

and the “corporate liberal” school of the mid-twentieth century. They show how businesspeople might at various points for a range of reasons seek to promote a larger government, while at the same time pressing for the interests of business as a class. These authors are more nuanced in their approach to the politics of business than were the Progressives, but are also more skeptical about the ideological commitments of businesspeople than were the New Left historians of corporate capitalism. They emphasize the role of business in shaping a state devoted to furthering the economic interests and activities of the private sector.

Above all, the scholars whose work is collected here suggest the importance of taking businesspeople seriously as political actors, analyzing the variety of ways that they have sought to shape public life rather than assuming that they automatically wield political power and always do so in the same way. They suggest the difficulties of making generalizations about what businesspeople think, and the coexistence of highly diverse approaches to politics in the business world. They portray businesspeople as possessing a range of political ideas and trying to use their identities as business leaders to advance different political ends. The authors look at struggles inside the business community, and even within organizations, such as the National Association of Manufacturers and the U.S. Chamber of Commerce, which historians have often assumed to speak with a single voice. They suggest the necessity of paying close attention to government at different levels—of looking at local, urban, and state governments alongside the national polity. Finally, they point to the value of looking closely and carefully at what businesspeople actually did, not only at what they said and their explicitly ideological pronouncements. But perhaps most of all, these essays call attention to the unwieldy but often successful efforts of businesspeople to act as a class, and to their various concerted attempts to define and advance their own agendas through political engagement. Even as historians deploy the social history tools developed by specialists in labor, civil rights, and other social movements to study business elites, it is important to remember that the access these elites enjoyed to economic resources and to the halls of political power set them apart from the social movements that often criticized them. Looking at the ways in which businesspeople have mobilized politically, and their attempts to build a state that they could trust and control, helps us to move beyond the partisan rhetoric of electoral politics, and teaches us much about the history of the twentieth century that otherwise remains hard to fully understand.

## *Introduction*

### Adversarial Relations? Business and Politics in Twentieth-Century America

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During the past few years, a growing popular awareness of the large wealth disparity between the many and the few has helped revive enduring questions about the relationship between business and politics in the American past. Some warn that the wealthiest Americans today have more power than ever to rig the game in their favor. Others blame the government for fostering inequality by distorting market forces. Still others deplore the current level of inequality as bad for capitalism. No longer does it seem plausible to echo the hoary platitude that “a rising tide lifts all boats.” It is sometimes said that the participants in this debate misunderstand the relationship between capitalism and equality.<sup>1</sup> Yet no thoughtful observer of American public life would deny that the relationship between the business elite and governmental institutions has often been adversarial, and that this relationship can be documented not only in public relations talking points and electioneering sound bites but also in the historical record. Even so, questions remain. How adversarial has this relationship been? Can it be linked to the wider developments in culture, politics, and society? And, if so, how can it best be explained?

This collection of original essays offers a fresh perspective on these and other questions that lie at the intersection of business and politics in

twentieth-century America. Just as an earlier generation of historians parsed the politics of working-class people with imagination and insight, so do these historians fix the spotlight on the business leaders who dominated the nation's political economy.

The essays in this collection—all but three of which were first presented at the Hagley Museum and Library, in Wilmington, Delaware, and many of which draw on the Hagley Library's extraordinary archival holdings—explore the engagement of business leaders with governmental institutions from a distinctive angle of vision.<sup>2</sup> In each essay, the relationship of business and politics is a central theme. When our authors refer to business, they are primarily concerned with firms that employ large numbers of people and with business leaders who exert substantial political power. That is, they mostly focus on the business elite. When our authors refer to politics, they are mostly interested in ideology and public policy, which they understand to embrace the enactment and implementation of laws and regulations at all levels of government: federal, state, and municipal. Unlike so much historical writing on recent American history, this collection is sensitive to politics not only in Washington but also in the state house and city hall.

Elections, legislative maneuvering, and campaign finance are, of course, also important to a full understanding of the relationship between business and politics in modern America. Yet they are not a main focus of the essays that follow. Rather, our authors consider some of the more pervasive, though often overlooked, ways in which business leaders—a large and diverse group that includes corporate executives, middle managers, independent proprietors, trade association representatives, and industry lobbyists—have shaped, and have been shaped by, the political-economic rules of the game. Culture matters, but so do institutions—and our authors are mindful not only of the vital, if often elusive, power of ideology and belief, but also of the often hard-edged imperatives of business decisionmaking and political fiat.

The topics that our authors explore build on a venerable tradition of historical writing about business and politics in the American past.<sup>3</sup> More than a century ago, Charles Beard famously proposed, in his *Economic Interpretation of the Constitution* (1913), that powerful seaboard merchants had designed the federal Constitution to limit the influence of popular majorities on economic affairs. Beard's own understanding of the relationship between business and politics is more nuanced than is sometimes assumed. His landmark *Rise of American Civilization* (1927), for example, was suffused with an almost utopian faith in the democratic potential of the modern, high-

technology corporation that, at least in his mind, fit comfortably alongside the more mordant critical realism of his *Economic Interpretation*.<sup>4</sup>

Yet it was Beard's people-versus-the-interests dualism, rather than his technological enthusiasm, that would capture the attention of his colleagues in the interwar period. The enormous power wielded by the "captains of industry" was inherently illegitimate, or so Beard's progeny assumed, since it enabled a self-appointed elite to dominate public life in ways that precluded the possibility of a truly democratic politics. The antidemocratic implications of concentrated economic power furnished a leitmotif for Matthew Josephson's *Robber Barons*, a captivating 1934 potboiler written by a popular journalist during the depths of the Great Depression. To document the perversion of democratic politics by the country's late nineteenth-century empire builders, Josephson recycled a half-century of journalistic editorializing that originated not in the rural hinterland, as Josephson disingenuously claimed, but in the big-city press.<sup>5</sup> More muted in tone, yet basically similar in its characterization of the "economic royalists," as Franklin D. Roosevelt termed them, was *The Politics of Upheaval*, an influential overview by the Harvard historian Arthur Schlesinger, Jr., published in 1960, of a critical juncture in the New Deal.<sup>6</sup>

Historians have long faulted Beard, Josephson, and Schlesinger for their almost Manichean, business-versus-democracy essentialism. Yet it should not be forgotten that this genre of historical writing—known today as the "progressive school"—drew its inspiration from a laudable critical realism that in the decades to come would lead a galaxy of talented historians to probe in greater detail—often using archival sources and typically with the benefit of insights derived from social theory—the relationships among politics, democracy, and the business elite.

The progressive historians typically assumed that business leaders were fundamentally opposed to reform, an assumption that was reinforced by their keen awareness of the magnitude of the challenge that Franklin D. Roosevelt's Democratic party confronted in the 1930s, when, in response to the Great Depression, the party backed legislation to create a new kind of "mixed economy" to increase and channel investment, rein in corporate prerogatives, strengthen labor unions, and guarantee prosperity.

The presumption that business and reform were locked in mortal combat would be challenged in the 1950s and 1960s by a constellation of post-New Deal historians that included Lee Benson, Robert H. Wiebe, Gabriel Kolko, James Weinstein, Ellis Hawley, James Livingston, and Martin Sklar.

These historians shared the progressives' fascination with the relationship between business and politics, a commonality that is sometimes overlooked by a later generation of historiographers who drew spurious connections between their rejection of the progressives' people-versus-the-interests duality and the celebration of "consensus" by the cultural historians David Potter and Daniel Boorstin. Unlike Potter and Boorstin, these post-New Deal historians rarely identified themselves as political conservatives: in fact, several would become prominently identified in the 1960s with the anti-establishment New Left. The post-New Deal historians wrote at the high tide of postwar liberalism—an age of wide, though hardly universal, prosperity in which one-third of the nation's labor force paid union dues, and the dominant bloc in each of the major parties endorsed legislation to expand the size and reach of federal power. These historians found it plausible to assume that business leaders might well have supported certain laws and regulations that a former generation would have lauded as "progressive" or "liberal"—making them, in a felicitous catchphrase conventionally attributed to Sklar that would soon do a great deal of historiographical heavy lifting, "corporate liberals."<sup>7</sup>

Historians who specialized in the New Deal and beyond were by no means all of one mind. The presumption that an elite-oriented "corporate liberalism" had successfully stifled dissent troubled historians of labor relations, who could not help but be aware of the continuing opposition toward organized labor in the postwar era of a large and powerful bloc of business leaders. Business opposition to organized labor entered a new phase following the enactment of the Wagner Act (1935), an important New Deal labor law that established a framework for mandatory collective bargaining.<sup>8</sup> Major fissures in the business community were rooted not only or even primarily in party affiliation, but also in regionalism, industry structure, and business strategy. The significance of these fissures remained contested. If, for example, it could be demonstrated that the interests of capital-intensive corporations such as DuPont, General Motors, or AT&T exerted disproportionate political influence, then it might still be plausible to contend that a hegemonic corporate liberalism prevailed.<sup>9</sup> Not everyone, however, was convinced. In the opinion of David Vogel—an influential political scientist who published two landmark studies on the relationship between business and politics in the postwar period—the attitude of business leaders toward the state remained "uneasy," a characterization that he documented by surveying their words and deeds.<sup>10</sup>

Historians who came of age in the 1990s and beyond, or whose assumptions have been shaped by recent events, have also turned their attention to the relationship between business and politics. Troubled by the avowedly anti-regulatory and ostensibly pro-consumerist neoliberal critique of the New Deal, these historians have been impressed by the undeniable power of business leaders in contemporary politics, a predisposition that linked them in spirit, if not in method, to both the corporate liberal historians of the 1960s and the interwar progressives. For these historians, economic inequality is a problem to be explained, and its origins are to be found, in whole or in part, in the baleful and disproportionate influence that the nation's business elite had come to exert in government, journalism, and public life.

Nowhere is this reassessment more evident than in the burgeoning literature on the United States and the world. To consolidate power, improve the terms of trade, and promote economic development—or so these historians contend, building on a long and distinguished tradition of revisionist scholarship in the history of U.S. foreign relations—a coalition of business leaders, diplomats, and lawmakers shaped the relationship of business and politics overseas. Their activities range from William H. Taft's "Dollar Diplomacy" of the 1900s and the creation of the Federal Reserve System in 1913 to the Third World modernization projects of the 1950s, the community development programs of the Kennedy era, and the international supply-chain management strategy of Coca Cola.<sup>11</sup>

The bulk of this still-emerging literature on the relationship of business and politics focuses less on the pre-Second World War era—as had been true, for example, for Wiebe, Hawley, and Sklar—than on the more recent past. In so doing, it often engaged with the ideologically charged critique of the New Deal that has become increasingly influential in American public life since the 1970s. This critique improbably recast the history of American business through a neoliberal lens: It was not until the 1930s, it is worth recalling, that business leaders would launch a publicity campaign to elevate "free enterprise" into a cornerstone of the American political tradition.<sup>12</sup> Prior to this decade, the phrase "free enterprise" had been only sporadically invoked, and almost never with the kind of almost superstitious awe with which it would, at that time, come to be invested. Business leaders had, of course, shaped governmental institutions in many sectors long before the New Deal, as, for example, has been demonstrated in the case of public finance by Stephen Mihm for the nineteenth-century money supply and Julia Ott for

the popularization of stock ownership that followed the war-bond campaign of the First World War.<sup>13</sup> Yet the seedbed of neoliberalism would not be laid until the 1930s.

Much of the most thoughtful and ambitious recent literature on the relationship between business and politics in the post-New Deal era echoed, if in new and compelling ways, themes that had earlier been explored by the corporate liberals and the progressives. The launch during the 1930s of a business-led "crusade" to dethrone the New Deal—including, by no means incidentally, its post-Wagner Act administrative protocols—has been probed by David Farber and Kim Phillips-Fein.<sup>14</sup> The influence of a discernibly "corporate liberal" regulatory tradition on the provisioning of health care was canvassed in a similar spirit by Jennifer Klein.<sup>15</sup> The decision of post-Second World War manufacturers to relocate their factories from the industrial heartland in the Northeast to the South and eventually overseas was the result of a sustained effort not only to cut labor costs but also to evade labor unions, in the opinion of Thomas Sugrue, Jefferson Cowie, and Tami J. Friedman.<sup>16</sup> The parallel determination of local boosters to make Phoenix, Arizona, a low-wage, nonunion, business-friendly enclave, was documented by Elizabeth Tandy Shermer.<sup>17</sup> The utter fatuity of early twentieth-century economic forecasting, as well as its dubious political legacy, would find its historian in Walter A. Friedman.<sup>18</sup>

The revival of progressive and corporate-liberal themes and concerns is particularly conspicuous in a shelf of new books on the relationship between business and politics in the 1970s and beyond. The myriad challenges posed by industrial decline would, in the 1970s, spawn a new kind of highly disciplined business lobby, explained Benjamin Waterhouse.<sup>19</sup> The furor of business leaders toward the unprecedented upsurge in environmental regulations in this decade heightened tensions between the federal government and the business elite, concluded Meg Jacobs.<sup>20</sup> The emergence in the 1970s of an anti-regulatory neoliberalism, which would gradually morph from a critique of the New Deal into a totalistic market fundamentalism, would reshape business norms, concluded Kenneth J. Lipartito and his colleagues in an ambitious four-century survey of the history of corporate social responsibility.<sup>21</sup> The adoption of a raft of free-market-oriented political positions—that, as it happens, resonated nicely with the antistatist religious proclivities of its cadre of first-time female workers—would become a central pillar of the business strategy at Walmart, according to Bethany Moreton.<sup>22</sup>

In certain instances, the primary catalyst for neoliberalism originated not in the corporate boardroom but in Congress and the White House. Political choices, rather than market imperatives, best explained the financial deregulation and deindustrialization of the 1970s, according to Greta Krippner and Judith Stein.<sup>23</sup> In the case of consumer credit, the primacy of politics over business could be traced all the way back to the New Deal, in the view of Louis Hyman.<sup>24</sup>

Many of the historians who have considered the rise and fall of postwar liberalism have adopted the lens of political history, a broad and eclectic field that ranges widely from ideology and social movements to legislative behavior and public policy. Much of the best recent work in political history has focused on public policy, which often builds on the burgeoning political science literature known as American Political Development, or APD, a field that stresses the path-dependent trajectory of governmental institutions and civic ideals, a topic of particular relevance to the themes of this book.<sup>25</sup>

Quite different in focus is the rich yet often underappreciated literature on the relationship between business and politics that has been published by specialists in business history. By and large, this literature has contended that this relationship has been shaped less by political ideology than by structural considerations rooted in the interaction of the firm, the industry, and the political economy.

The current upsurge of interest in business history received a major impetus from the publication in 1977 of Alfred D. Chandler, Jr.'s, magisterial *The Visible Hand*. To understand why this one book would prove to be so important for the field, it is useful to provide a brief overview of the field of business history in the preceding fifty years.

Business history—in sharp contrast to political history—would not develop a compelling intellectual agenda until after the Second World War. The self-identity of the field went back to 1927, when Harvard Business School appointed its first professor of business history, the same year Charles Beard published his *Rise of American Civilization*, and fifty years before the publication of Chandler's *Visible Hand*. The early history of the field was closely linked with the professional training of MBAs, and its practitioners were primarily known for their detailed, technically proficient, and rarely controversial primary-source research in business archives. Among the most notable contributions of the early pioneers was their successful campaign to convince business leaders to open their archives for historical research.<sup>26</sup>

Prominent early business historians included New Deal liberals such as Allan Nevins as well as several anti-New Deal conservatives who were highly skeptical of government economic intervention—a consideration that helped keep the latter tightly focused on business decisionmaking and the rise (and, less frequently, the fall) of a firm, industry, or business sector.<sup>27</sup> The books and articles these historians published were richly textured, informative, and well written; many repay careful reading today. Yet they remained very much on the margins of historical inquiry. Little changed until the 1950s, when Chandler began to publish a series of influential articles that combined archival research with insights drawn from social theory. The culmination of this research agenda was *The Visible Hand*.

The explanatory scheme that Chandler laid out in *Visible Hand* grew out of his longstanding frustration with the narrow, uninteresting, and badly posed questions that political historians, journalists, and even specialists in economic history had long asked about businessmen and their world. (The term “businessmen” was apt. The field at this time was almost exclusively focused on men, like much of the rest of the historical profession, even though several influential early business historians were themselves women.<sup>28</sup>) To debate, as historians in the 1940s and 1950s did, whether business leaders had been amoral “robber barons” or visionary “industrial statesmen”—good fellows or bad fellows, as Chandler often put it in conversation—was not only a colossal bore but also a missed opportunity. Did it really matter whether John D. Rockefeller had been a robber baron or an industrial statesman, as the title of a reader aimed at the college history market had asked undergraduates to ponder in 1948?<sup>29</sup> Might he have been neither, or both? And who really cared?

Biographical factors shaped Chandler’s outlook as well. Throughout his life, Chandler retained a frank admiration for the innovative potential of large-scale, vertically oriented, manufacturing firms such as the Wilmington, Delaware-based DuPont Chemical Company.<sup>30</sup> Chandler himself was not descended from the du Ponts, his middle name notwithstanding, but he spent part of his childhood in Wilmington, where he met many prominent business leaders, a circumstance that was somewhat unusual for a professional historian and one that prompted in him a strong disinclination to characterize business leaders as either heroes or villains.<sup>31</sup>

For Chandler, innovation and scale were directly related. Like many academics of his generation, and not only in history, but also in institutional

economics, he firmly believed that the most disruptive innovations—such as the discovery of a low-cost form of renewable energy that could free the world from fossil fuel—could only originate in large-scale research and development facilities: public, private, or in-between.<sup>32</sup> For Chandler, and for the many historians who followed his lead, whether an organization was public or private mattered less than how it was coordinated, by whom, and toward what end.

Chandlerian business history is sometimes criticized as bloodless and value neutral. Nothing could be further from the truth. Having served as a U.S. Naval officer in the Second World War, Chandler had a profound respect for the enormous organizational capabilities of the country’s industrial sector and was firmly convinced that the Nazis would have defeated the Allies had the U.S. military not been able to speedily transform the nation’s factories into an “arsenal of democracy.” British firms lacked the organizational capabilities of their Nazi counterparts—a recipe for disaster. And a Nazi victory was an outcome from which Chandler, like so many thoughtful and civic-minded men and women of his generation, quite understandably recoiled.<sup>33</sup>

The significance of U.S. military procurement during the Second World War was a theme that Chandler touched on often in his teaching, though only rarely in print. The fullest statement of his position on this topic can be found not in Chandler’s own oeuvre, but in a publication by one of his most devoted disciples, Thomas K. McCraw. In his brief, engaging, authoritative, and eminently teachable textbook, *American Business Since 1920: How It Worked*, McCraw devoted half a chapter to the wartime “production miracle.” To highlight its significance, McCraw featured on the front cover of its first edition a photograph of the factory floor of a Douglas Aircraft plant in Long Beach, California, that was manufacturing Boeing-designed B-17 bombers for the U.S. military. In the second edition, interestingly, and conceivably in response to a shifting political climate, this photograph had been replaced by a superficially similar, yet, in its ideological import, quite different, image of a factory floor of a Boeing plant that was churning out passenger airplanes.<sup>34</sup>

Like Charles Beard and so many other academics whose mental outlook had been shaped by the optimism of the early twentieth-century progressives, Chandler had a deep and abiding faith in the ability of public administrators and business leaders to work creatively together to promote the

public good. It was in this spirit that he contributed a brief yet incisive essay to a volume on business and public policy, edited by the labor lawyer and former labor secretary John T. Dunlop. Why, Chandler asked at the start of his essay, had government and business so often “appeared as adversaries”? To help frame the question, he quoted a DuPont executive who posed a question of his own: “Why is it that I and my American colleagues are being constantly taken to court—made to stand trial—for activities that our counterparts in Britain and other parts of Europe are knighted, given peerages or comparable honors?”<sup>35</sup>

The international comparative lens through which the DuPont executive viewed the American political economy had much in common with the intellectual framework that Chandler relied on in *Visible Hand*. *Visible Hand* was well received in the profession, winning both the Pulitzer and the Bancroft prizes. It was and is a theoretically challenging book (though an absorbing read), which helps explain not only its staying power but also the presumption that it is less often read than cited. Chandler’s theme was not the role of business in society—nor even the relationship between business and politics—but rather the evolution of the internal dynamics of the firm. Chandler’s treatment of this topic reached back to the colonial era and forward to the mid-twentieth century. At its core was the arresting contention that, contrary to what had been a common view, the rise of the large industrial corporation after 1880 was best understood not as a chapter in the history of economic predation, but instead as the organizational response to technological imperatives and market incentives of a rising managerial class.<sup>36</sup>

The emergence in the 1880s of the industrial corporation, in conjunction with the prior emergence of giant organizations in transportation and communications, was, in Chandler’s view, a radically new development with no real antecedents in the American past. “Big business”—Chandler’s convenient and nonthreatening shorthand for these giant organizations—had become so large so fast that it was hardly surprising that it soon become the focus of “adversarial” legislation, for example, the Interstate Commerce Act (1887) and the Sherman Act (1890). Such legislation established an enduring pattern of challenge and response between “big business” and “big government” that would define the relationship between business and politics in the United States from the 1880s until the 1970s—if not beyond.<sup>37</sup>

For Chandler and the historians who followed his lead, the sequencing of the rise of giant organizations in the private and public sector best ex-

plained not only why an adversarial relationship between business and politics emerged in the 1880s but also why it persisted. Only in the United States had big business preceded big government. More than any other single circumstance, this fundamental fact best explained not only why American business executives so often found themselves on trial—or, for that matter, why labor relations would prove so contentious—but also, and more broadly, why the relationship between business and politics in the United States would hereafter remain so much more adversarial than in Europe and Japan.<sup>38</sup>

Chandler’s thesis became a cornerstone of the “organizational synthesis” that one-time coauthor Louis Galambos popularized in a series of landmark essays that clarified its implications for political history. If Chandler were right, Galambos contended, then historians have exaggerated the centrality of political ideology in general—and liberalism in particular—as a catalyst for change. Modern America, Galambos famously declared, has embarked on a rendezvous not with liberalism, but with bureaucracy.<sup>39</sup>

Building on Chandler and Galambos, a cohort of historians published richly detailed and analytically sophisticated monographs with titles that often included the words “regulation,” “regulating,” or “business-government relations.” The priority that these titles gave to “business” in “business-government” relations was revealing: Business led, politics (or, more precisely, government) followed, and electoral outcomes (whether liberal or conservative, Democratic or Republican) rarely had more than a marginal influence on the rules of the game.<sup>40</sup> Even in civil rights—or so contended Jennifer Delton, in a boldly revisionist monograph on corporate employment practices in the 1950s and 1960s—big business helped pave the way.<sup>41</sup>

The influence of Chandlerian business history was by no means confined to historians. In addition, it inspired a good deal of attention from social scientists who challenged Chandler on many issues large and small, yet who shared Chandler’s interest in the institutional dimensions of economic change. Among them were several who leaned decidedly to the left, including the historical sociologists Neil Fligstein and William G. Roy, the economist Williamazonick, and the political scientist Richard Bense.<sup>42</sup>

The priority that Chandler accorded business in setting the terms for the relationship between big business and big government has sparked a reaction by several institutionally oriented historians who are impressed by what Colleen Dunlavy called the structuring presence of the state.<sup>43</sup> These historians follow the advice of the historical sociologist Theda Skocpol to “bring



the state back in." Unlike Chandler, these historians asked not how the organizational structure of big business had been shaped by business strategy, but instead how business strategy had been shaped by the organizational configuration of the state. By the state, they meant not only individual government agencies but also broader institutional arrangements, such as federalism, common law, and the separation of powers. The influence of an antimonopoly political economy that venerated equal rights and vilified special privilege on the business strategy of post-Civil War railroad and telegraph managers was probed by Richard White and Richard R. John.<sup>44</sup> For each, the political structure not only shaped business strategy but also provided unscrupulous promoters with a rich menu of options on which they readily seized to game the system. Antimonopoly would shape business strategy even after the rise of the industrial corporation, explained political scientist Gerald Berk in an analysis of "regulated competition" in the 1920s, and Shane Hamilton in a monograph on the rise of the post-Second World War trucking industry.<sup>45</sup>

The willingness of historians to combine the firm-specific internalism of the business historian with the comparative institutionalism of the historical sociologist is a welcome sign that the long isolation of business history in American historiography is coming to an end. To be sure, much remains to be done. Political historians too often downplay the operational challenge of meeting a payroll and minimize the limitations that even large and well-known corporations confronted when faced with new technologies, shifting markets, and international competition. By exaggerating the autonomy of business leaders, they discount the structural constraints from which no economic actor is exempt. No business leader could have prevented the collapse of New England's cotton textile industry or the rise of China as a low-cost exporter to the United States of a multitude of goods that had once been manufactured by American workers, under the supervision of American managers, in factories located in the United States.<sup>46</sup>

The neglect by political historians of structural constraints on business behavior is paralleled by the reluctance of business historians to treat economic actors as members of a more-or-less coherent group whose interests diverge from those of workers, investors, and other stakeholders. It is for this reason that, while business historians routinely emphasize the influence on business strategy of technology and markets, they are typically less willing to acknowledge the ability of elite-led social movements to subtly (and not so subtly) revise the political-economic rules of the game. Too infrequently

do business historians deploy concepts like "elite" and "class"; following the 2008 economic downturn, even wealth inequality is no longer an issue that they can prudently ignore. The political influence of giant organizations might well be bad for capitalism, a conclusion that business historians sometimes forget, yet one that was self-evident not only to the proprietary capitalists of the 1880s who invented the language and iconography of the modern antimonopoly tradition, but also to the institutional economists of the interwar period.<sup>47</sup>

Notwithstanding these differences of emphasis, political history and business history have much in common. Each recognizes the importance of institutional arrangements, or what is once again being called political economy; each is skeptical of the teleological narratives that once gave shape to their fields; and each is committed, either explicitly or implicitly, to the creation of a "trading zone," in which they share methodological insights drawn from cultural studies, comparative institutionalism, APD, and state-centered social theory, not only with one another but also with kindred spirits working on related topics in political science and historical sociology.

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The essays in this collection build not only on political history, business history, political science, and historical sociology but also on the emerging tradition of historical writing that flies under the banner of the history of capitalism.<sup>48</sup> The historian of capitalism aspires, as Louis Hyman has observed, to understand the "agency" not only of the many but also of the "powerful few" who "shaped commerce and industry." To realize this goal, they find it advantageous to focus less on social movements headed up by outsiders and more on the collective behavior of business leaders: "We ask more questions about firms who still have power today, than about movements, who do not. . . . [T]he historians' task is to confront sober reality, not fashion heroic sagas."<sup>49</sup> Their goal, Hyman has declared, is to write history from the "bottom up, all the way to the top."<sup>50</sup> In Hyman's capacious vision, not only workers, social activists, and the downtrodden but also the individuals who occupied the most rarefied heights of society—business leaders, government administrators, policy analysts, even the 1 percent—should be dignified by historians as "real" people—rather than as the one-dimensional stick figures that they so often became in historical writing in the past.<sup>51</sup> No longer are social movements automatically presumed to have been protests of

the many against injustices perpetrated by the few; for the historian of capitalism, it is equally important to recognize that the wealthy and powerful have also launched crusades to challenge the prerogatives of the many.

The new history of capitalism is too young to have devised a single overarching problematique. Yet certain themes recur. Among them are the priority of institutions over ideas; the power of material circumstances; the indispensability of long-term credit for economic development; the evolving relationship between finance, business, labor, and the state; and the mutual constitution of the state and the market, an insight that many derive from the historical sociology of Karl Polanyi.<sup>52</sup> In some ways, these themes are new; yet in others, they are venerable indeed. The “language” of ruling and subordinate groups was coeval with the founding of the republic, as the labor historians Steve Fraser and Gary Gerstle observed in 2005 in *Ruling Power: A History of Wealth and Power in a Democracy*, and has informed “one of the grand narratives of American history.” In fact, it would not be until after the Second World War that this language would become supplanted by a different vocabulary that stigmatized analytical categories like “class” and “elite” and that reframed American history to downplay the adversarial relationship between social groups. Only then would historians devise explanatory schemes that invested agency in “history,” the market, or some “analogous abstractions.”<sup>53</sup>

Much was gained in the process, yet something vital was lost. No linguistic legerdemain could conceal the fundamental fact that the “footprint of wealth and power” remained “clearly visible across the whole span of American history.” The rising prestige of the market deprived the time-honored critique of wealth and power of its force, until the time was reached when “every overture” to dismantle the apparatus of “public surveillance” over the nation’s “business system” was presented by market fundamentalists as a “form of emancipation from the tyrannical hand of bureaucracy.”<sup>54</sup>

The essays in this collection were written in a similar spirit. Like historians of capitalism, they paint on a broad canvas, with a particular focus on the business elite. Yet their inspiration is broader still: indeed, in various ways, and with different results, they build not only on the moral vision of the political historian and the comparative institutionalism of the business historian but also on the path-dependent models of the APD political scientist and the state-centered social theory of the historical sociologist. To highlight continuities as well as discontinuities in the relationship between business and politics, we have organized these essays both chronologically

and thematically. Part I focuses on the Progressive era and the 1920s; Part II on the New Deal and the Second World War. Parts III and IV focus on the postwar era, which is subdivided into two topics: economic development, and liberalism and its critics.

Part I features essays by Laura Phillips Sawyer and Daniel Amsterdam on the Progressive era and the 1920s; each emphasizes the relationship of business and politics to state building and economic development.

Sawyer shows how corporate executives worked closely with lawmakers in 1912 to establish a new trade association, the U.S. Chamber of Commerce. Their primary rationale was defensive: troubled by the draconian and seemingly arbitrary rulings of the Supreme Court in major cases involving the interpretation of the antimonopoly Sherman Act, business leaders hoped to find a way to better navigate a potentially perilous regulatory environment. To help them move forward, the Chamber worked in tandem with an influential cohort of institutionalist economists to develop for jurists a new, technocratic rationale for interfirm cooperation. In so doing, the trade group helped transform into a working partnership a relationship between the courts and the business sector that had previously been highly adversarial.

Amsterdam reveals how in the 1920s the business elite in Detroit and Atlanta lobbied city officials to float huge bond issues to finance public investments in public works: schools, sewers, libraries, even museums. Eager to transform their hometowns into urban showplaces, business leaders laid the foundations for an expansive “civic welfare state.” Notwithstanding what students might once have been taught in their high school history classes, business leaders in the high-flying “roaring twenties” did not reject big-government progressivism in favor of small-government conservatism; on the contrary, they enthusiastically lobbied for the vigorous augmentation of the administrative capacity of city government. In so doing, they built on the well-known achievements of the urban planners of the Progressive era and prefigured the establishment of the federal welfare state that emerged in the New Deal.

Part II features essays on the New Deal and the Second World War by Eric S. Hintz, Mark R. Wilson, and Richard R. John and Jason Scott Smith. In each of these essays, the mid-century business elite confronted powerful adversaries, who obliged them to fashion new, and sometimes disingenuous, narratives about the relationship between business and politics.

In the first essay, Hintz reconstructs a forgotten chapter in the regulatory history of the New Deal: namely, the lobbying campaign organized by the



National Association of Manufacturers (NAM) to block patent reform. High-profile lawsuits involving intellectual property rights often make headlines today, yet few remember that patent reform loomed large on the New Deal reform agenda. By mounting a publicity campaign to lionize independent inventors as “modern pioneers,” NAM forestalled a mandatory cross-licensing scheme opposed by both the independent inventor and giant R&D combines like General Electric and Bell Labs.

In the second essay, Wilson demolishes the prevailing stereotype that the management of military procurement in the twentieth century has followed a single trajectory. In fact, and perhaps not surprisingly—as the military has remained throughout American history a very large consumer of government investment—the military’s procurement methods have changed markedly over time. The procurement by the military during the Second World War of the celebrated “arsenal of democracy”—a project so consequential that it has long been regarded, and not just by military historians, as indispensable to the Allied victory over the Nazis—represented a midpoint in a multi-decade shift in the military from in-house production to corporate outsourcing. The war itself was a turning point. Confronted with an increasingly adversarial regulatory burden as the military’s procurement needs spiked up, corporate executives fought back in a drama of challenge and response that would parallel the neoliberal turn in the postwar political economy, and, conceivably, may have helped to bring it about.

In the third essay, John and Smith trace the intellectual trajectory of historian Thomas McCraw, a “dyed-in-the-wool” New Deal Democrat whose culturally nuanced comparative institutionalist approach to the history of the twentieth-century political economy has already influenced a generation of policy historians, and has much to teach today’s practitioners of the “history of capitalism.” Historians have much to learn from McCraw’s deft interweaving of history and theory; his critical engagement with the often highly ideological discourse of professional economists; and his unabashed admiration for the New Dealers’ “mixed economy,” a remarkable policy innovation that laid the groundwork for the country’s astonishing postwar economic success.

The final two parts of our collection focus on the postwar era. Part III considers the relationship between business and economic development; it features essays by Tami J. Friedman, Brent Cebul, and Elizabeth Tandy Shermer. Part IV shifts the focus to business and liberalism, with essays by Jennifer Delton, Eric R. Smith, and Pamela Walker Laird.

The essays by Friedman and Cebul chart the divergent response of business leaders in different parts of the country to the generous federal funding that lawmakers earmarked for public investment. Friedman documents the sharp divide over economic development that would emerge in the 1950s between NAM and certain business leaders in the Northeast. NAM was a nationally oriented trade lobby, which predisposed it to oppose, on free-market grounds, the earmarking of federal funding for regions that had been adversely affected by plant closings. Northeast manufacturers, in contrast, viewed plant closings from a regional perspective and eagerly courted federal funding to forestall the seemingly inexorable collapse of a once-proud manufacturing sector in a region that had long been a cornerstone of the nation’s industrial heartland. In many cities and towns—and in a decade often assumed to have been an economic “golden age”—the deindustrialization often associated with the 1970s had already begun.

Cebul shows how business leaders in rural Georgia vigorously lobbied for federal funding for public works and education, notwithstanding their reputation as reactionary opponents of progressive change. These local business elites mobilized what one might call “supply-side liberalism”—with its characteristic emphasis on technical assistance, research and development, and local infrastructure spending. In so doing, they generated virtually no local business opposition in one of the most conservative corners of the land, even though their program, which was sharply opposed by nationally oriented business organizations such as NAM, would prove to be no less important than the better-known Keynesian “demand-side liberalism” in legitimating midcentury liberal-state building.

In the final essay in Part III, Shermer shifts the focus from the Northeast to the South and West, and to a sector of the economy—public education—that, in marked contrast to manufacturing, enjoyed in the postwar period rapid and sometimes explosive growth. In Arizona, North Carolina, and California, regionally oriented business boosters established a fraught partnership with educational administrators and corporate funders to build up public universities, which, for different reasons, each regarded as essential. Business boosters and corporate funders favored technical and professional education to foster economic development; academic administrators championed the liberal arts to boost their university’s prestige. These differences were hardly trivial. Yet in light of recent developments in public education, even more notable was the existence of a broad-based consensus to fund public education and expand the administrative capacity of the state—a

consensus that was markedly at variance with the more recent business-backed critique of public education as an onerous fiscal burden.

Part IV of our collection includes three essays on a neglected topic: the relationship between business and postwar liberalism. In the first essay, Delton illuminates an ideological rift in NAM during the 1950s and 1960s that pitted ultraconservatives against moderates. For the ultraconservatives, the only obligation business had was to turn a profit. The moderates, in contrast, endorsed the idea that business had a "social responsibility" to the public good—an idea that looked backward to the reform agenda that the Progressive-era National Civic Federation had championed in the 1910s and forward to the Great Society liberalism of the 1960s. Somewhat surprisingly, given NAM's reputation as a reactionary opponent of the New Deal, the ultraconservatives lost. The fact that such a contest occurred highlights the persistence in the postwar era of a Progressive-era "corporate liberal" mindset in an organization widely regarded as a conservative bellwether.

In the second essay, Smith reconstructs a little-known chapter in the protest movement that emerged in the 1960s to oppose the continued involvement of the U.S. government in the Vietnam War. The opposition of New Left radicals to the war is a textbook perennial, as is the revulsion of antiwar radicals at the complicity with the military of many of the nation's leading corporations. Yet relatively little attention has been paid to the small yet influential cohort of business leaders who led antiwar protest groups such as the Business Executives Move for Peace (BEM). Smith reconstructs the fascinating and little-known history of this protest group, documenting the methods its organizers used to gain public attention, the arguments they advanced, and the contacts their leaders made with antiwar academics. Unlike the decade's better-known protest movements, BEM focused less on the morality of the war than on its deleterious consequences for the American economy. The political influence of business-led protest movements such as the BEM is hard to gauge. Yet it remains suggestive that not only a prominent moderate Republican lawmaker but also the radical activist Noam Chomsky opined in print that the United States would not abandon the war until an organized business opposition emerged.

In the final essay in this collection, Laird traces the emergence of widely accepted ideas and practices concerning equal opportunity for women and underrepresented minorities in the corporate workplace. This development sometimes anticipated, and in others was powerfully amplified by, the sea

change in employment practices that followed the enactment of the landmark Civil Rights Act of 1964. Wary of disgruntled employees, eager to minimize adverse publicity, and fearful of expensive employment discrimination lawsuits, personnel managers responded to the enforcement provisions in this law by taking a variety of concrete steps to boost minority and female employment. In so doing, they intensified the entanglement of business with liberal social reform. By the end of the century, equal opportunity, which would increasingly come to be associated with the benefits of workplace diversity, would have influential champions not only in the civil rights movement, the federal government, and many state governments, but also in corporate America.

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Although it would be hazardous to venture grand generalizations about business and politics on the basis of the essays in this collection, four themes stand out. The first theme is the relative modernity of the free-market fundamentalism that has become such a prominent feature of economic discourse in our own age. Far from being a constant throughout American history—or, for that matter, a cardinal tenet of public policy during the nineteenth century, an age that is sometimes mistakenly hailed as the heyday of *laissez-faire*—the radical rejection of regulatory constraints as incompatible with political liberty was first popularized by a small yet purposeful group of business leaders opposed on principled grounds to the New Deal. Indeed, if one compares the ideological pronouncements of business boosters during the New Deal and Second World War with the ideological pronouncements of their counterparts in the Progressive era and the 1920s, then it becomes evident, just as specialists in the Progressive era and the 1920s have long contended, that the dominant ethos of the business elite in the opening two decades of the twentieth century was most emphatically not *laissez-faire*.<sup>55</sup> Even Louis Brandeis upheld in the 1910s a vision of the good society that had little in common with the doctrinaire antistatism of not only Herbert Spencer but also Friedrich Hayek. The relative balance between government- and contractor-operated navy yards, to cite one relevant example, would not shift decisively from the public to the private sector until after the Second World War.

The second theme is the protean, open-ended, and indeterminate character of the relationship between business and politics in twentieth-century

America. In eleven separate essays, the contributors show how business leaders tried to shape the political-economic rules of the game. Sometimes the relationship between business and politics was adversarial; just as often—indeed, on balance, probably more often—it was not. Some business leaders vigorously opposed legislation to empower certain social groups, a phenomenon particularly evident in labor relations. Others championed laws and regulations to promote economic development, expand the administrative capacity of the state, and even advance a liberal social agenda.<sup>56</sup> Capital gained not only from a century of favorable laws and regulations but also from the shift in the 1930s from a “private” economy (in which the primary source of capital for business investment had been the retained earnings of corporations and proprietorships) to a “mixed economy” (in which the federal government had become a major investor).<sup>57</sup> The twentieth-century American political economy has been very good for business, and the essays in this collection attest to this fact.

Had we featured essays on other themes, we might have struck a different balance. In realms as varied as taxation, labor-management relations, product safety, environmental regulation, health care, and social security, business leaders have long crusaded to limit state power. It would similarly be misleading to assume that the relationship between business leaders and politics—the main focus in this collection—paralleled the relationship between ordinary businesspeople and politics. Had we included essays on immigrant entrepreneurs battling city ordinances or self-employed milliners attacking labor laws, the balance might have looked somewhat different. Further complications might have arisen had we featured an essay on Prohibition, a remarkably adversarial chapter in the history of the relationship between a large and powerful business and the state.<sup>58</sup> Even or perhaps especially in the enforcement of the nation’s antitrust laws, conflict rather than consensus often prevailed.

One thing seems incontrovertible: among business leaders, the relationship between business and politics has not been invariably adversarial. For much of the twentieth century, much of the nation’s business elite lobbied for increased public investment and supported the expansion in the administrative capacity of the state. In some instances, they even backed quintessential liberal causes such as the antiwar movement and civil rights. Notwithstanding the opposition of nationally oriented business organizations such as NAM to many features of the postwar liberal state—including, in particular, its solicitude toward organized labor—large and influential blocs of business leaders

proved adept at securing legislation that funneled federal revenue into business coffers and expanded the administrative capacity of the state.

All in all, the range and variety of the realms in which business leaders tried to curry favor from lawmakers was little short of astonishing: from military procurement, public works, and education, to social activism and civil rights. Predictably enough, there were winners and losers. Independent inventors failed to obtain patent reform in the 1930s, having been outgunned by better-connected corporate lobbyists. Certain factory owners lobbied for federal aid to slow economic decline; others did not. The refusal of Arizona business leaders to accept federal funds for education did not preclude them from taking money from the Arizona state government. To conclude that business leaders in Detroit and Atlanta in the 1920s opposed, as they most emphatically did, the creation of a European-style social welfare state did not mean that they also rejected government funding for roads, sewers, museums, or libraries.

The third theme that the essays in this collection underscore is the wide variety of motives that influenced the business elite. It is worth recalling that not all business leaders have been political conservatives, while many political liberals have been staunch supporters of business. Business leaders have been influenced not only or even primarily by the lure for profits or even a determination to retain the upper hand (though that was rarely absent). Rather, they pursued a variety of goals. “Only economists and Marxists ever really believed that capitalism was just about the money,” Hyman has waggishly observed.<sup>59</sup> Our contributors concur. Just as historians reject simple-minded generalizations about ordinary people, so too, do our contributors refrain from making *ex cathedra* pronouncements about what business leaders have said and done. We should be no more surprised that some corporate executives lobbied to end the Vietnam War than that an influential cohort of middle managers continued to champion corporate diversity programs even after civil rights had ceased to be a government priority.

Even on issues on which one might assume consensus prevailed, business leaders were not always of one mind. Sometimes a difference of opinion existed inside a trade group, such as NAM, that historians had often assumed to speak with a single voice. Just because business leaders in upcountry Georgia opposed civil rights legislation does not mean that they opposed federal funding for economic development.

The fourth and final theme that these essays underscore is the value of archival research for the ongoing investigation of the relationship between

business and politics in the American past. As the essays in this collection reveal, an immersion in the sources remains perhaps the best remedy for the common presumption that the relationship between business and politics followed a single script. If the historians of capitalism have taught us anything, it is that the business elite—no less than lawmakers, social activists, and any other influential social group that has attracted the historian's attention—should not be treated as cardboard cutouts whose behavior can be judged a priori. It is particularly important for today's historians to get this right, since, barring some planetwide environmental cataclysm, the country's business leaders will remain a powerful protagonist not just in the present but also the foreseeable future, wielding vast, though never unlimited, power in the United States and around the world. To hold business leaders accountable for their words and deeds, future historians have an obligation, like the contributors to this collection, to probe the relationship between business and politics with the same analytical depth, imaginative breadth, and critical realism that has long been a defining feature of the historian's craft.

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*PART I*

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The Progressive Era and the 1920s

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# *Capital Gains*

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Business and Politics in Twentieth-Century America

*Edited by*

Richard R. John and Kim Phillips-Fein

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## Contents

Preface ix

*Kim Phillips-Fein*

Introduction. Adversarial Relations? Business and Politics  
in Twentieth-Century America 1

*Richard R. John*

### PART I. THE PROGRESSIVE ERA AND THE 1920S

Chapter 1. Trade Associations, State Building, and the Sherman Act:  
The U.S. Chamber of Commerce, 1912–25 25

*Laura Phillips Sawyer*

Chapter 2. Toward a Civic Welfare State: Business and City Building  
in the 1920s 43

*Daniel Amsterdam*

### PART II. THE NEW DEAL AND THE SECOND WORLD WAR

Chapter 3. The “Monopoly” Hearings, Their Critics, and the Limits  
of Patent Reform in the New Deal 61

*Eric S. Hintz*