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## Is the Corporate Elite Fractured, or is there Continuing Corporate Dominance? Two Contrasting Views

### Abstract

This article compares two recent analyses of continuity and change in the American power structure since 1900, with a main focus on the years after World War II. The first analysis asserts that the “corporate elite” has fractured and fragmented in recent decades and no longer has the unity to have a collective impact on public policy. The second analysis claims that corporate leaders remain united, albeit with moderate-conservative and ultra-conservative differences on several issues, and continue to have a dominant collective impact on public policies that involve their major goals. After comparing the two perspectives on key issues from 1900 to 1945, the article analyzes the fractured-elite theory’s three claims about the postwar era: an activist government constrained the corporate elite, the union movement negotiated a capital-labor accord; and bank boards created policy cohesion among corporations. Finally, it compares the two perspectives on tax issues, health-care policies, and trade expansion between 1990 and 2010.

### Keywords

Corporate Power, Political Science, Elite Theory

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## Introduction

This article compares two recent analyses of continuity and change in the American power structure since 1900, with a focus on the postwar decades and the years between 1990 and 2010. The first analysis defines the “corporate elite” as a subset of top executives and directors in the *Fortune* 1000, which was unified, moderate, and pragmatic in the postwar era (Mizruchi, 2013, pp. 12-13). It further claims that the corporate elite has been fracturing and fragmenting in recent decades due to its decisive triumphs in the 1970s and 1980s, which made cohesion less necessary. Although corporations remain the most powerful organizations in the United States, their leaders are too divided and concerned with their own companies to contribute to the common good, as they once did (e.g., Mizruchi, 2013, pp. 4, 7, 17, 197). The loss of a united and moderate corporate elite is a “significant source of the current crisis in American democracy and a major cause of the predicament in which the twenty-first century United States finds itself” (Mizruchi, 2013, p. 4).

The alternative view, called corporate-dominance theory in some books and in this article, claims that the United States continues to be dominated by the owners and top-level executives in corporations, banks, agribusinesses, and commercial real estate.<sup>1</sup> “Domination” is defined as “the institutionalized outcome of great distributive power,” which is in turn defined as the ability “to establish the organizations, rules, and customs through which everyday life is conducted” (Domhoff, 2014b, p. 192). Methodologically, great distributive power is understood as an underlying “trait” or “property” of a collectivity called the “corporate community,” which includes all the financial companies and other corporations that are linked by common ownership or interlocking directorates. Research is carried out by means of a series of *if-then* statements using as many independent power indicators as possible (Lazarsfeld, 1966). These power indicators include various benefit distributions (e.g., the wealth and income distributions), overrepresentation in government positions, and success in specific policy and legislative arguments (Domhoff, 1983, pp. 10-13; 2014b, pp. 4-8).

In this theory, corporate domination is maintained through a leadership group called “the power elite,” defined as those people who serve as directors or trustees in profit and nonprofit institutions controlled by the corporate community. This control is exercised through stock ownership, financial support, involvement on the board of directors, or some combination of these factors (Domhoff, 2014b, pp. 104-105). The power elite has moderately conservative and ultraconservative policy leanings within it, as indexed by the policy preferences expressed by specific organizations; however, some large corporations have directorships in both moderate and ultraconservative policy-discussion organizations (e.g., Domhoff, 1967, p. 28; 1990, pp. 35-37; 2014b, pp. 17-18, 75-76). This view was developed on the basis of the systematic reading of business magazines by C. Wright Mills (Domhoff, 1990, pp. 32-37; Mills, 1948, pp. 25-30, 240-250, 280-281), not on the basis of claims about corporate liberals by one subset of 1960s historians (e.g., Weinstein, 1968).

According to the fractured-elite analysis, three factors contributed to the corporate elite’s cohesion and moderation in the post-World War II era that stretched from the mid-1940s to the

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<sup>1</sup> The theory is called “class-dominance theory” in books and articles that bring the social upper class into the picture (e.g., Domhoff, 2014b, Chapter 3).

mid-1970s, at which point the corporate elite made a more conservative turn: (1) an activist federal government that was able to regulate the economy to maintain high levels of employment and an adequate safety net; (2) the challenges from a strong union movement, which was able to negotiate a capital-labor accord that led to higher wages, greater social benefits, and increasing income equality; and (3) a handful of large commercial banks, whose boards of directors were able to create cohesion among various types of corporations because of their network centrality, depth of information, and wider business outlook (Mizruchi, 2013, pp. 4, 6-10).

On the other hand, the corporate-dominance view argues that common interests, common opponents (not just unions), social interactions in exclusive settings, and meetings within policy-discussion groups lead to both social and policy cohesion, with social cohesion contributing to the ability to create policy cohesion. Further, there never was a capital-labor accord because corporations never stopped trying to eliminate unions, and the federal government was constrained on all but a few pieces of employment and social-benefits legislation in the postwar era by the corporate community in general. This corporate constraint was exercised in good part through its electoral support for, and close ties to, the conservative coalition in Congress, which consisted of a majority of Southern Democrats and a majority of Republicans voting against a majority of non-Southern Democrats from the late 1930s to the mid-1990s (Manley, 1973; Shelley, 1983).

In addition, corporate-dominance theory claims that a corporate-supported policy-planning network formulated and lobbied for the many pro-corporate government policies that were implemented between 1910 and 2010, not the boards of directors of banks. According to this perspective, the power elite is at least as unified and powerful since 1980 as in the past, as indexed by the decline in union density, the increasing concentration of the income distribution, and most important of all in terms of this article, their ability to achieve their policy goals—eliminate the remaining union presence, extend international trade and continue the movement of production to low-wage countries when useful, reduce their personal income taxes and corporate taxes, and limit government programs for retirees and low-income workers.

The fractured-elite perspective is presented in a recent book, one that provides far more than a theoretical analysis. It is a call to the corporate elite by its author, sociologist Mark Mizruchi (2013, pp. 286), “to save the world as we know it,” which is claimed to be necessary because there is not enough time remaining to create a strong social movement to force the corporate elite to make the needed changes. The first page of the Preface praises the corporate elite for its earlier “moderate and pragmatic approach that helped the society to prosper, both economically and politically,” but criticizes it for an “abdication of responsibility” since the 1980s (Mizruchi, 2013, p. xi). It chastises the corporate leaders for allowing themselves to be “bullied and cowed” by right-wing extremists, and for being “ineffectual” and self interested (Mizruchi, 2013, pp. 265-266). It claims that the corporate elite is “leading us toward the fate of the earlier Roman, Dutch, and Habsburg Spanish Empires” by “starving the treasury and accumulating vast resources for itself” (Mizruchi, 2013, p. 286). Mizruchi’s book (2013, p. 286) concludes with the admonition that “It is long past time for its members to exercise some enlightened self-interest in the present.”

On the other hand, there are few or no criticisms of corporate leaders in the books that present the corporate-dominance perspective. Instead, these books are concerned with understanding the nature and operation of power within the overall social structure, not only with the impact of the power elite on American society (e.g., Domhoff, 1967, p. 151). To the degree that there are criticisms in the work that presents the corporate-dominance perspective, they are

usually if not always based on analytical comparisons of corporate-dominance theory with alternative theories of power (Domhoff, 1970, Chapter 9; 1978, 1990, 1996, 2006a; 2014b, Chapter 9; Domhoff & Webber, 2011, Chapter 6; Gendron & Domhoff, 2009, Chapter 7).

The analysis in this article follows the outline in the book on the fractured-elite perspective (Mizruchi, 2013). It begins with a discussion of the rise of corporate moderates between 1900 and the end of World War II because the fractured-elite theory's misunderstandings of this time period lead it to an inadequate characterization of the postwar era. It then shows where and how the fractured-elite account goes wrong in its analysis of the three main topics it addresses for the postwar era: the role of the federal government, the impact of organized labor, and the policy influence of the members of the boards of commercial banks. It then presents evidence that the policy-planning network, which consists of nonprofit foundations, think tanks, and policy-discussion groups, and is financed and directed by corporate leaders, has a more important role in generating policy cohesion around common interests than do banks and their boards of directors. Finally, it examines several key policy issues that arose between 1990 and 2010 to demonstrate that the corporate elite continues to have a collective impact and is not fractured.

### The Rise of the Corporate Moderates, 1900-1945

The fractured-elite and corporate-dominance perspectives both begin their analyses with the emergence of a group of moderate conservatives within the corporate community, which formed at the end of the nineteenth century after a massive merger and consolidation movement (e.g., Bunting, 1983, 1987; Roy, 1983, 1997). In 1900, the moderate conservatives created what proved to be the first of the national-level policy-discussion groups, the National Civic Federation (NCF) (Cyphers, 2002; Domhoff, 1970, pp. 163-170; Green, 1956; Jensen, 1956; Mizruchi, 2013, pp. 5, 27-31; Weinstein, 1968). According to the fractured-elite account, the NCF was created to deal with "some of the deleterious consequences of the rise of corporate capitalism at the turn of the twentieth century" (Mizruchi, 2013, p. 5), but it does not adequately characterize the context within which this organization developed or the full impact of its legacy in terms of the failed attempt by corporate moderates to minimize the clashes between corporations and unions during and after the New Deal.

The NCF developed about midway in the short-lived "era of good feeling," a period between roughly 1898 and 1903, in which corporate moderates, in conjunction with leaders from the American Federation of Labor (AFL), and with the advice of academic experts on labor issues, tried to reduce the recurrent management-labor conflicts through the use of "trade union agreements" (collective bargaining in today's terms). The NCF leaders became advocates of these agreements, and several were signed, but the agreements quickly broke down on both sides because some employers didn't like the idea under the best of circumstances and the unions usually asked for more than they were offered after initial negotiations (Brody, 1980, pp. 24-27). For example, the National Metal Trades Association broke its agreement with the International Association of Machinists 13 months after signing it because the machinists tried to place limits on the number of apprentices in a shop and resisted piece rates and doubling up on machines (Swenson, 2002, pp. 49-52). The employers said in a Declaration of Principles that they would not "admit of any interference with the management of our business" (Brody, 1980, p. 25).

The fractured-elite theory mischaracterizes the origins and nature of the National Association of Manufacturers (NAM), which is portrayed as an anti-union organization from its

outset (Mizruchi, 2013, pp. 27-29). It actually was founded in 1895 as part of an effort to expand foreign exports, not as a bulwark against unions. Its first president, who joined the NCF when it was created, said that discussion of employer-employee relations was not one of the NAM's "proper functions" (Weinstein, 1968, p. 15). However, toward the end of the era of good feeling, hard-line anti-union corporation leaders took over the NAM in 1902 in a three-way election for president, and it has been a bastion of anti-unionism ever since.

After ignoring the era of good feeling, the fractured-elite viewpoint goes further astray by using an outdated journalistic source, Lewis Corey's *The House of Morgan* (1931), to portray the most powerful banker of that era, J. P. Morgan, as unwilling under any circumstances to settle a strike, which the leaders of the small union of skilled steel workers called shortly after Morgan merged several steel companies into U.S. Steel (Mizruchi, 2013, p. 27). However, historical accounts based on archival materials, including a summary of conversations within the executive committee that ran U.S. Steel at that time, tell a different story. The union would not even consider the terms offered to them by Morgan, who wanted to avoid public controversy about the new company as well as possible government investigations of it. He therefore "assured the union leaders that he wished to maintain friendly relations with labor" (Garraty, 1960, p. 13). Instead, the union leaders broke existing contracts and tried to extend the strike to skilled workers in all the subsidiaries of the new company, most of which had never been unionized. In the process, the steel union leaders deeply angered the president of the AFL, Samuel Gompers, who had good information on Morgan's intentions via intermediaries, and was highly critical of the union's leadership in a federation newsletter (Gompers, 1901, p. 428).

Morgan met with the union leaders again, offering to sign contracts in factories in which the skilled workers already had been unionized, but not in factories that did not have established locals of the union (Neill, 1913, p. 506). However, his offer was rejected, and he then gave the order to break the strike. Even then, Morgan allowed the declining union to persist until 1909 despite its resistance to new technologies and the continuing insistence by the staunchly anti-union presidents of the many U.S. Steel subsidiaries that it should be crushed immediately (Garraty, 1960, p. 26). Contrary to the fractured-elite account, what happened between Morgan and the steel unions is an example of the mutual suspicions and recriminations that ended the era of good feeling.<sup>2</sup>

Reflecting this renewed conflict between corporations and unions, by 1905 the NCF had focused its attention on trying to persuade all corporations to adopt various social-benefit programs, ranging from on-site technical education courses to recreational facilities, as a way to deal with worker discontent (Cyphers, 2002; Weinstein, 1968, pp. 19-20). However, it did not entirely abandon the concept of trade union agreements, which became one basis for the plans that corporate moderates put forth during the New Deal to cope with the increase in demands for union recognition (Domhoff, 1990, Chapter 4; Piven & Cloward, 1977, p. 110). From the corporate moderates' point of view, collective bargaining held out the potential for satisfying the demands of the relatively small number of craft workers, while at the same time allowing them to oppose unions for the large number of unskilled workers.

## The New Deal

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<sup>2</sup> My deepest thanks to historian Susie Pak of St. John's University, an expert on J. P. Morgan and his banking interests (Pak, 2013), for the citations in this and the preceding paragraph.

The brief discussion of the New Deal in the fractured-elite account falls short in important ways that distort its later discussions of the postwar stances of the corporate moderates. Its difficulties are encapsulated in its conclusion that a labor historian “may have been correct when he stated that ‘despite much wishful historiography to the contrary, no well-organized ‘corporate liberal’ body of enlightened businessmen supported either the Wagner Act or the Social Security Act’” (Mizruchi, 2013, p. 110). The fractured-elite theory thereby misses the contrasts between the corporate moderates’ total opposition to the final version of the National Labor Relations Act (NLRA) and their very large role in shaping and supporting those provisions of the Social Security Act (SSA) that mattered to them: pensions and unemployment benefits. This contrast between the corporate moderates’ stance on the NLRA and SSA is crucial because there is actually an unbroken continuity on both of these issues from the mid-30s to the late 1970s, when the corporate moderates became extremely critical of any further growth in Social Security benefits and have remained so ever since (Domhoff, 2013, pp. 247-253).

### The Origins of the National Labor Relations Act

Recent archival findings reveal how and why the most important corporate moderates of the 1930s came to be adamantly opposed to the final version of the NLRA, even though they suggested the creation of the original National Labor Board (NLB) to deal with the unanticipated union organizing drive that followed the passage of the National Industrial Recovery Act in 1933; they also introduced several of the original labor board’s policies and procedures (Domhoff & Webber, 2011, Chapter 3; McQuaid, 1979). Thanks to the apparent success of the small handful of corporate-sponsored Employee Representation Plans initiated in the 1920s, which encouraged workers at individual work sites to meet and confer with management about working conditions, the corporate moderates thought they had little to fear from the few unions that remained after the corporate pushback following World War I. Moreover, an increasing number of large companies instituted such plans in 1933-1934 in response to urgent suggestions from the corporate leaders that helped in the establishment of the NLB. However, because of problems in dealing with the many corporate employers that refused to accept the decisions of the NLB, especially in the automobile and steel industries, liberals in the Senate, led by Senator Robert F. Wagner of New York, and aided by the lawyers that worked for the NLB, fashioned new legislation. Among several pro-union amendments, it included a clause stating that a majority vote for a union would be sufficient for it to have the right to represent all workers in the bargaining unit.

The corporate moderates objected to the new legislation for several reasons, including its threat to their Employee Representation Plans and its failure to ban coercion by union organizers as well as by corporations. From a corporate-dominance perspective, however, the corporate moderates most of all resisted on the issue of majority rule, which meant that Employee Representation plans would have to be closed down if the majority of those voting favored a union. They preferred an approach called “proportional representation “ which would allow Employee Representation Plans to coexist with unions, or make it possible to deal with craft workers separately from industrial workers if necessary (Domhoff & Webber, 2011, pp. 121-125; Gross, 1974, pp. 57-58, 89-103, 136-139). Senator Wagner agreed to remove clauses that directly banned Employee Representation Plans, but he and several AFL leaders were no longer willing to accept proportional representation, as the union representatives had agreed to do during World War I as members of the temporary War Labor Board (McQuaid, 1979).

This change in position by liberal Democrats and organized labor led to an unbridgeable gulf between them and the corporate moderates, as revealed by correspondence between the head of General Electric and his counterparts at Standard Oil of New Jersey and the DuPont Corporation (Domhoff & Webber, 2011, pp. 119-124). In addition to being the top leaders at three of the largest corporations of that era, they were the three most important business executives in the pool of NLB business representatives that could hear the growing number of cases that came before the board.

Senator Wagner's new legislation was defeated in 1934, but it passed in 1935 despite a massive corporate campaign against it. This was first of all because the newly formed liberal-labor alliance had a large majority in both houses due in part to labor militancy in 1933 and 1934. In the final analysis, however, it passed because the Southern Democrats, who had the power to obstruct through their many reciprocal relationships with President Franklin D. Roosevelt, did not block it. They also had leverage through their control of a majority of key Congressional committees, which meant they could slow down or eliminate many of the recovery plans, and they resorted to filibusters whenever they thought the plantation capitalists' insistence on subordinating African American workers and keeping out unions was in any way at risk.

Any tension for Southern Democrats over supporting the labor act was resolved quickly because the liberal-labor leaders and the non-Southern Democrats in Congress continued to agree that any labor legislation would exclude agricultural workers and domestic servants. The evidence for this bargain between Northern and Southern Democrats has been carefully documented in what is a major contribution to the understanding of how this act could be passed in a corporate-dominated society (Farhang & Katznelson, 2005). In the aftermath of the passage of the NLRA, the corporate moderates decided to move ahead with their plan to challenge the constitutionality of the act, and ultimately lost in the Supreme Court in the spring of 1937 (Domhoff & Webber, 2011, pp. 137, 196; Shamir, 1995). In addition, many corporations stockpiled guns and dynamite, hired labor spies to infiltrate union groups, and organized small groups to attack union activists, as revealed in Senate hearings in early 1937, which received wide publicity and made it difficult for corporations to implement their plans when the time came (Auerbach, 1966).

Due to increased worker militancy, and aided by the refusal of the president and Democratic governors to send troops to break strikes in two or three large industrial states, union membership nearly tripled from 3.1 million in 1934 to 8.8 million in 1939, despite the anti-union efforts by both corporate moderates and ultraconservatives (Mayer, 2004, p. 23, Table A1). However, this burst of union organizing, which included sit-down strikes and attempts to organize bi-racial unions in the South, turned the Southern Democrats against the act by late 1937, which united the conservative coalition against any further progress for unions (Gross, 1981; Patterson, 1967).

### The Origins of the Social Security Act

The fractured-elite view says very little about the origins of the SSA in its account of the corporate moderates during the New Deal. It discusses those researchers said to have a "business-centered model" (Domhoff, 1970, pp. 207-218; 1990, pp. 44-61; Quadagno, 1988) and compares them to those who have a "state-centered model" (Skocpol, 1980; Skocpol & Amenta, 1985; Skocpol & Ikenberry, 1983). It gives a nod to the business-centered view by agreeing that



some corporate leaders were supportive of the act, but it does not try to assess their degree of influence. It then agrees with the state-centered model that “no list of individual business leaders, no matter how prominent, can serve as proof of general corporate support—or even the support of a class segment” (Mizruchi, 2013, p. 35).

In making this comment about lists of individual business leaders not being very important as evidence, the fractured-elite view overlooks the considerable evidence from the archival files of the Rockefeller Foundation and the Social Science Research Council showing that the corporate moderates formulated the basic plans for the SSA. They did so through their experience with private pension plans in their corporations in the 1920s and through meetings of the Special Conference Committee, a regular gathering of industrial relations vice presidents at the ten largest companies of that time. The Special Conference Committee in turn had considerable help from Industrial Relations Counselors, a mini-think tank privately funded from its founding in 1921 by John D. Rockefeller, Jr. (Domhoff, 1996, pp. 128-149; Gitelman, 1988). The corporate moderates then urged their plans for the old-age and unemployment provisions of the act upon Roosevelt’s Committee on Economic Security, which was staffed by university-based experts and corporate employees (the latter in fair measure affiliated with Industrial Relations Counselors) (Domhoff, 1996, pp. 149-161; Witte, 1963, pp. 13-16, 29). They also had direct involvement in the development of the legislative proposal through committees of the Business Advisory Council, which was established by Roosevelt in 1933 as a means of formal communication with the leaders of the corporate community (Domhoff & Webber, 2011, pp. 113-115). They also had a crucial role as members of the Advisory Committee on Economic Security, which consisted of 23 private citizens representing a wide range of organizations, including corporate moderates, union leaders, and social-welfare advocates (Armstrong, 1965, pp. 88-89; Brown, 1972, p. 21)

This evidence was augmented by further research in the same archives and by the use of a series of little-known confidential corporate newsletters in which Industrial Relations Counselors provided behind-the-scenes commentary to its corporate clients about the progress of its plans through the legislative process (Domhoff & Webber, 2011, Chapter 4; Kaufman, 2003). This evidence is not about lists of names, but about the substance of policies and the role of corporate employees, some of them policy experts, in bringing about the passage of the act in a form that was satisfactory to the corporate moderates. The archival evidence and the newsletter show that the corporate plans and the final legislation match up well. To the degree that the act was not satisfactory to the corporate moderates, they worked very hard, and successfully, to modify it between 1937 and 1939, when important legislative amendments were enacted (Domhoff & Webber, 2011, Chapter 5).

However, to say that corporate moderates created the blueprint for the SSA does not mean that there was no conflict over the substance of the act. In fact, there was a rival pro-business plan for unemployment insurance that had been fashioned over the decades by a small network of policy experts, lawyers, and business leaders. It centered on the work of institutional economist John R. Commons, who joined the department of economics at the University of Wisconsin in 1904 after two years as an employee dealing with labor issues for the NCF (Domhoff, 1990, p. 49). This network, which included Supreme Court Justice Louis Brandeis and Harvard Law School Professor Felix Frankfurter, believed (on the basis of many past failures) that progressive changes could only be implemented if they included strong incentives for at least some portion of the corporate community to support the reforms (Domhoff, 1996, pp. 126-127, 170-172; Kessler-Harris, 2001, Chapter 3).

Moreover, the Southern Democrats once again had a veto power over any aspect of the act that did not fit the needs of plantation owners. This meant that there was little or no federal control over how the SSA was administered at the state level and that agricultural and domestic workers were excluded from its purview (Domhoff, 1990, p. 60; Quadagno, 1988, pp. 115-116, 125-127, 187-188). From a corporate-dominance perspective, the group headed by John Commons and Louis Brandeis won out over the corporate moderates on these issues because the Southerners found its plans more compatible with their own concerns (Domhoff, 1996, pp. 172-174; Domhoff & Webber, 2011, pp. 175-176). This point is best seen in the fact that the minimum state regulatory standards and minimum payments advocated by the Commons-Brandeis group were not included in the final legislation.

It is also clear that organized labor had very little influence on the main outlines of the SSA, except for its important decision in 1932 to no longer oppose governmental social-benefit programs. As for the liberals of the day, their plans lost out. Due to their willingness to settle for the best possible legislation, along with their close ties to the president and his reformer wife, they lobbied strenuously for the corporate moderates' plan (Gordon, 1994). Overall, this brief recounting of the origins of the SSA demonstrates that corporate moderation on social-benefit issues was not a new development after World War II. For corporate moderates, social benefits are one thing, but labor unions are entirely another, a distinction that reaches back at least to the activities of the National Civic Federation.

### The Rise of Two Voting Coalitions in Congress

The fractured-elite perspective on the postwar era also suffers because it does not discuss the emergence of the conservative coalition in Congress between 1937 and 1939 (Patterson, 1967), which was informally coordinated by discussions between top Southern Democrats and Northern Republicans (Manley, 1973, for interview evidence of this coordination). It formed on four general issues that were of great concern to employers North and South, and which in essence defined the substance of class conflict in that era —labor unions, social welfare, government regulation of business, and civil rights in the South for African American workers. Moreover, it rarely lost on any of these issues until the 1965-1966 Congress (Shelley, 1983, pp. 34, 39), and it never lost on labor legislation whatever the decade (Brady & Bullock, 1980; Katznelson, Geiger, & Kryder, 1993).

Nor does the fractured-elite account include the spending coalition that also developed in the late 1930s, which is important for understanding most of the losses on legislative issues that were suffered by ultraconservatives in the corporate community in the postwar era. Southern Democrats wanted subsidies for plantation owners and urban machine Democrats in large Northern cities wanted subsidies for urban land and real estate interests, which supported urban renewal and housing; their mutual support for each other's subsidies became the main axis of the spending coalition. Subsidies for urban growth also had the backing of the construction unions in the American Federation of Labor, which brought them into the coalition (Logan & Molotch, 1987). The contingent of liberal Democrats in Congress also joined this coalition of mutual backscratching because of its desire to expand domestic spending that would benefit middle- and low-income people and help labor unions (Clausen, 1973; Domhoff, 2013, pp. 15-17; Sinclair, 1982).

By 1938, the conservative coalition had launched a serious challenge to the new National Labor Relations Board (NLRB), which led to a reduced budget for it and the replacement of its most liberal member by 1940 (Gross, 1981, p. 2 and Chapters 6-8). However, the effort to

cripple or dismantle the NLRB was delayed by the preparations for WWII. Nevertheless, by that point the conservative coalition had crafted a set of amendments to the NLRA; most of these amendments were enacted in 1947 as part of the Taft-Hartley Act, the first of several legislative setbacks for the fractured union movement in the postwar era (Gross, 1981, p. 3 and Chapters 5, 10, and 13). Furthermore, total union membership declined by 46,000 in 1940, and union density (defined here as the percentage of nonagricultural workers in unions) declined from 28.6 in 1939 to 26.9 percent in 1940 (Mayer, 2004, p. 23, Table A1).

And yet, from the fractured-elite perspective, corporations were slowly adapting at this time to the existence of unions: “By 1939, the essentials of a postwar ‘capital-labor’ accord were already in place, although they were interrupted by the war and a postwar surge of militancy” (Mizruchi, 2013, p. 87). This claim is based in part on a survey of corporate executives by *Fortune* in that year, which found that “only 41.7 percent” of them favored repeal of the National Labor Relations Act, with another 41.9 percent favoring modifications, and 3.7 percent believing it should remain as enacted (Mizruchi, 2013, p. 82).

### Corporate Planning On Foreign Policy

The fractured-elite perspective on the postwar era is further limited by its overly brief treatment of the years shortly before and during American involvement in World War II. Its discussion of this crucial time period provides an inadequate account of the origins of the Committee for Economic Development (CED), a new corporate-moderate policy-discussion group that looms large in the fractured-elite analysis (Mizruchi, 2013, pp. 37-40). In the process, fractured-elite theory endorses a questionable claim by the treasurer of Eastman Kodak as to why corporate executives came to appreciate the role of government: their participation in it during the war taught them “what a tough job it is to run a government. So the businessmen got to appreciate the government and not be so critical of it” (Mizruchi, 2013, p. 42). In fact, the large-scale involvement of corporate executives in the wartime mobilization was concerned with much more than learning to appreciate the government. Working closely with the conservative coalition, the corporate community as a whole ran the massive industrial defense mobilization from appointed positions in the Pentagon and as members of various presidentially appointed boards, and in the process achieved many victories over the liberal-labor alliance, including the defeat of the extensive liberal-labor postwar planning efforts and the disestablishment of several New Deal agencies (Domhoff, 1996, Chapter 6; Waddell, 2001).

Most notable of all, the fractured-elite view does not discuss the central role of the corporate moderates in creating the plans for internationalizing the economy after the war. These plans provide another part of the context, along with the NLRA and the SSA, for understanding the postwar policy preferences of the corporate moderates. This initiative was sponsored by the Council on Foreign Relations (CFR), one the main corporate-moderate policy-discussion groups since its founding in 1921 (Schulzinger, 1984; Shoup, 1974, 1975). Shortly after World War II began in September 1939, the CFR created a program called the War-Peace Studies with the approval of the State Department and a large grant from the Rockefeller Foundation (Domhoff, 2014a).

Working through separate study groups, it then brought together several hundred business and financial leaders, academic experts, and former government officials to search for consensus for a postwar vision of the national interest. In the long run, the Economic and Financial Group was the most important of these committees because it developed the proposals that became the

framework for American foreign and economic policies. By the summer of 1940, the Economic and Financial Group had concluded that the full productivity of the American economy as then constituted could only be realized if corporations were able to invest, purchase raw materials, and sell products in an area that included Western Europe, South America, and the British Empire, an area that came to be defined as the “Grand Area.” The Grand Area strategy also included Southeast Asia because of the need for nearby trading partners for Japan and raw materials for industrialized countries. The War-Peace Studies also argued for the necessity of an International Monetary Fund and an International Bank for Reconstruction and Development (Domhoff, 1990, Chapters 4 and 5; 2014a; Shoup & Minter, 1977). In terms of the postwar conflicts between the corporate community and the liberal-labor alliance, the Economic and Financial Group provided an alternative that helped make it possible to overcome the liberal-labor alliance’s desire for a more government-directed economy.

### The CED and Corporate Successes During World War II

There were limits to the usefulness of the CFR planning effort because it did not include the many corporations that would not be involved in foreign trade in the first several years after the war, if ever. Nor did its behind-the-scenes planning in close coordination with the departments of state and treasury do anything to counter the highly visible postwar planning that was being carried out by experts in the liberal-labor alliance. Working in and around the National Resources Planning Board, a small government agency within the White House, the alliances’ experts were making use of liberal and left Keynesian prescriptions that called for continued government spending and new planning agencies. These liberal-labor plans would perforce limit the power of corporations and make foreign markets less important in avoiding a return of the depression-level economic conditions that did not abate until World War II spending began.

It was in this context that the CED was created in 1942 to the displeasure of President Roosevelt (Domhoff, 2013, pp. 31-34; Waddell, 2001, pp. 136, 197n. 46). In effect, the goal set for the CED by its founders, a majority of whom were members of the Business Advisory Council, was to fashion a set of policies that would insure that the Great Depression did not return. These policy preferences came to be known as “business” or “commercial” Keynesianism (Collins, 1981). The details of the CED’s disagreements with the liberal and left Keynesian perspectives will be explained in the context of discussing the weaknesses of the fractured-elite analysis of postwar government involvement in the economy.

In addition to establishing several committees to carry out its mandate, one of the CED’s founding trustees joined the CFR’s War-Peace Studies as a member of the Economic and Financial Group. The CFR-CED overlap (five of the 11 members of the CED’s crucial Research Committee were also members of the CFR) was supplemented when four of the most experienced economists advising the CFR’s Economic and Financial Group were hired to consult for the CED as well. Complementing the CFR’s international planning, the CED’s committee on international trade policy made important additions to the corporate moderates’ understanding of how to create a strong international economic system; in particular, the CED committee showed that international trade could not by itself lead to adequate demand, contrary to what most bankers, many non-Keynesian economists, and Roosevelt’s secretary of state believed. Instead, increased international trade depended on the creation of strong domestic consumer demand (Domhoff, 2013, p. 49; Whitham, 2010a, 2010b). This new economic understanding, overlooked in the fractured-elite perspective, is another reason why the postwar corporate moderates were

more supportive of some postwar spending and planning initiatives, such as the Employment Act of 1946, than they otherwise might have been (Domhoff, 1990, Chapter 7).

Moreover, the CED trustees became the most visible postwar advocates (through nine published and well-publicized policy statements, regional forums, testimony before Congress, and appointments to government positions) for lower tariffs and formal international trade organizations, to the annoyance of most ultraconservatives. After being blocked in its efforts during the Eisenhower era by the NAM and the Chamber of Commerce, which usually found more favor with the conservative coalition than did the corporate moderates on this issue, the CED enjoyed its greatest successes on trade expansion in the 1960s and 1970s, creating the framework that became the foundation for the larger degree of internationalization that led to a global economy (Domhoff, 1990, Chapter 8; 2014a; Dreiling & Darves, 2011; Dreiling & Darves-Bornoz, 2015).

The CED, working even more closely with the CFR by this point, and sharing more trustees and members with it, became involved in postwar foreign and defense policies as well. In 1946 the two organizations urged the White House and Congress to provide massive aid to economically debilitated European countries, at least two of which had strong Communist parties that greatly concerned corporate moderates (CED, 1947a; Eakins, 1969; Hogan, 1987). They then provided the majority of the members of a blue-ribbon presidential commission to study the problem, and also had a hand in convincing ultraconservatives in Congress and the general public to accept the plan through a highly visible citizens' committee established by CFR leaders (Wala, 1994, pp. 181-214).

As foreign policy leaders became more fully convinced between 1947 and 1948 that the intentions of the Soviet Union were antithetical to American interests, the CFR and its many members in the State Department, including the corporate lawyer who was serving as Secretary of State, began thinking in terms of a substantial military build-up in Western Europe. When the Soviets successfully tested an atomic bomb in August 1949, and the anticipated communist victory occurred in China a month later, President Harry S. Truman, despite previous hesitations, agreed to a major reevaluation of the country's foreign and military policies. The result was a new national security policy statement, "United States Objectives and Programs for National Security" (NSC-68), which recommended a 300 percent increase in military spending over the next few years to rearm Western Europe and station 100,000 American troops there as well (Domhoff, 2013, pp. 75-76; Friedberg, 2000; Huntington, 1961; Nitze, 1980). To deal with the financial and military doubts expressed by ultraconservative Republicans in Congress, the corporate moderates created a new lobbying and opinion-shaping organization in early 1950, the Committee on the Present Danger, which included numerous members of the CED and CFR among its 54 members. After the Korean War unexpectedly broke out about five months later, the corporate moderates were able to achieve their goal when Congress eventually agreed to a major increase in defense spending for the purpose of defending Europe (Friedberg, 2000; Sanders, 1983).

As this brief overview of CED and CFR involvement in postwar foreign and defense policy implies, internationalizing the economy and containing the perceived Soviet threat are an integral part of the context for understanding the domestic postwar policy issues that are discussed in the fractured-elite analysis. This context is largely ignored in the fractured-elite perspective.

### Moderate Conservatives and Ultraconservatives in the Postwar Era

The fractured-elite account of domestic policy during the postwar era is inadequate for five reasons. First, it does not discuss the mixture of cooperation and disagreement between the moderate conservatives and the ultraconservatives, which varied along several dimensions. Second it does not explain the exact nature of the government interventions into the economy that were acceptable to the corporate moderates, nor the way in which those interventions differed from those favored by the liberal-labor alliance. Third, it does not understand that the moderate conservatives were fully opposed to the labor movement, which is mischaracterized as “growing and increasingly strong” between 1945 and approximately 1973 (Mizruchi, 2013, p. 45). Fourth, it ignores the crucial role of the conservative coalition in Congress in securing the interests of the corporate community. Fifth, it wrongly argues that corporate leaders, in their roles as bank directors, were important in generating agreement among corporate moderates on major policy issues, when in fact it is corporate leaders who are part of the policy-planning network that have an impact on the public policies of concern to them.

### Moderate-Conservative and Ultraconservative Policy Preferences

Although corporate moderates and ultraconservatives have several policy differences, they also share several policy preferences as well. First and foremost, they are fully united in all-out opposition to organized labor at the legislative and judicial levels, and in the workplace whenever possible. Corporate moderates and ultraconservatives also share the view that taxes on large personal incomes and corporations have been too high since the end of World War II, while at the same time disagreeing on the relative importance they would put on income taxes and sales taxes, with corporate moderates seeing sales taxes as too regressive and a drag on consumer spending (Domhoff, 2013, pp. 43-48). In addition, both moderates and ultraconservatives strive to keep government regulation to a minimum, although they sometimes disagree on how to achieve this shared goal.

Within the context of these common views on critical issues, the differences between moderates and ultraconservatives in the corporate community are relatively minor in terms of the overall power structure. They are nonetheless the occasion of major battles, and in the 1950s and early 1960s they were emphasized by social scientists and historians who opposed any type of class-based theory of power. The nature of these differences in the postwar era was first demonstrated in a rigorous way through a content analysis of all available publications, media advertisements, and radio commercials financed by corporations and their related business associations between July 1 1948, and June 30 1949. The researchers found a majority “classical creed” that was embodied by the Chamber of Commerce and the NAM, and then identified the corporate moderates as those who believed that the “system does not function perfectly,” making it necessary to adopt some Keynesian ideas and use government to introduce the necessary corrections (Sutton, Harris, Kaysen, & Tobin, 1956, pp. 215-216). These findings on the main policy divisions within the corporate community were reinforced by the results of a 1959 mail survey of corporate executives’ perspectives on several domestic and foreign-policy issues, which found large differences between members of the NAM and CED (Woodhouse & McLellan, 1966).

The differences between the moderate conservatives and the ultraconservatives can be seen in more detail in a study of 107 pieces of new Congressional legislation (passed between 1953 and 1987) that were judged to be important by a Congressional scholar in political science

(Mayhew, 1991/2005). Another political scientist then analyzed these legislative enactments in terms of the positions taken on them by the Chamber of Commerce (Smith, 2000). The Chamber was on the winning side on just under half of the issues, which were also supported for the most part by corporate moderates. However, the fact that the Chamber was on the losing side just over half the time makes its 56 losses of considerable interest. It is noteworthy that most of these losses occurred because other segments of the ownership class favored the legislation, but there were some victories for the liberal-labor alliance as well.

For example, the Chamber often lost to the well-organized urban landowners and commercial developers on issues concerning subsidies for urban renewal and downtown growth. In addition to support from the spending coalition, the urban growth coalitions had the backing of corporate moderates on these issues, as shown in CED reports from the late 1950s through the early 1980s (Domhoff, 2013, pp. 116-120, 258). Strikingly, the fractured-elite perspective overlooks the power of the landowners and developers when it uses corporate-moderate support for President Lyndon Johnson's Model Cities program as evidence that corporate moderates had "a sense of responsibility for the larger society" and "were willing to support a significant liberal social program that provided no clear immediate benefits" (Mizruchi, 2013, pp. 68, 171).

Contrary to this claim, the several CED policy statements related to urban policies show clearly that its goal was to support the continuance of the urban renewal program in the face of strong challenges from inner-city neighborhoods and liberal critics. Due to major changes that the Republicans enacted when they captured control of Congress in 1954, the Housing Act of 1949 was transformed from a liberal-oriented "urban redevelopment" program primarily focused on housing into an "urban renewal" program that provided huge economic benefits for big commercial real estate firms and developers. They could now acquire downtown land at a bargain price once the low-income people on that land, a large percentage of whom were African Americans, were removed from it (Domhoff, 2005; 2013, pp. 80, 117-120). Urban renewal was also of great interest to large universities, such as Yale and the University of Chicago, which felt encircled by low-income African-American communities and at the same time wanted the land they were on for university expansion. All of these universities, but perhaps most of all Yale and the University of Chicago, included several corporate moderates among their trustees (Domhoff, 1978, Chapter 3; Rossi & Dentler, 1961). Thus, contrary to the fractured-elite perspective, the Model Cities Program was not a liberal program (Domhoff, 2013, pp. 135-137; Frieden & Kaplan, 1975, pp. 259, 261, 264-265; Quadagno, 1994, Chapter 4).

Just as the anti-subsidy Chamber lost to urban land interests, so too did it lose to agribusiness interests on several votes concerning the agricultural subsidies that are vital to large agribusiness interests, starting with the Southern plantation owners, who were among the major backers and beneficiaries of the Agricultural Adjustment Act of 1933 (Domhoff & Webber, 2011, Chapter 3). The Chamber also lost to temporary coalitions of corporate moderates and the liberal-labor alliance in 1958, 1963, 1965, and 1972 on programs that provided federal aid to universities for the support of basic research in science and engineering and to public schools in depressed areas. In addition, the Chamber was defeated on several votes that involved changes in the Social Security program, such as increased benefit payments, the inclusion of more occupational categories, and adding disability benefits, most of which were favored by corporate moderates, as might be expected from their involvement in the creation of the Social Security Act. Finally, the Chamber lost to the liberal-labor alliance on several types of legislation that benefited low-income and unemployed people by raising the minimum wage, extending or increasing unemployment benefits, and providing rent support. While these liberal-labor

victories were important to workers in keeping even with or getting ahead of inflation, they were for the most part additions or augmentations to earlier legislation.

Overall, then, the context and substance of power conflicts in the postwar era were far different from the way they are portrayed by fractured-elite theory. In retrospect, this era was a time of greater income equality than from the 1970s to the present, due at least in part to the strength of the construction and industrial unions, but it was also a time in which the liberal-labor alliance lost every major legislative power struggle in which it engaged, with the important exception of the Medicare Act of 1965 (Domhoff, 2013, pp. 129-134; Quadagno, 2005, Chapter 5).

### The Corporate Moderates and the Postwar Economy

The fractured-elite perspective stresses that the corporate moderates accepted the idea that there had to be more government involvement in the economy than ultraconservatives believed was necessary, including an expansion of Social Security and the use of deficit spending (Mizruchi, 2013, pp. 5, 51-52, 57). However, it does not discuss the crucial differences between the way in which the corporate moderates and the liberal-labor alliance wanted to manage the economy, thereby overlooking the class conflict that played out within government on key economic issues. The corporate moderates were for very specific kinds of government involvement, and they largely succeeded in having their way. This point is best demonstrated by the way in which the corporate moderates disagreed with both the ultraconservatives and the liberal-labor alliance on fiscal and monetary policy. In other words, there were acceptable and unacceptable versions of Keynesianism as far as the corporate moderates were concerned. It is on this point that CED policy statements and archival files provide a very good window into the mindset of the corporate moderates as to what they thought was at stake.

Although CED trustees had crafted their own version of Keynesianism by 1943-1944, their views are best articulated in two policy statements that were published after the war ended. The first of the two, *Taxes and the Budget: A Program for Prosperity in a Free Economy* (1947c) created a halfway position between the ultraconservatives, who wanted balanced budgets, and the liberal and left Keynesians, who wanted to manage future economic downturns through tax cuts for low- and middle-income workers, increases in government spending, and the provision of government jobs. In addition, the liberal Keynesians wanted to head off periods of demand-pull inflation by raising taxes on the well-to-do and cutting government expenditures, which would decrease buying power and at the same time perhaps provide enough of a government surplus to pay down the federal debt. CED trustees opposed all of these liberal-labor policy preferences without at the same time embracing economic orthodoxy about balancing the budget each year.

The CED trustees believed that the ultraconservatives' economic plans would slow the economy, and thereby risk falling profits, depression, and renewed social disruption. However, they did not adopt the liberals' approach because of its emphasis on manipulating the tax rate and using increases and decreases in government spending to heat up or cool down the economy. They feared that repeated economic forecasts of inadequate demand by liberal experts might lead to policies that would increase government expenditures year after year. In the interest of limiting such expenditures as much as possible, the CED suggested its own formula for a "stabilizing budget policy," which called for setting tax rates at a level that would balance the budget over a period of several years while providing for a high level of employment. This new



method of balancing the budget over time supposedly would be accomplished by allowing tax receipts to be lower in times of economic recession, thereby leading to automatic deficit spending by the federal government. This is often the form of deficit spending that the fractured-elite account is in effect alluding to when it discusses support for social spending by corporate moderates. Such temporary deficit spending, including higher outlays for unemployment benefits, would then presumably lead to higher tax collections once the economy recovered, thereby making it possible to decrease government debt and to eliminate excess purchasing power.

A year later CED provided a 75-page synthesis of its full program in *Monetary and Fiscal Policy For Greater Economic Stability* (1948). The report rejected the need for annual balanced budgets while at the time criticizing the efforts at demand management by the liberal and left Keynesians. It instead placed strong emphasis on the use of monetary policy to stimulate the economy when necessary, or to reduce demand if inflation increased. The CED policy statement claimed that the Federal Reserve Board and its Open Market Committee could move more quickly than Congress, and that monetary policy has a more immediate impact. Historical studies show that this rationale was adopted by every administration from Eisenhower through Carter, and that the post-1948 Truman Administration was influenced by it as well, perhaps in part because several CED trustees served as directors of regional Fed banks and a CED trustee was appointed to chair the Fed in early 1948 (Biven, 2002, p. 34; Domhoff, 2013, pp. 73, 85-86, 160-162, 217; Matusow, 1998. p. 169 ; Stein, 1969).

In principle, the mix of fiscal and monetary policies advocated by the CED did not necessitate any expansion of the traditional functions of government, as CED trustees clearly understood at the time (Domhoff, 2013, p. 73; Fuccillo, 1969, p. 318; Thomson, 1954). Moreover, the emphasis on monetary policy meant that the Fed could induce recessions by raising interest rates, which in effect made unemployment for workers, not higher taxes for the corporate owners and executives, the accepted way in which inflation would be controlled. Put another way, even though the corporate moderates were willing to resort to their version of fiscal policy in some circumstances, there was a general corporate preference for monetary policy over fiscal policy 20-25 years before the crisis of the late 1960s and early 1970s unfolded.

### Why did Corporate Moderates Abandon Commercial Keynesianism?

According to the fractured-elite perspective, Keynesianism continued to be favored by corporate moderates until at least 1971, but around that time it supposedly began to fail as theory and practice (Mizuchi, 2013, pp. 140-141, 165-168). Corporate-dominance theory argues that both of these assertions are false. The most powerful corporate moderates, the chief executives of large industrial corporations, rapidly abandoned Keynesianism for an emphasis on high interest rates and balanced budgets in the late 1960s and early 1970s, but Keynesian economists, including a prominent CED advisor, had a solid analysis of what happened to the economy in the 1970s. The fractured-elite version begins with the key issue, the demand-pull inflation that began in 1966 due to increased spending for the Vietnam War (but not the War on Poverty, as the fractured-elite analysis claims) and the tightening of labor markets. But it does not mention that President Johnson was hesitant to call for the wage-price controls that were used to control inflation in World War II and the Korean War, and that the conservative coalition stalled on the tax hikes finally called for by President Johnson and many corporate moderates in 1967 in order

to cool off demand-pull inflation in commercial-Keynesian fashion (Domhoff, 2013, pp. 139-141).

The inevitable increase in inflation (from 1.0 percent in January 1965, to 4.7 percent in December 1968) had worldwide consequences because it also caused inflation for the country's trading partners. At the same time, the federal government was demanding that they hold on to the dollars they were earning through exports to the United States, which were increasing as a result of the continuing lowering of tariffs negotiated by corporate moderates in the aftermath of their all-out efforts to pass the Trade Expansion Act of 1962 (Domhoff, 2013, pp. 105-106). The flood of "Eurodollars" fed into the Eurodollar market that the London financial district and the Bank of England had slowly constructed in the late 1950s and early 1960s to boost the profits of British banks by circumventing the Bretton Woods agreements and any attempts at controlling American banks by the American government (Burn, 2006, pp. 9, 72, 129-130, and Chapter 6; Fourcade-Gourinchas & Babb, 2002, pp. 549-556; Mann, 2013, pp. 141-142). Ironically, the British banks made a considerable portion of their rising profits after 1968 by lending Eurodollars to American banks, which dampened the intended effects of high interest rates on inflation in the United States. In June 1969, six months after Nixon took office, the bankers in charge of his Treasury Department concluded that the administration should deal with a burgeoning balance-of-payments problem by honoring the government's agreement to exchange dollars for gold as long as it could for geopolitical reasons, but should close the gold window immediately and without negotiations when it became necessary to do so for domestic economic reasons (Matusow, 1998, p. 128).

The Nixon Administration first tacked inflation with an approach long recommended by advocates of commercial Keynesianism, higher interest rates and budget balancing, but inflation rose from 4.4 percent in January 1969, to 6.2 percent one year later, and was only back to 4.4 percent in July 1971. During the same 31-month period, unemployment grew from 3.4 percent to 6.0 percent. To deal with these problems, and help ensure his reelection, Nixon instituted a temporary wage-price freeze and called for a tax cut in August 1971. He also announced that the United States would no longer exchange American gold for American dollars held by other nations, which left the country's shocked allies with no positive alternatives to capitulating to this exercise of American power by putting the value of their currencies at the mercy of market forces. Together, these new policies were meant to give corporations and the Nixon Administration more flexibility in dealing with inflation and unions at home while improving the competitiveness of American corporations abroad, and they succeeded (Domhoff, 2013, pp. 170-172; Matusow, 1998, Chapter 5). Inflation dipped as low as 2.7 percent 11 months after Nixon announced the new policies and stood at a tolerable 3.4 percent when he was reelected. The sequence of events outlined in this and the previous paragraph, which was triggered by attempting to fight an imperial war without inflation controls, deserves more far more weight than the fractured-elite account gives it in evaluating the viability of Keynesian-based policies.

Nor does fractured-elite theory emphasize the distinctiveness of the powerful external economic shocks that led to a new round of inflation in early 1973, which exploded to 8.7 percent by the end of the year and to 12.3 percent by the end of 1974. The fractured-elite account acknowledges that this new inflation was due in good part to the oil shock caused by the Arab oil embargo in October 1973, which is recast as "the culmination of what can now be seen as the excessive consumption of a critical natural resource without regard for the consequences" (Mizuchi, 2013, p. 139). Despite the external source of the problem, the fractured-elite analysis nonetheless argues that Keynesianism had "stopped working" and "began to fail" because at the

same time unemployment rose from 4.9 percent in January 1973, to as high as 9.0 percent in May 1975 (Mizruchi, 2013, pp. 166-167). Contrary to this claim, a moderate Keynesian economist, Charles Schultze, who was based at The Brookings Institution, provided the corporate moderates serving as CED trustees with an astute analysis of the economy's problems from 1973 to early 1975 at a special CED conference in May 1975 (CED, 1975). In addition to his position at Brookings, Schultze also had been an advisor to several CED study groups beginning in 1968 and later served on its Research Advisory Board.

According to Schultze, the sudden downturn in the economy was due to a sharp decline in consumer demand and had little or nothing to do with the earlier demand-pull inflation or Nixon's earlier economic policies. Instead, he claimed, the economy suffered three post-1972 inflationary shocks that acted like new taxes on consumers, and thereby decreased consumer purchasing power. To begin with, farm prices rose sharply due to bad harvests around the world; this problem was exacerbated in the United States by the sale of grain and soybean reserves to the Soviet Union in 1972 and 1973 for strategic reasons, which strained American reserves in the process. The increases in farm prices took \$6.5 billion (in 2012 dollars) out of consumers' pockets. Then the costs of non-petroleum raw materials went up as well, which cost consumers another several billion dollars (CED, 1975).

The third and biggest shock came from the six-month Arab oil embargo, which is emphasized in the fractured-elite analysis to the exclusion of the two earlier shocks. It quadrupled the price of oil and sent \$36 billion of consumer purchasing power to oil-producing countries, only \$5 billion of which came back to commercial and investment banks in the United States for loans and investments. In addition, the resulting inflationary spiral pushed individuals and corporations into higher tax brackets, removing another \$55-60 billion from consumption and investment, which is another important issue that is not discussed in the fractured-elite account. Due to the major decline in demand, employers began to lay off workers, which of course increased the unemployment rate (CED, 1975). This analysis is supported by later studies of this time period, although the effect of lifting the temporary Nixon price controls, which lasted in a gradually weakened form from late 1971 into 1973, has to be factored into the equation (Blinder, 1979; Blinder & Rudd, 2008, pp. 6-7, 15-16). It is noteworthy, but not an issue that can be pursued in this article, that the three external shock waves, when combined with the effects of Nixon's decision to close the gold window, generated volatility in currency values and new political regimes in many countries as well as the aforementioned inflation (e.g., Fourcade-Gourinchas & Babb, 2002; Krippner, 2011; Mann, 2013, Chapter 6).

Once again contrary to fractured-elite theory, it seems unlikely that the problems facing the economy were a mystery to Schultze and the other Keynesian economists at The Brookings Institution, who were highly visible and vocal at the time. Put simply, the economy was suffering from cost-push inflation, which requires different policy responses than does demand-pull inflation because of the reduction in consumer demand it creates. Keynesian advisors therefore thought it was a bad idea for the Federal Reserve Board to fight inflation by raising interest rates under these circumstances, but the corporate community and the Nixon and Ford administrations decided otherwise.

Still, several mainstream Keynesian economists, including Schultze, even after he was appointed as the chair of the Council of Economic Advisors by President Jimmy Carter in 1977, continued to advocate tax reductions for low-income workers (perhaps through lower payroll taxes) and increased government spending (Domhoff, 2013, Chapter 11). They thought such remedies were possible because there was no general underlying dynamic within the economy

itself that was driving inflation at that point.<sup>3</sup> By 1975, however, most corporate moderates had joined with the ultraconservatives in rejecting fiscal policy options because issues having to do with defending and increasing their power in the face of union demands were more salient to them (Domhoff, 2013, pp. 208-210). Nevertheless, the corporate leaders' emphasis on high interest rates and cuts in social spending did not keep them from successfully lobbying for large permanent tax cuts for higher-income individuals and corporations during the Carter years, which marked a complete triumph for the corporate community (Domhoff, 2013, Chapter 11; Hacker & Pierson, 2010, pp. 98-100; Mizruchi, 2013, Chapter 7).

Contrary to fractured-elite theory, hardliners among the corporate moderates were gradually abandoning their version of Keynesianism between 1969 and 1972 for three intertwined reasons. First, as already noted, the hardliners were determined to defeat unions because they perceived their wage demands as the reason for the inflation that developed in the late 1960s. In effect, they were arguing that unions, especially in construction, were taking advantage of tight labor markets to win exorbitant wage hikes that exceeded the growth in productivity, and thereby causing cost-push inflation. At that point the cost-of-living adjustments built into many union contracts also became completely unacceptable to them. In making their analysis, they were playing down the demand-pull inflation of the late 1960s and denying that unionized workers were for the most part playing catch-up. They therefore increasingly turned to their version of monetary theory as the main rationale for the policies they preferred, which in effect advocated high interest rates and rising unemployment in order to defeat unions (Domhoff, 2013, pp. 193-195, 209-211, 229-230)

The hardliners' concern about the increasing costs of their new factories led them to form the Construction Users Anti-Inflation Roundtable in 1969 in order to hold down wage increases in the construction industry; the new group's efforts played a role in shaping the Nixon Administration's labor and inflation policies in relation to the construction industry (Domhoff, 2013, pp. 163-166, 169; Linder, 1999, Chapters 8-9). This organization, in turn, was the nucleus of the Business Roundtable, which was established in 1972 and became operative over the course of the next two years. It had a primary focus on labor issues, a fact that is obscured in the fractured-elite analysis because of its incorrect emphasis on the corporate moderates' concern with regulation by the EPA and OSHA, which did not develop until three or four years later and was greatly overblown (Domhoff, 2013, Chapter 10; Gross, 1995, pp. 234-239; Mizruchi, 2013, pp. 140, 143, 160-163). This new policy-discussion organization was created through a merger of the Construction Users Anti-Inflation Roundtable and the Labor Law Reform Group, both of which were expressly concerned with weakening unions (Gross, 1995, pp. 202-205, 234-235; Linder, 1999, pp. 207, 209).

The Business Roundtable's founding statement presented an analysis of the situation it thought corporations faced. More exactly, it laid out "two narratives," one focused on the supposed negative effects of inflation on everyone, the other on the "labor gains at the expense of capital" throughout the entire postwar era (Reuss, 2013, p. 444). Since construction costs were rising in the late 1960s, in a context in which prices presumably could not be easily increased due to increasing international competition, the Business Roundtable claimed there was a profit squeeze for those large industrial corporations that were rapidly building new factories to maintain market share and enhance profits in a booming economy (Reuss, 2013, pp. 102-103). Right or wrong, the two narratives added up to a rationale for undercutting labor unions.

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<sup>3</sup> The idea of "core inflation," which excludes sudden changes in agricultural and energy prices from the inflation equation, was introduced in 1975 in a paper published by The Brookings Institution (Gordon, 1975).

Detailed analyses of national income data for the postwar era as a whole reveal only a slight upward trend in labor's share, and as so often, different assumptions lead to different results (Heintz, 2013; Reuss, 2013, Chapter 5, for new findings and detailed discussions). For example, if executive salaries are included in the same category with profits, the size of the labor share is reduced. This is due to the fact that executive compensation increased at a faster rate than average wages from the early 1950s to the early 1960s, flattened for a few years, and then rose even more rapidly after 1968, which is also when corporate moderates began to complain very loudly about undeserved gains by blue-collar workers (Reuss, 2013, pp. 144-145, 444).

Rising executive compensation to one side, the definition of the labor share that best encompasses non-executive workers for large companies actually showed a decline in the first half of the 1960s, which was overlooked by the corporate moderates as they wrote about a golden age for record-setting profits. But the labor share rose rapidly in the second half of the decade, which was all that mattered as far as the Business Roundtable's grievances concerning their need for continuing increases in profits. The fact that profits had started to recover in 1971 (later stalled by the mid-1970s recession) was not considered good news because as of 1972 they were still below the unusually high level of 1965-1966 (Reuss, 2013, p. 102).

Aside from the corporate leaders' concern over the share of national income going to their profits, an increasing number of them were also motivated by a desire to put an end to any government inclination to develop permanent wage-price controls, which had been tried during the Kennedy and Johnson administrations despite corporate (and union) resistance (Barber, 1975; Cochrane, 1975; Domhoff, 2013, pp. 110-112, 138-140, 166-168). Wage-price controls administered by government boards were an ongoing concern for the new hardliners because in 1970 the most centrist of the corporate moderates had advocated a temporary version of such boards in a CED report (1970, pp. 17-18) on controlling inflation. (This concern on the part of the hardliners was then heightened by the temporary wage-price controls the Nixon Administration created in the summer of 1971, with the strong urging of many corporate moderates.) This issue receives no consideration in the fractured-elite analysis. The CED report making this surprising recommendation also said that lower interest rates, higher taxes, and higher federal expenditures were needed to deal with "the urgent problems of our cities, education, poverty and welfare, health care, and the environment." In other words, at least for a brief time, the more centrist trustees were arguing for a very different direction than the one advocated by more conservative CED trustees; this difference was reflected in the large number of disagreements that were added to the report, as well as six dissenting votes by hardliners who opposed its publication altogether (Domhoff, 2013, pp. 167-168).

Finally, there was a third anti-union prong to the approach taken by the members of the Business Roundtable, on which the fractured-elite analysis is once again wanting. They were determined to make sure that inflation was controlled only by higher interest rates set by the Federal Reserve Board, not by raising taxes on the well-to-do while at the same time reducing government subsidies and tax breaks that benefited corporations, as liberal Keynesians advocated. Furthermore, by 1971-1972 the centrists within the corporate community were losing whatever interest they once had in spending more money on social problems, except through the methods they had come to champion, food stamps and the Earned Income Tax Credit, which do not interfere with low-wage labor markets and in effect subsidize agricultural interests and companies that pay low wages (Domhoff, 2013, p. 177; Quadagno, 1994, p. 122). According to a corporate-dominance perspective, the shift in policy preferences by corporate moderates was made possible by the decline in turmoil in inner cities and the society at large beginning in 1971

(Domhoff, 2013, pp. 211-213, for a discussion of the varying reasons for the decline in social disruption between 1971 and 1975). The only policy option left to control inflation was the one virtually all corporate moderates now favored—higher interest rates imposed by the Fed. Ultraconservatives in the corporate community and members of the conservative voting coalition in Congress eagerly embraced this option because they had preferred it all along.

The fractured-elite account misses these crucial changes because of its emphasis on the results of a self-administered questionnaire filled out in 1971. It showed that 57 percent of the 120 chief executives and owners that returned the questionnaire could be classified as liberal or moderate Keynesians based on their answers to questions about the need for balanced budgets, the value of a guaranteed annual income, and moderately redistributive reforms such as closing tax loopholes and raising the inheritance tax (Barton, 1985, p. 63; Mizruchi, 2013, pp. 7, 77, 140). The fractured-elite analysis therefore concludes that the “postwar moderate consensus remained solid” in the early 1970s (Mizruchi, 2013, p. 141). But responses to hypothetical questions on a self-administered questionnaire by a sample of chief executive in the industrial sector (“only slightly more than 50%” responded), the nonindustrial sector (79 percent of whom responded), and owners worth over \$100 million (31 percent of whom responded) do not reveal what the main power wielders in the corporate community were actually doing at the time (Barton, 1985, p. 55). As a result of these mistaken emphases, and in spite of its earlier focus on the Construction Users Anti-Inflation Roundtable and the Business Roundtable, the fractured-elite analysis ends up claiming that the accelerating rightward slant during the 1970s was due to a “counteroffensive” by the ultraconservatives. It therefore discusses the rise of the Heritage Foundation, the American Enterprise Institute, and the foundations that supported them, which are minor and beside the point from a corporate-dominance perspective. The fractured-elite account then goes completely wrong when it concludes that “As traditional conservatives mobilized, especially those associated with the Far Right, large corporations began to slowly follow in their path”(Mizruchi, 2013, p. 178). It thereby loses sight of the fact that the hardliners among the corporate moderates were adopting new policy stances several years before right-wing think tanks and foundations were having any policy impact (Peschek, 1987).

Nor did events of the early to mid-1970s make the conservative coalition any more ultraconservative than it already was; a further move to the right came later with the arrival of southern Republicans into Congress in the late 1970s and 1980s. Not only was the conservative coalition as ultraconservative from 1972 through 1976 as it had been in the past, but it also came together for more votes and was highly successful (Domhoff, 2013, pp. 183, 238-239, 261-262; Shelley, 1983, pp. 34, 39). On some issues the corporate community and the conservatives in Congress simply relied on vetoes by President Gerald Ford to block liberal-labor proposals (Domhoff, 2013, pp. 203-206).

### The Corporate Moderates and Unions

The fractured-elite account claims that a second reason for corporate moderation in the postwar era was provided by a tacit capital-labor accord that the corporate elite reluctantly had to accept because of the power of unions (Mizruchi, 2013, pp. 4, 9, 93, 109). It repeatedly stresses that the corporate elite disliked unions and collective bargaining, but was pragmatic enough to “make peace with the labor movement” and even to concede that “unions could have positive aspects as well” (Mizruchi, 2013, pp. 81, 89). This conclusion is in part based on surveys of corporate executives, starting with the 1939 *Fortune* survey in which a large plurality appeared

to accept the NLRA; furthermore, a large majority replied that in general it “agreed with the idea of labor unions” (Mizruchi, 2013, p. 82). The fractured-elite argument also focuses at length on a five-year contract negotiated between General Motors and the United Automobile Workers in 1950, which is seen as emblematic because it “set the United States down the path of a private welfare state” (Mizruchi, 2013, p. 97). General Motors offered this five-year contract in the context of record growth and profits, but the health and pension benefits included in the settlement were the result of strong union pressure.

However, as the fractured-elite analysis notes, in recent decades several scholars have questioned the idea of a capital-labor accord based on a variety of archival records (Mizruchi, 2013, p. 98). In the face of this disagreement, the fractured-elite perspective concludes that the skeptics have “read history backwards;” that is, they allegedly assume that what the corporate moderates did in the 1970s was what they wanted to do earlier, which is very severe criticism (Mizruchi, 2013, p. 109). From a corporate-dominance perspective, however, the fractured-elite account is refuted by the meticulous work of one of those skeptics, James A. Gross (1981, 1995), a labor-relations scholar who has carefully studied the legislative changes in the NLRA down through the decades, along with decisions handed down by the NLRB and the courts.

The fractured-elite account of the origins and aftermath of the Taft-Hartley Act recognizes that many of its provisions were harsh (Mizruchi, 2013, pp. 90-92), and states that organized labor “bitterly opposed” the bill, but it nonetheless concludes that the general outcome of this legislative conflict implied “a broad acceptance by large corporations of the legitimacy of independent, organized labor unions as a central institution in American life” (Mizruchi, 2013, p. 93). However, Gross’s (1981, Chapter 1; 1995, Chapter 1) analysis of the Taft-Hartley amendments to the NLRA reveals that they were a much more serious setback for the union movement than the fractured-elite account realizes. For example, the act included fundamental changes in labor policy that gave corporate executives more leeway to hamper organizing and to appeal to the courts. One seemingly minor addition to the “Findings and Policy” section asserted that “some practices engaged in by unions were obstructing commerce;” another addition asserted the employers’ right of “free speech” (Gross, 1995, p. 2). Other amendments banned mass picketing and secondary boycotts. The usefulness of picketing in the actual disruption of work was further limited by a Supreme Court ruling in 1951 stating that it was illegal for a union to shut down an entire construction project based on a dispute with only one contractor or subcontractor. (Sit-down strikes, perhaps the most powerful of organizing strategies, already had been lost to a Supreme Court ruling in 1939).

Thanks in good part to government support for already existing unions during World War II, union membership had grown from 8.7 million in 1940 to 14.3 million in 1945, but that year also turned out to be the high point for union density, 35.4 percent. The figure declined to 30.4 percent by 1950, which does not fit with the idea that unions had forced a standoff with corporations (Mayer, 2004, p. 23, Table A1). As for the 1950s, Gross (1995, Chapters 7-8) shows that the corporate lawyers appointed to the NLRB by President Dwight D. Eisenhower did everything they could to undermine unions, and that the Landrum-Griffin Labor-Management Act of 1959 further limited the ability of unions to picket (Gross, 1995, pp. 142-143). Union density, which had returned to a near-high point of 34.8 percent in 1954 due to the low employment rates during the Korean War, fell back to 30.9 percent in 1960 and 28.2 percent in 1965 (Mayer, 2004, pp. 22-23, Table 1A). At the same time, there was stagnation in actual union membership at a little over 17 million from 1956 to 1965, when the growth in public-employee unions during the late 1960s began to mask the continuing decline in private-sector unions

(Goldfield, 1987, p. 15; Miller & Canak, 1995, p. 19, Table 1). In spite of the power elite's successful efforts to undercut unions during the postwar era, the fractured-elite perspective nonetheless claims that "most of the large corporations in the industrial Northeast and Midwest had by 1950 accepted the existence of unions and the necessity of collective bargaining" (Mizruchi, 2013, p. 98).

In addition to the evidence provided by Gross (1981, 1995) for anti-union efforts by corporate moderates and their small army of lawyers, CED policy statements and organizational efforts by some of its trustees provide an ideal vantage point for viewing the ongoing conflict between all members of the corporate community and organized labor in the postwar era. In what the fractured-elite analysis merely calls "surprisingly conservative views on labor issues," the CED trustees were supportive of the key provisions in the Taft-Hartley Act (CED, 1947b; Mizruchi, 2013, p. 90). Moreover, a CED (1958) policy statement on inflation in the late 1950s recommended still more restrictions on unions; it further claimed that labor's contractual demands were causing cost-push inflation, so the similar assertions by corporate moderates in the late 1960s were nothing new (Domhoff 2013, pp. 91-94). The fractured-elite analysis deals with this CED conclusion by citing a newspaper account, which reported that the CED left the cost-push claim as "still open" for future analysis; furthermore, the policy statement allowed that business might "play a role in inflation" (Mizruchi, 2013, p. 99).

Once again relying on a newspaper article, the fractured-elite theory claims that a CED report published in 1961 included "a series of labor-friendly proposals," albeit in an independent report commissioned by the CED from a group of economists and labor-relations advisors (Mizruchi, 2013, p. 99). The report did say unions were on the whole useful and were not the only cause of inflation, and suggested that right-to-work laws should not be allowed in individual states. But it also concluded that the rulings issued by the NLRB were too intrusive and that there should be less government involvement in the regulation of collective bargaining (CED, 1961). In response, the staff of the NLRB claimed that less regulation would make collective bargaining a rarity because "We witness daily, in the cases we process, the efforts of respondents to avoid and evade their duty to bargain by a variety of devices and stratagems" (Gross, 1995, p. 174).

The fractured-elite account of this commission report also ignores the angry responses to it from many members of the corporate community, including some trustees of the CED. The critics seemed especially upset by the idea that the section of the Taft-Hartley Act allowing states to pass right-to-work laws should be repealed (Schriftgiesser, 1967, pp. 166-167). (By 1965, 19 states, all in the South, Great Plains, and Rocky Mountains, had right-to-work laws.) The result of this negative publicity was a new CED subcommittee, made up primarily of leading industrialists, which issued a policy statement that took positions similar to those of the NAM (CED, 1964). It asserted that unions are a primary cause of inflation and that right-to-work laws are essential to protect individual freedom. The salaried president of the CED at the time, a former economist and vice president at the Federal Reserve Bank in Boston, later said that the commissioned report was a "terrible mistake" (Domhoff, 2013, pp. 149-150; Hurwitz, 1989, p. 20; 1990).

Over and beyond their anti-union policy statements, CED trustees were among the leaders of an all-out effort launched in 1965 to change labor legislation in the face of a controversial decision by the pro-union NLRB of the 1960s, which prohibited the "outsourcing" of work from unionized to non-unionized companies without reopening collective bargaining agreements (Gross, 1995, pp. 172-174). This and other decisions by the Kennedy labor board were very alarming to corporate leaders in general, but the fractured-elite view wrongly



characterizes this new corporate initiative (coordinated by the Labor Law Reform Group) as primarily an attempt to preserve right-to-work laws in the face of the overwhelmingly Democratic Congress elected in 1964 (Mizruchi, 2013, p. 155). Most of all, though, the corporate moderates wanted to eliminate the explicit statement of purpose in the NLRA that it was the policy of the United States to encourage the practice of collective bargaining (Gross, 1995, pp. 204-206). As for the liberal-labor attempt to eliminate the right-to-work clause, it was defeated by filibusters in the Senate in 1965 and then again in 1966 while the Labor Law Reform Group was working on its long-range project (Bernstein, 1996, pp. 307-312).

Finally, it is noteworthy that CED trustees were prominent among the corporate leaders who founded the Construction Users Anti-Inflation Roundtable at a 1969 meeting of the Business Council (the name adopted by the Business Advisory Council in the early 1960s) (Domhoff, 2013, p. 163-164; Linder, 1999, p. 190). The fractured-elite analysis notes the formation of this new action group and recognizes its concern with rising construction wages, but it does not mention the considerable role of CED trustees in forming it (Mizruchi, 2013, p. 107). Nor does it appreciate that the anti-union efforts of the 1960s had little or no impact until Republicans took control of the Department of Labor and the National Labor Relations Board after the 1968 presidential election.

The general strategies of the corporate community to weaken unions aside, it is also the case that the fractured-elite account does not provide the full context for why General Motors had to accede to the union's demands for health-care and retirement benefits in the 1950 contract. Building on precedent-setting government rulings during World War II, one by the IRS stating that corporations can deduct health and pension benefits as a business expense, the other by the temporary National War Labor Board stating that wage controls did not apply to fringe benefits, the NLRB reaffirmed in 1948 that collective bargaining over health and other fringe benefits was permissible. This decision then received support from the Supreme Court in 1949 (Mizruchi, 2013, p. 97). Also in 1949, a presidentially appointed strike settlement board, charged with bringing an end to a prolonged strike in the steel industry, ruled that the steel companies had to accept the United Steelworkers' demand for pensions and social insurance "in the absence of adequate government programs" (Brown, 1999, pp. 154, 159). These decisions were deeply disturbing to steel executives and other industrialists because they did not want to go any further into the benefits realm.

From a corporate-dominance perspective, this series of governmental decisions concerning bargaining on fringe benefits, along with the inability of the labor movement to unionize the South, led to a private welfare state in some industrial sectors, not the contract settlement between General Motors and the United Automobile Workers in 1950 (Mizruchi, 2013, p. 97). Moreover, these rulings may have saved the union movement from an early demise, a possibility that goes unexplored in the fractured-elite analysis. They provided "an escape hatch from the threat to union security posed by Taft-Hartley" because "fringe benefits obtained on union terms provided the 'virtual equivalent' of a closed shop" (Brown, 1999, pp. 154, 159). Viewed from this angle, General Motors was negotiating in a context in which the White House and the courts would not back any refusal to bargain over benefits, and in which the United Automobile Workers knew it had to win on social benefits if it was to survive and prosper. Moreover, General Motors and its corporate allies could not contemplate going to Congress for legislative redress as long as the Democrats held the White House and there were enough non-Southern Democrats in Congress to uphold a presidential veto, as there were after the 1948 elections.

However, federal government backing for the status quo vis-à-vis unions during the Truman Administration did not stop the automobile companies from moving their factories to the Detroit suburbs, as they began to do in the late 1940s and early 1950s, at least in part to weaken unions (Boyle, 1995, p. 74). More generally, a wide range of industrial corporations gradually shifted as many manufacturing facilities as possible to the South, which became the low-wage “offshore” manufacturing platform of that era. One research team described this plant movement as a “minor industrial revolution” as far as the South was concerned (Browne, Skees, Swanson, Thompson, & Unnevehr, 1992, p. 24).

As a result of its numerous misunderstandings and oversights, fractured-elite theory presents a more positive picture of the corporate moderates’ general strategy towards unions and labor-management relations in the postwar era than was the case, even though it bends over backwards to point out that the corporate moderates’ acceptance of the truce was begrudging and a “necessary evil” (Mizruchi, 2013, pp. 86). But there never was a moment when the corporate leaders were not in attack mode in one venue or another, and their success is indicated by a stark fact that was mentioned earlier: they never lost on a piece of legislation related to unions after the passage of the NLRA in 1935. With the exception of their setbacks in the late 1940s on the issue of bargaining over social benefits, and several decisions by the Kennedy NLRB between 1962 and 1965 that they vigorously opposed, the corporate moderates also won most of the administrative and legal battles as well. Their administrative, legislative, and legal containment of unions was all but complete by 1971 due to several key rulings by a Republican majority on the NLRB, although many of the large established unions continued to win contract battles for several more years (Domhoff, 2013, p. 158).

### Why Did The Decline of Unions Accelerate?

The fractured-elite perspective alludes to general societal “frustrations with continuing racial conflict” and concludes that “the civil rights and anti-war movements set in motion a series of forces that required a response” (Mizruchi, 2013, pp. 109, 139). However, it makes little or no mention of racial tensions within the union movement. The one exception is the comment that during World War II “minorities often faced substantial resistance not from employers or union leaders but from other workers” (Mizruchi, 2013, p. 88). Nowhere does it state that African Americans, women, and other previously excluded groups had to organize and disrupt in order to bring about changes in the racial and gender hierarchies that might be of benefit to them.

Nor is any agency attributed to the unionized white workers who resisted the integration of workplaces and unions, or to the increasing number of white Democratic voters who turned to the Republicans for their own reasons starting in 1966, primarily due to their resistance to the demands by African Americans for the integration of neighborhoods, schools, and work (Boyle, 1998; Frymer, 2008; Quadagno, 1994; Sugrue, 2001, 2008). By the 1970s white grievances and resentments began to include religious and social issues as well (Crespino, 2008; Quadagno & Rohlinger, 2009; Rohlinger, 2002).

From a corporate-dominance perspective, as the previous paragraph suggests, the fractured-elite account does not give enough weight to what was happening within the liberal-labor alliance. The civil rights movement was supported only with hesitation and trepidation by most white liberals because they feared a white backlash if change came too fast (Brinkley, 1995). Further, the civil rights movement was not supported at all by most craft union leaders or the white rank-and-file in any type of union, which includes the rank-and-file of the most liberal

of the large industrial unions, the United Automobile Workers (Boyle, 1995, 1998; Frymer, 2008; Quadagno, 1994; Sugrue, 2001, 2008). The result was increased African American militancy at work sites in major urban areas in the North in the early 1960s and a major backlash by white voters that fragmented the Democratic voting coalition. This job-related backlash was exacerbated by the attempts at school and neighborhood integration, which for the most part were defeated by aroused white neighborhoods. This backlash was underestimated at the time by most analysts inside and outside the academy, who thought that white workers would gradually accept their black co-workers due to the main tenets of liberal individualism, or at the least would continue to vote Democratic out of a concern with bread-and-butter issues and the preservation of their unions. But race trumped class; the white South gradually switched to the Republican Party and the liberal-labor electoral alliance was severely weakened in large industrialized states outside the South (e.g. Boyle, 1995, 1998; Carmines & Stimson, 1989; Frymer, 2008). In addition, the conservative coalition in Congress regained much of its strength after the 1966 Congressional elections (Manley, 1973; Shelley, 1983).

At the same time as the liberal-labor alliance was fragmenting, the corporate community, including the NAM, was generally supportive of civil rights legislation after making sure that Title IV, which concerned hiring, was crafted to their satisfaction (Delton, 2009, pp. 35-36; Domhoff, 2013, pp. 123-125; Golland, 2011, Chapter 2). The ultraconservative leaders of some corporations, such as DuPont, saw the integration of their workforces as consistent with their anti-union goals: "Adopting affirmative action in no way impeded its longstanding anti-unionism; indeed, in some ways the new affirmative action programs complemented DuPont's fight against unions" (Delton, 2009, p. 279). As the fractured-elite analysis notes, the response to the civil rights movement by the corporate elite "was often one of accommodation rather than direct confrontation" (Mizruchi, 2013, p. 109).

Unions fought two more battles over labor legislation in the 1970s, but lost (Domhoff, 2013, pp. 205-206, 221, 223-226; Gross, 1995, pp. 236-239; Mizruchi, 2013, pp. 158-160), and then came the rout during the Reagan years (Domhoff, 2013, pp. 243-244; Gross, 1995, pp. 246-265; Mizruchi, 2013, pp. 187-191). As the fractured-elite account concludes, the union movement "experienced a long-term decline of membership from more than one-third of the workforce in the mid-1950s to fewer than one-quarter by the mid-1970s" (Mizruchi, 2013, pp. 158). But it never says that white racism within most unions and the movement of more and more white voters in both the North and the South to the Republican Party in 1966 and thereafter created the opening for the corporate community to redouble its efforts to finish off unions in the private sector.

### Corporate Networks and Bank Centrality

As briefly noted in the Introduction, the fractured-elite account claims that the members of boards of directors of large commercial banks were a third source of moderation in the postwar era because they were sources of information and normative consensus, and had "the ability to see issues from multiple perspectives" (Mizruchi, 2013, p. 125). Crucially, they were able to disseminate their information, normative consensus, and multiple perspectives because of "their centrality in the social networks created by ties among the leaders of the largest American corporations" (Mizruchi, 2013, p. 111). However, due to the decline in commercial banking caused by the rise of insurance and finance companies as direct lenders, along with a steep rise in lending by shadow banks (non-regulated banks), the commercial banks lost their central position

in the network. They also suffered failures and mergers. The replacement of banks at the center of the corporate network mattered because “No group of firms replaced the banks as the glue that held the system together” (Mizruchi, 2013, p. 196). Making matters worse, the merger movement of the mid-1980s led to increased CEO turnover and less continuity at the top of large corporations (Mizruchi, 2013, pp. 8, 214-221).

The literature on the impact of corporate networks on various outcome variables suggests that director interlocks between two corporations can facilitate the flow of information from corporation to corporation and thereby aid in, or make possible, the adoption of new corporate practices, such as lucrative retirement packages for top executives, by-laws to ward off takeover bids, and a multi-division form of organization, and one study found a positive correlation between bank representation on a corporation’s board and the amount of external financing the corporation used (Mizruchi, 1996, pp. 286- 289, for a summary). The literature also shows that interlocked corporations are more likely to have members on government trade advisory committees (Dreiling & Darves, 2011). Along the same lines, corporations that have similar numbers and types of interlocks, although not necessarily with each other, have similar patterns of political campaign contributions or give common testimony to Congress (Burriss, 1987; Mizruchi, 1992). There is evidence that corporate leaders who sit on two or more corporate boards together frequently make similar campaign contributions, which does not necessarily mean that one corporation is influencing another corporation (Burriss, 2005). This literature on the effects of various types of interlocks is large and complex, but there is no evidence in it that the members of bank boards per se have any unique role in the creation of the general public policies that are of concern to the fractured-elite and corporate-dominance theories.

Moreover, the most systematic study of the political consciousness of corporate directors concluded that directors with multiple directorships are just as conservative, and maybe more conservative, than those who sit on only one corporate board: “Contrary to the hypotheses on inner-group consciousness, it is neither more uniform nor more liberal than that of other class members. Indeed, the core members of the inner group--the triple-director executives--hold a more conservative general ideology than peripheral members” (Useem, 1978, p. 234). Nor is there any evidence that tempers this conclusion in a book-length study of the role of multiple directors. It reports that such directors may have a “more developed and nuanced understanding of the political environment and how it is most productively influenced;” they also may be more willing to compromise, but this does not mean that their political consciousness is any less conservative (Useem, 1984, p. 111). Thus, they are perhaps better described as individuals who take the lead in adjusting corporate policy stances; they moved in a centrist direction in the face of the civil rights and anti-war movements, but in a more conservative direction in the 1970s. As for any evidence that fits with the idea of greater moderation, it is linked to involvement in policy-discussion groups (Useem, 1984, p. 113). Thus, multiple directorships, whether they include membership on a bank board or not, may not matter as far as the dissemination of a moderate-conservative corporate perspective. What the multiple directors seem to share is the connections and visibility that make them more likely to become members of policy-discussion groups and receive appointments to government (Useem, 1980, 1984).

Over and beyond the issue of corporate interlocks and their impact, there is a bigger question: is the policy-planning network the source of the general policy positions that are adopted by members of the corporate community?

### Corporate Policy And The Policy-Planning Network

Due to the emphasis that the fractured-elite perspective puts on bank boards as the sites for their members to develop policy consensus, it places less emphasis on the policy-planning network than does corporate-dominance theory. True, it frequently mentions the Business Council, the Business Roundtable, the CED, and other policy-discussion venues, and discusses the breadth of vision and multiple directorships possessed by their leaders (e.g. Mizruchi, 2013, pp. 5, 36-38, 67-76, 234-238). However, these organizations are never linked into a network that includes numerous corporate directors and is funded by corporations and foundations, and that conveys its policy positions to government through testimony to Congress, lobbying, and the appointments of its leaders and advisors to government positions as cabinet officers or members of White House and departmental advisory committees (Domhoff, 2014b, Chapters 4 and 7). In addition, the roles that corporate-dominance theory long ago attributed to the policy-discussion groups seem to have considerable overlap with the roles fractured-elite theory assigns to banks as “mediating mechanisms” (e.g., Domhoff, 1971, 1974; 1979, Chapter 3; Mizruchi, 2013, p. 131).

Although the policy-planning network is a more likely site for general policy discussions than bank-board networks, the fractured-elite argument overlooks a way in which the CEOs and other corporate leaders who serve as bank directors may have differentially contributed to policy formation in the late 1970s and early 1980s. Forty-eight percent of the people who were trustees of two or more of 12 prominent organizations in the policy-planning network in 1980 were also directors of one of the ten largest banks, compared to 19 percent in 1973 and 33 percent in 1990 (Burris, 1992, p. 128, Table 4). These results support the idea that corporate leaders who serve as bank directors may have had a special role in policy planning at an important juncture in the late 1970s and early 1980s, but they more fully support corporate-dominance theory because that special role was played out in the policy-planning network, not the corporate network. These claims for the greater importance of the policy-planning network also have been supported by case studies mentioned in previous sections, and by other case studies that could have been mentioned for the Progressive Era (e.g., workmen’s compensation insurance and the creation of the Federal Trade Commission) (Castrovinci, 1976; Fishback & Kantor, 2000; Weinstein, 1968) and the New Deal (e.g., the formulation of the National Industrial Recovery Act and the Agricultural Adjustment Act) (Domhoff, 1996, Chapter 4; Domhoff & Webber, 2011 Chapter 2; Himmelberg, 1976/1993).

The claims for the greater importance of the policy-planning network are further supported in the next section with evidence for its continuing importance from 1990 to 2010 on several major policy issues. This further evidence is especially critical because the fractured-elite analysis claims that bank boards were not sources of policy cohesion during this time period. Thus, a strong degree of policy unity, albeit with the usual conservative and ultraconservative tendencies still apparent, would show that the corporate community developed and conveyed its policy preferences through the policy-planning network during a period that fractured-elite theory sees as a time of increasing corporate fragmentation and ineffectiveness.

#### Case-Study Evidence for Corporate-Moderate Unity and Effectiveness, 1990 to 2010

According to fractured-elite theory, in the 1970s the “American corporate elite began to abandon its earlier commitment to a position of responsibility for the well being of the larger society, focusing instead on its own, short-term interests” (Mizruchi, 2013, p. 154). By the end of

the 1980s, “the three forces that had contributed to the moderation of the postwar corporate elite—the state, organized labor, and the financial community—were no longer playing this role” (Mizruchi, 2013, p. 197). As a result, the corporate elite was fragmented and ineffectual.

The first problem with this claim is that the Business Roundtable supported a tax increase in 1990 that was difficult for President George H. W. Bush to accept because he had promised during the 1988 presidential campaign that he would not raise taxes. When he reluctantly agreed to raise the gas tax by a few cents, reduce the accelerated depreciation rate for corporations for three years, and raise the top marginal tax rate on individual incomes from 28 to 31 percent as part of a budget compromise with Congressional Democrats, ultraconservatives pilloried him. This episode is dealt with as follows in the fractured-elite account: “As late as 1990, then, even after the corporate elite had become weakened by the takeover wave it had faced during the 1980s, corporate leaders were still calling for tax increases when they believed that the deficit had become uncomfortably large” (Mizruchi, 2013, p. 231). From a corporate-dominance perspective, this comment does not do justice to what happened. The strong statement put forth by the Business Roundtable demonstrates that it remained able to come together despite the merger wave of the mid-1980s and the decline in bank centrality. It still could unify and deliver what proved to be a successful message.

According to the fractured-elite perspective, the fragmentation and irrelevance of the corporate elite was all but complete by the mid-1990s, by which time it had lost much of its ability “to generate either a consensus of ideas or a similarity of behavior” (Mizruchi, 2013, pp. 197). This conclusion is contradicted by the successful uphill battle that a united corporate community carried out between 1991 and 1994 to pass the North American Free Trade Agreement (NAFTA). This legislation was strongly opposed by the liberal-labor alliance, even though it had supported the expansion of free trade in past decades. In its view, “free trade” by this point was mostly about moving jobs to low-wage countries, which had replaced the South as the corporate community’s safe haven from unions.

Detailed studies clearly demonstrate that the Business Roundtable led the way in creating the wide-ranging USA\*NAFTA coalition of businesses, which appointed “captains” in 30 states to organize corporate leaders to visit Senators and members of the House (Cox, 2008; Dreiling, 2001; Dreiling & Darves-Bornoz, 2015, pp. 195-208). At the same time, the key corporate leaders on this issue, including many of the state captains, were members of official trade advisory committees housed within the Department of Commerce. In addition, statistical analyses showed that several company-level organizational factors, such as size, business sector, and number of foreign subsidiaries, had an impact on a corporation’s degree of involvement in the issue. However, being part of the policy-planning network had an impact that was independent of the organizational level of analysis: “When controlling for foreign subsidiaries, PAC contributions, and labor intensity, [Dreiling, 2001] found that network variables remained statistically significant and explained greater variation in the odds of leadership than did the organizational interests measures” (Dreiling & Darves-Bornoz, 2015, p. 73 and Chapter 5). For example, involvement in the policy-planning network increased the likelihood that a corporate leader would testify before Congress in favor of the expansion of trade.

This quantitative finding is complemented by a detailed account of the individuals, corporations, and policy organizations that introduced and supported the legislation (Dreiling, 2001; Dreiling & Darves-Bornoz, 2015, Chapter 4). It is also supported by an interview-based case study of the issue by the publisher-editor of *Harper’s Magazine*, who gave his book the incendiary title, *The Selling of ‘Free Trade:’ NAFTA, Washington, and the Subversion of*

*American Democracy* (MacArthur, 2000), to highlight the lengths to which the corporate leaders went to pass the legislation. The bill eventually passed because most Republicans and the remaining white Southern Democrats voted together in one of the last hurrahs for the conservative coalition before the Republicans finished their takeover of most Southern congressional seats in the next few years (CQ, 1996). It was a clear victory over the liberal-labor alliance.

Instead of facing the challenge presented by the findings on NAFTA, the fractured-elite argument discusses the failed Clinton health-care plan. According to its analysis, the reform lost for many reasons, including the all-out opposition of ultraconservatives and small business, but the weakness of the corporate elite was crucial: “Ultimately, however, what prevented constructive reform from occurring was the ineffectuality of the corporate elite” (Mizruchi, 2013, p. 252). But the corporate moderates were not ineffectual; they were not fully focused on the issues at the outset and were already headed in another direction. Based on her work as a consultant to the White House Health Care Task Force, as well as “the many discussions and presentations I made to business leaders from June 1993 through December 1994,” sociologist Linda Bergthold (1995, p. 2, ftn 2) provides an alternative analysis that builds on her earlier theoretical work on health issues as well as her direct observations (Bergthold, 1990).

Although there were self-interested divisions between companies that would save money through the reforms in financing health care and those that would end up paying more, even most of the businesses that stood to benefit ended up opposing an employer mandate. This anti-reform unity was based at least in part “on the grounds of ideological opposition to government mandates of any kind” (Bergthold, 1995, p. 9), as the fractured-elite account also concludes (Mizruchi, 2013, pp. 249, 251). But there were power issues at stake as well. For the corporate community in general, there were “tensions between the economic self-interest of firms (e.g., wouldn’t it be cheaper to simply pay for but not manage health benefits?) and the fear of loss of control over benefits to government [that] could not be resolved,” and the ultraconservatives were resolutely opposed under any circumstances (Bergthold, 1995, p. 12). Moreover, the Clinton plan in effect eliminated a substantial number of the positions held by the human resources directors and the benefits managers who were advising their CEOs.

Just as important at that juncture, the corporate moderates were mostly concerned with restructuring the health-care delivery system. On this issue “reform of the marketplace [for health care] was *proceeding headlong before* Clinton focused the national spotlight on health reform,” and it proceeded even faster while the Clinton plan was being discussed (Bergthold, 1995, p. 10, my italics). As a result, and as acknowledged in the fractured-elite account, health-care costs were leveling off in 1993 and remained flat as a percentage of GDP until 1998 (Mizruchi, 2013, p. 256). Thus, the corporate moderates felt no great urgency in 1994 to enact a plan about which most of them had qualms.

Based on this analysis, it seems unlikely that corporate moderates would have gone along with health care reform, even if they had been consulted as to their preferences on key issues before the plan was developed (which they weren’t) and even if they had been treated respectfully by the executive director of the White House Task Force when they were able to meet with him at their own request (which they weren’t) (Bergthold, 1995, pp. 6, 14). As Bergthold (1995, p. 1) puts it, “we should never have expected any public support for reform from business anyway.” Another sociologist, Beth Mintz (1998), comes to a very similar conclusion. She takes exception with those who claim the large corporations were divided, or dominated by the views of major insurance companies, both of which are considered to be

factors in the fractured-elite analysis (Mizruchi, 2013, pp. 251-252). Instead, she concludes “The defection of big business can be viewed as a unified action, based not on the ability of a narrow, self-interested segment to dominate the decision-making process, but on the uncertainty that the Clinton proposal generated for the big business community” (Mintz, 1998, p. 217). Even more strongly, sociologist Jill Quadagno (2005, p. 192), building on the wider range of studies and original sources that were available 10 years after the Clinton initiative failed, concludes “it had lost the support of all major business groups” by as early as mid-fall 1993, including the Business Roundtable, the Chamber of Commerce, and the NAM.

As part of the claim that the corporate moderates were ineffective in dealing with the Clinton health-care plan, the fractured-elite perspective contrasts the supposed lack of unity within the Business Roundtable with the unity displayed by small business, as manifested in the form of the National Federation of Independent Business (NFIB) (Mizruchi, 2013, p 252). But such a claim overlooks, and therefore never confronts, the evidence that the NFIB is an ultraconservative lobbying organization, closely tied to the Republican Party. Furthermore, it meets none of the qualifications for being any sort of business or trade association (Domhoff, 1990, pp. 268-269; 2013, p. 224). It actually began as a small business itself, established in Northern California in 1943 by a former Chamber of Commerce employee. The founder was in effect a political entrepreneur who made profits on membership fees while lobbying for his conservative policy preferences (Zeigler, 1961, pp. 31-32). The NFIB’s small-business members were (from at least the 1940s through the 1990s) signed up by traveling sales representatives who worked on a commission basis. Unlike voluntary business associations, there were no general meetings or votes for officers (and still aren’t), and membership turnover is large each year.

Business owners that join the NFIB receive membership stickers for their store windows, a newsletter with suggestions for small businesses, and periodic surveys on a wide range of issues. The surveys are slanted to evoke conservative responses, the results of which are compiled at state and national headquarters and mailed to state and national legislators as “mandates” from small-business owners. Comparisons of the results of these surveys, which typically are returned by only about 20 percent of the members, with those from national surveys suggest that the ultraconservative claims made on the basis of the mandates are not representative of small business owners, who mostly share the attitudes of their ethnic group and/or local community (Hamilton, 1975, Chapters 2 and 7). As a more recent analysis confirmed, surveys of small-business owners show that NFIB’s opposition to any government intervention in the marketplace is not consistent with the opinions of many small-business owners (Kazee, Lipsky, & Martin, 2008).

The NFIB switched to a nonprofit status in the late 1960s, with another former Chamber of Commerce employee as its new president (White, 1983). Located in Virginia since 1992, by that time the NFIB had 700 employees and annual revenues of over \$58 million (Domhoff, 1995, p. 6). NFIB files obtained by the Democratic National Committee support the earlier claim that the NFIB is very selective in making assertions to Congress about what small-business owners prefer in terms of policy. In the July/August 1995, issue of its magazine, *Independent Business*, it reported that 85 percent of its members opposed employer-mandated health care in 1993; however, it never publicized the fact that its July 1989, survey found that 60 percent of its respondents agreed that “government must play a more direct role in health care to bring health-care costs under control” (Domhoff, 1995, p. 8). Information provided as part of the fractured-elite analysis of the health-care issue also supports the claim that the NFIB presented an



inaccurate picture of what small-business owners believed and wanted in the early stages of the battle over the Clinton reform plan. It reports that a Dun & Bradstreet survey found “there was a virtual tie among small companies in the extent to which they favored ‘national health insurance,’ with 38 percent saying yes, 39 percent saying no, and 23 percent responding ‘don’t know’” (Mizruchi, 2013, p. 246).

One pair of political scientists reported that in the 1990s the NFIB was the organized interest group that “has the closest working relationship with the Republican leadership in Congress today,” and then presented its staff links to the Republicans (Shaiko & Wallace, 1999, pp. 21, 25-26). But a survey of small-business owners with 100 or fewer employees in 2008 reported that one-third were Republicans, one-third Democrats, and 29 percent neither (Mandelbaum, 2009). Nevertheless, the NFIB gave 90 percent of its campaign donations to Republicans between 1989 and 2008; even here, the analysis does not go far enough because it did not determine if the rest of the money went to the dwindling number of ultraconservative white Southern Democrats that lingered in Congress into the late 1990s (Mandelbaum, 2009). The evidence is clear that the NFIB represents the ultraconservatives among small-business owners, which creates a problem for the fractured-elite claim about the unity of small business on government health insurance, or any other issue.

Health-care aside, the fractured-elite evidence for the supposed ineffectiveness of the corporate moderates does not include any legislative issues for the rest of the 1990s. Instead, the argument is based on the low visibility of the CED and the alleged ineffectiveness of the Business Roundtable in lobbying Congress. In the case of the CED, the fractured-elite account points to commentary in the *Congressional Record* in 1997, which simply demonstrates that many members of Congress did not know anything about the CED at that time (Mizruchi, 2013, pp. 253-254). This fact is irrelevant because it already had been established in an account cited in the fractured-elite book that the CED was in decline by 1976 and had become at best a source of long-range policy suggestions for the Business Roundtable by 1978 (Domhoff, 2006b, p. 99). As the president of the CED in the late 1970s later succinctly put it in a telephone interview, the CED chair and his corporate colleagues had created a “niche” for CED between the Business Roundtable and the American Enterprise Institute (Domhoff, 2013, p. 233; Holland, 1992). If the CED had been relegated to a niche by 1978, it cannot come as news, or as evidence of anything, that it was unknown to many members of Congress 20 years later. (In early 2015, the CED became a quasi-independent policy center within the much bigger and older Conference Board; it is now named “The Committee for Economic Development of the Conference Board.”)

To demonstrate the alleged ineffectiveness of the Business Roundtable in the late 1990s, the fractured-elite theory relies on a *Fortune* article entitled “The Fallen Giant.” The article is based on a *Fortune* poll of about 2,200 “Washington insiders,” who were asked to rank the most powerful business lobbies in Washington. The Business Roundtable ranked 33<sup>rd</sup>, well below the American Trucking Association, the National Retail Federation, the NFIB, the NAM, and the Chamber of Commerce (Mizruchi, 2013, p. 254). Aside from the fact that the Business Roundtable usually is not perceived as a lobbying organization, and is not classified as such by corporate-dominance theory, it is not at all evident that the votes of 2,200 Washington observers of unknown reliability and access should be taken seriously as to the power of an organization.

At that time, moreover, the Business Roundtable had organized an American Leads on Trade coalition (ALOT) to convince Congress to renew the president’s “fast track” authority for negotiating new agreements to expand trade with other countries. This successful coalition then became the basis for the even larger corporate coalition USA\*ENGAGE, which led a successful

corporate lobbying effort to grant China the status called Permanent National Trade Relations. This status removed any constraint on the Chinese dictatorship's internal and external policies that might have been created by the need for a yearly renewal of normal trade relations. It also removed any corporate hesitation in off-shoring production to China. Well after the status was granted, some economists estimated that the agreement led to the loss of over two million manufacturing jobs in the United States during its first seven years (Dreiling & Darves-Bornoz, 2015, p. 255).

As in the case of the NAFTA legislation, sociologists Michael Dreiling and Derek Darves-Bornoz (2015) carried out detailed quantitative studies to compare the relative strength of several variables in predicting corporate involvement. This time, however, their analyses employed a dyadic method, quadratic assignment procedure, which is better at assessing the strength of relationships than other methods. These studies once again found that organizational-level variables, such as company size and large PAC donations, predicted greater involvement in temporary trade alliances, testimony before Congress, and participation in governmental trade advisory committees. But being part of the policy-planning network had a larger impact in terms of involvement in all three outcome variables, especially if a corporate dyad shared membership in the Business Roundtable (Dreiling & Darves, 2011; Dreiling & Darves-Bornoz, 2015, pp. 275-276)

This network-based evidence is supplemented by information in a detailed report by a public-interest watchdog group, Public Citizen, on the legislative battle itself. The report focused on campaign donations and lobbying by members of the corporate coalition (Woodall, Wallach, Roach, & Burnham, 2000). For example, members of the Business Roundtable alone "made \$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, much of it aimed at 71 swing districts that likely would be crucial in securing the legislation (Woodall, et al., 2000, p. iii). These representatives were alternately threatened with reprisals by named and unnamed sources in the business press and offered help with campaign finances by means of fundraising receptions (Dreiling & Darves-Bornoz, 2015, pp. 292-293). By comparison, organized labor raised \$31 million overall for the campaign.

Instead of considering the effort to grant the status of permanent national trade relationship to China, the fractured-elite perspective focuses on what it sees as another sign of weakness for the Business Roundtable. It did not call for a tax hike in 2003 despite the fact that "the deficit quickly reached record levels" due to the Bush tax cuts of 2001 and the wars in Afghanistan and Iraq (Mizruchi, 2013, p. 233). The fractured-elite critique calls the organization's silence on the issue "an illustration of the extent to which the group was unwilling to take a potentially unpopular position" (Mizruchi, 2013, p. 232). However, this critique does not focus on a more basic fact in terms of the theory's emphasis on fragmentation—the corporate leaders, ranging from the Business Roundtable to the NAM to the Chamber of Commerce, were united in supporting the tax cuts in 2001 and continued to be supportive of them over the next several years (Mizruchi, 2013, pp. 235-236). This unity may be a sign of shortsightedness, or even due to mere "loyalty to the president," but neither possibility is evidence that the corporate community was fractured on a tax issue any more than it was fractured on the issue of trade with China (Mizruchi, 2013, p. 234).

Furthermore, it is questionable that the corporate moderates should have called for a tax increase in 2003 in light of events in the 1990s and the state of the economy in the first several

years of the twenty-first century. After all, the disappearance of budget deficits in the late 1990s revealed that the concern with large deficits and a growing federal debt missed the economic mark. The deficit fell very rapidly in the Clinton era primarily due to the stock-market boom. As a result, there were government projections that the federal debt would be gone within a decade, an unlikely possibility just a few years before (Baker, 2007, p. 169). This news gave presidential candidate George W. Bush the opportunity to call for tax cuts for all Americans. The proposal for a tax cut was supported in Congressional testimony by the chair of the Federal Reserve Board, who warned that the disappearance of the debt might make it more difficult for the Fed to influence interest rates through the purchase or sale of Treasury bonds; he also raised the specter that the government might be “forced to buy up private assets, such as corporate bonds or shares of stock” in order to earn interest on the looming surplus (Baker, 2007, p. 169).

By the time the tax cuts were starting to take effect, there was yet another reason to let the deficit and the debt grow again: the sharp decline in the economy after the stock-market boom collapsed. In that regard, the fractured-elite view notes that there were reasonable objections to focusing on the deficit at that moment, and that the concern with deficit reduction might be ideological in any case (Mizruchi, 2013, pp. 233). It also notes that Republicans who expressed no concern about the deficit in 2003 did an “about-face once Barack Obama took office,” which suggests that the antipathy was to spending tax dollars on what the power elite saw as the wrong kind of government spending (Mizruchi, 2013, p. 233). Nevertheless, the fact that the Business Roundtable did not call for a tax hike is described in the fractured-elite account as “a retreat from responsibility on the issue of taxes,” a retreat that is “emblematic of the decline of the American corporate elite” (Mizruchi, 2013, p. 238). Based on this brief summary of the booms and busts of the economy between 1994 and 2004, it is difficult for corporate-dominance theory to give credibility to the idea that the decision by the Business Roundtable not to call for a tax increase in 2003 or 2004 demonstrates fragmentation or an inability to rise above the narrow interests of the corporations.

The corporate community also demonstrated complete unity in 2008 when it organized a multimillion-dollar campaign of lobbying and media advertising in anticipation of a Congressional vote in 2009 on the Employee Free Choice Act. If the act had passed, it would have given union organizers the right to by-pass representation elections (which corporate officials often successfully delay for many months at a time) if a majority of a company’s employees signed a card stating that they wanted to join the union. Working through lobbying coalitions, the corporate leaders argued that the legislation would take away workers’ right to vote for or against unionization in a secret ballot. The bill never came to a vote because 41 Republican senators said they would support a filibuster, and three Democrats indicated they would not support the bill (Domhoff, 2014b, p. 184).

### The Affordable Care Act

By 2007 the moderate conservatives were strong and united supporters of the basic tenets that were incorporated into the Affordable Care Act (ACA). The Act passed in 2010 despite the opposition of the Chamber of Commerce and the ultraconservative front group called the National Federation of Independent Business. The corporate moderates supported this legislation in principle because it was based on an individual mandate, an employer mandate, and maximum use of private-sector health insurance. All of these features were part of a proposal in 1993 by moderate Republicans in the Senate that was offered as an alternative to the Clinton Plan. As

Quadagno (2014, p. 35) concluded after detailed research, “The 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 (HEART), a bill promoted by Republican senators to deflect support for President Bill Clinton’s Health Security plan.”

Corporate moderates first supported these three principles in the early 1970s, as seen in a report by the CED (1973), but they had been wary of the employer mandate in the context of the Clinton reform plan. As to the issue of an individual mandate, it had been offered anew by the ultraconservative Heritage Foundation in 1989, and accepted by most ultraconservatives in the 1990s, but by the early 2000’s they were opposed. As for the corporate community of the twenty-first century, leaders within it began in 2007 to advocate for the individual mandate and the other two key provisions in the 1993 Republican proposal as a necessary part of the kind of health-care reform it was willing to support.

In February 2007, several major corporations joined with AARP and the Service Employees International Union (SEIU) to form a coalition for health-care reform (Cohn, 2007; Mizruchi, 2013, p. 256). In May 2007, the CEO of Safeway organized the Coalition to Advance Health Care Reform, which included 36 other companies (Nizza, 2007). The Business Roundtable (2007) endorsed the individual mandate a month later and said that it is the responsibility of all Americans to obtain insurance. The same year, the national trade organization for the medical devices industry came out for the individual mandate (McDonough, 2011, pp. 53-54).

As part of the process of developing its health-care plan, the Obama Administration negotiated a deal in August 2009, with the prescription drug industry, which was represented by its trade association, PhRMA. The large pharmaceutical companies agree to provide discounts of \$80 billion over a ten-year period for Medicare recipients in exchange for the greatly expanded market for their medications that would be created. The pharmaceutical companies then spent an estimated \$150 million in lobbying and media coverage in support of the legislation (Kirkpatrick, 2009; Mizruchi, 2013, p. 257).

Despite the Obama Administration’s efforts to accommodate the corporate moderates on all their major concerns, a coalition of health insurance companies, America’s Health Insurance Plans, which stated its support for an individual mandate shortly after Obama’s election, ended up lobbying against the plan. This opposition developed because of liberal and labor support for a new provision, “the public option,” which would have made it possible for the government to offer insurance programs in competition with the private sector. The insurance industry made clear that it would fiercely oppose the legislation if it included the public option, and the idea was dropped late in the process (McDonough, 2011, pp. 55, 169-170; Quadagno, 2011). As a result, liberals and organized labor, which originally strongly favored a single-payer system, did not work hard to pass the bill, with the exception of the SEIU.

Fractured-elite theory provides a similar account of the health-insurance initiatives by the Business Roundtable, AARP, and the SEIU in 2007 and 2008, and further notes that representatives from the Business Roundtable and other business groups met shortly after the 2008 elections. They emerged from their discussion with the conclusion that “the possibility of change was far greater at this point than during the Clinton Administration” (Mizruchi, 2013, p. 257). The fractured-elite analysis then states that the corporate elite was “involved in all stages of the process” that led to the ACA (Mizruchi, 2013, p. 258). But it ends with the unexpected conclusion that the corporate elite’s role “was far less central than it had been during the debate

of the Clinton plan,” and that “the corporate elite essentially sat on the sidelines” (Mizruchi, 2013, p. 258). Whatever the merits of this puzzling claim may prove to be when new archival evidence is examined in detail, the facts remain that (1) the act was based on principles that were created and insisted upon by the moderate conservatives in the corporate community; (2) these corporate moderates called for health-insurance reform in the run-up to the 2008 election; (3) corporate moderates were involved in the legislative process; and (4) corporate moderates did not try to block the bill. The success of the ACA, in conjunction with the failure of the Clinton health-care plan in 1994, which the corporate moderates opposed, provides strong evidence against the hypothesis that the corporate moderates were fragmented and ineffectual on the health-care issue when they could support a plan that was acceptable to all corporate moderates.

More generally, every piece of legislation discussed in this section for the years 1990 to 2010 contradicts the idea that the corporate moderates became increasingly fragmented and ineffectual in the late 1980s. Although corporate-level networks have changed in some ways during the past several decades, the core of the corporate moderates’ policy-planning network has been stable since the early 1970s (Burriss, 1992, 2008; Domhoff, 1979, Chapter 3; Dreiling & Darves-Bornoz, 2015, p. 75-77).

## Conclusion

From a corporate-dominance vantage point, the fractured-elite analysis is based on a questionable historical analysis, a failure to take seriously the network and case-study evidence for the importance of the overall policy-planning network, a selective and poorly presented handful of brief commentaries related to domestic public policy between 1990 and 2010, and an over-reliance on opinion surveys, journalistic accounts, and changes in the interlock patterns within corporate networks over a twenty-year period. Since it is certain that the power elite completely opposes unions, actively works to hold down wages through a variety of stratagems, and fights for decreases in the progressivity of income taxes, it is difficult to imagine that the ongoing decline in union density since 1954, the stagnation of average real wages since the 1970s, the general decline since the 1960s in taxes on the corporate rich and their corporations, and the defeat of several legislative initiatives put forth by an increasingly hobbled liberal-labor alliance could have happened without the power elite’s united and ongoing efforts.

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