Destler 2005, pp. 271–273; Yuen, Burton-Rose, and Katsiaficas 2001).

Still, the anti-globalization coalition's seeming success was significant for what it might portend in the future, so the new corporate coalition for trade normalization, USA*Engage, was taking nothing for granted. In fact, the chief lobbyist for the Chamber of Commerce told a newspaper reporter, shortly after the WTO fiasco, "Seattle happened with plenty of time for us to get that wake-up call" (Dreiling and Darves 2016, p. 225). USA*Engage hired two highly visible firms to carry out many of the needed lobbying tasks. One was a lobbying firm directed by the son of the renowned Speaker of House in the 1980s, Tip O'Neill, who was a key power actor in blocking the most draconian changes in the Social Security Act sought by the Reagan Administration, as recounted in Chapter 8. O'Neill's son also had once been an aide to Lloyd Bentsen, the multimillionaire former senator from Texas and the secretary of treasury in the first Clinton Administration, so he was a well-known and highly visible figure in his own right. The other lobbying firm hired by USA*Engage was the Chicago-Washington corporate law firm in which William M. Daley, the former White House director of the lobbying effort for NAFTA, and by this point the Secretary of Commerce, had been a partner. Based on a December 1999 report released by the Business Roundtable, USA*Engage focused its grassroots advertising and lobbying efforts on 71 House districts in which the representatives had not stated their support for permanent trade relations with China (Woodall, Wallach, Roach, and Burnham 2000, p. iii).

The full extent of these targeted pressures is chronicled in a detailed report by a public-interest watchdog group, Public Citizen (Woodall, Wallach, Roach, and Burnham 2000). The undecided representatives received visits by the USA*Engage state campaigns, which were aided once again by lobbying, public relations, and media specialists hired by the members of the Business Roundtable. They also received timely deliveries of PAC campaign donations, which at the least served as reminders that businesses are an important source of their financial support, and perhaps served as warnings that such donations could go to an opponent in the next election. For example, individual members of the Business Roundtable alone gave "$68.2 million in PAC, soft money and individual donations to Members of Congress and the Democratic and Republican parties between January 1999 and May 2000," the month in which the Congressional vote was held (Woodall, Wallach, Roach, and Burnham 2000, p. iii). Then too, some representatives claimed that they had been threatened in the business press with reprisals by named and unnamed sources (Dreiling and Darves 2016, pp. 292–293).

Although opinion polls showed that the general public opposed anything that might transfer jobs to China, the corporate moderates had a very strong factor working in their favor inside Congress, which mattered well beyond CEO visits and PAC donations in its importance. Those who voted against the measure would be risking the loss of established economic relationships if they did anything that would disrupt American involvement in China. In short, "there were clear and serious costs to rejection," and the members of Congress "were very much aware of this—and aware they would be blamed for any damage" (Destler 2005, p. 276). Liberals in Congress therefore looked for ways to vote for the measure by adding provisions that were consistent with their general political views.

Since the bill still seemed to be lacking majority support in early May, shortly before it would be officially introduced, the conservative Republicans in charge of key committees allowed Democrats to add a provision that would limit the size of any sudden surges in Chinese imports that might impact a specific business sector, and to establish a commission that would oversee and report on bilateral relations concerning human rights in a wide range of countries, with no specific mention of China (Destler 2005, p. 276). When the crucial vote was taken in the House in late May 2000, 73 Democrats joined 164 Republicans to provide a winning margin of 237-197.

Summary and Conclusions

Although there had been a very large international trading system in the several decades before 1914, little survived from it after World War I and the 1920s, except for some cautionary lessons. In addition, most nations were too destitute and/or inwardly turned to do much trading during the 1930s. Starting on September 12, 1939, however, the Council on Foreign Relations tried to make sure the setbacks experienced by internationally oriented businesses during the previous 25 years would not be repeated. Its members also wanted to ensure that this time around the United States would play the role expected of it by top leaders in the United Kingdom and Western Europe. In the long run, the corporate moderates fulfilled their goals, but it was a very long run due to the many successful rearguard actions by the ultraconservatives in the corporate community and the conservative coalition in Congress, which forced changes in plans and caused delays until the mid-1970s. But their success in the 1990s on NAFTA, the WTO, and permanent trade relations with China brought their plans to something very close to full fruition.

In the process of achieving their goals, the corporate moderates lost the support of the liberal-labor alliance because of the way they used the international economy to help them undercut unions, even while refusing to share much if any of the bountiful rewards of an international trading system with workers in general. Once again, that is, it is not only the massive size of the American multinationals, along with the counterparts they helped create in other countries, or the very large profits they make, that measures their enormous success. The low and stagnant wages for 85–90 percent of Americans, and the desolation in the cities that corporations abandoned throughout the country, starting in the late 1970s, also can be used as measures of their power (Autor, Dorn, and Hanson 2016; Autor, Katz, and Kearney 2008, for evidence of the havoc trade normalization with China created in numerous American cities). Their international trade victories also contributed to the growing wealth and income gaps. Put another way, the power of the corporate rich not only can be measured by how much they won. It also can be measured by who suffered the most from their decisions, namely, the 85–90 percent of Americans who are not owners, business executives, corporate lobbyists, famous entertainers, or professionals with advanced college degrees.

Focusing more specifically on the findings on the role of the Business Roundtable in the events that led to NAFTA, the WTO, and normal trade relations with China, they stand as a refutation of any claim that the "corporate elite" in general, or the Business Roundtable in particular, were too fractured and divided by the 1990s to be effective (Mizruchi 2013, pp, 252–255; Mizruchi 2017). The tight relationships among corporations, the policy-planning network, trade advisory committees, ACTPN, and the Office of the U.S. Trade Representative, as shown by both quantitative network studies and case studies, demonstrate that the Business Roundtable, the corporate community, and the power elite were far from fractured on trade issues in the 1990s, any more than they were fractured on union issues or government social benefits at that time.

Part 4

Conclusions

The chapter in this final section brings together the findings and conclusions from the previous chapters to assess the accuracy and adequacy of the three theoretical perspectives favored by a strong majority of social scientists and historians in the first two decades of the twenty-first century—interest-group pluralism, organizational state theory, and historical institutionalism. As part of these assessments, the chapter also draws upon new findings and insights from outside the purview of the battle over unions, the creation of government social benefits, and the expansion of foreign trade.

In the case of interest-group pluralism, the chapter presents new information on the role of the policy-planning network in proposing new legislation, and governmental structures in relation to the environment, which are said by interest-group theorists to be the results of liberal efforts. It also shows that the same corporate-moderate foundations that funded think tanks and policy-discussion groups continued to provide significant financial backing for advocacy organizations that worked for the inclusion of previously excluded African Americans and recent immigrants. Contrary to the claims by the most visible interest-group theorist discussed in this chapter, this ongoing support included the advocacy groups these foundations helped create.

In regard to organizational state theory, the chapter points to the ways in which several of its findings support the claims in this book about the special-interest process, including the emphasis on class conflict. At the same time, however, the theory's advocates ignore the information that would have led them to the policy-planning network. They also inaccurately characterize the concept of a power elite as including labor leaders, which leads them to refute a straw man in claiming that the power elite was not involved in the issue-areas they studied.

Finally, the critique of historical institutionalism draws together several general findings that call its emphasis on the relative independence of the government into question. First presented are findings from a comparative analysis of changes in the electoral systems in several European countries and the United States in the late nineteenth and early twentieth centuries, based on a detailed reading of parliamentary and congressional debates. This study revealed that the somewhat different electoral systems in these countries were the product of class conflicts in which the balance of power between organized business and the newly forming working class varied considerably from country to country. Similarly, there were major changes in both the structure of government and the nature of the electoral systems at the local level in the United States in the same time period, due to the unrelenting and nationally coordinated efforts of locally oriented businesses, which were reacting to challenges by the rapidly growing urban labor force.

In addition, the critique of historical institutionalism also presents several new examples of how the power elite and the policy-planning network created new governmental structures at the national level throughout the twentieth century, over and beyond those already documented for the policy conflicts related to labor unions, social benefits, and trade expansion, including the Agricultural Adjustment Administration during the early New Deal, and the Office of Management and Budget during the Nixon Administration. The analysis of historical institutionalism then concludes by outlining the several mistakes its main advocates make in explaining the more conservative policy stances adopted by corporate moderates beginning in the late 1960s, which they wrongly date to the mid-1970s. Until 2016, they also mistakenly underestimated the role of increasing white resistance to the civil rights movement in making it possible for Republicans to win the presidency and implement the corporate moderates' new agenda.

The chapter closes with a synthesis of the conditions under which the liberal-labor alliance was able to win in the legislative arena despite the structural and historical obstacles it faced, and then draws together the reasons for its failures in situations in which it might have been more successful.

Conclusion

As this chapter demonstrates, theorizing in terms of the corporate community, the power elite, and the policy-planning network explains far more about policy-making in the United States in the twentieth century than pluralism, organizational state theory, or historical institutionalism. When the policy-planning capabilities available to the corporate community and the power elite are combined with the significant independent power possessed by the Southern rich, who could modify or block corporate moderates' state-building proposals by backing the conservative coalition, then the theory presented in this book can explain much of what needs to be explained in terms of how and why some legislation was passed, how and why some new government agencies and committees were created, and how and why most liberal-labor legislation opposed by the power elite was defeated in the twentieth century.

The theory also explains when the liberal-labor alliance could be successful, despite being constrained from its outset by the impossibility of creating a non-divisive third party in the American electoral context. To win on any issue, it usually had to have at least the tacit support of the controlling faction within the Democratic Party, namely, the Southern rich, often through liberal-labor support for the spending coalition in Congress, which invariably generated special benefits for the South as well. The theory also can explain why the liberal-labor alliance gradually lost the power it gained through the passage of the National Labor Relations Act and the need for government support of workers and their unions during World War II and the Korean War. Although this decline was halting and modest in the late 1950s and early 1960s, the eventual fate of private-sector unions was in good part sealed once the entire corporate community and the Southern rich became united as early as 1938–1939 by their determination to destroy unions, although that fact could not have been known until the full sweep of the archival and union-density record became available many decades later.

Even then, the corporate rich and the Southern rich might not have succeeded so soon and so completely in expanding their strong anti-union base in 11 of the 17 former slave-and-caste states, five Great Plains states, four Rocky Mountain states, and one state in the Southwest (Arizona) if they had not received a significant electoral boost due to the resistance of many middle-income white workers, blue collar and white collar, union and non-union, to the overt nationwide push for integration by the civil rights movement in the 1960s.

Put another way, the United States remained a nation with a stratification system characterized by a caste-like system based on race, as well as by a class system based on wealth, income, and education, throughout the last 30 years of the twentieth century. This structural fact, which was readily apparent in neighborhood segregation, school segregation, job discrimination, and the low rates of intermarriage well into the 1990s, persisted much longer than had been expected by many social scientists, including this author. This persistence proved to be yet another factor that made it possible for the few tenths of one percent that comprise the corporate rich to dominate the federal government.

As the twenty-first century began, the corporate community and the power elite were more united than they had been at any time in the past 100 years. They had succeeded by 2000 in reducing union density in the private sector to 9.0 percent from its high points of 34.2 percent in 1945 and 33.5 percent in 1953. They had tamed Social Security and turned its trust funds into a piggy bank that covered deficits created by tax cuts for high-income earners, while at the same time putting stringent limits on welfare for those with low-income jobs or no jobs at all. They had created a framework within which American corporations could sell their goods and services, or contract for low-wage labor, just about anywhere in the world, including most former Communist countries, while at the same time making American markets available to trading partners in other countries.

The year 2000 therefore marked nothing less than the apparent triumph of the corporate rich, with unemployment as low as it had been since the late 1960s, thanks in part to a high-tech stock market bubble, and with a new Republican president about to take office after the Supreme Court's 5–4 decision to end the recount in Florida. The country's main geopolitical rival for nearly 45 years, the Soviet Union, was dead and gone, replaced by a smaller and economically declining Russia. From a corporate point of view, it may have looked like the best of all possible worlds. But of course no one could predict what the future might bring, as a series of completely unexpected and seemingly unlikely events would soon reveal.