University of Massachusetts Amherst

From the SelectedWorks of Dan Clawson

1987

Reagan or Business? Foundations of the New Conservatism

Dan Clawson, *University of Massachusetts - Amherst*
Mary Ann Clawson

Available at: https://works.bepress.com/dan_clawson/17/

THE STRUCTURE OF POWER IN AMERICA

THE CORPORATE ELITE AS A RULING CLASS

EDITED BY
MICHAEL SCHWARTZ

1987

HM
HOLMES & MEIER
New York London

13

Reagan or Business? Foundations of the New Conservatism

Dan Clawson
Mary Ann Clawson

The 1980 election, and the 1984 consolidation of those results, apparently marked a decisive realignment in American politics. Not only did they represent the most significant electoral shift since the 1930s, they were accompanied by "one of the largest and most comprehensive policy changes in modern times" (Burnham, 1982, p. 268). Reagan's unprecedented success in implementing his policies was matched only by his seeming ability to move the terrain of political debate rightward. Instead of increased polarization, the Republican move rightward produced a Democratic party that accepted substantial parts of the new conservative agenda and sought to shed its identification with traditional constituencies.

At the same time as it constitutes a political watershed, the Reagan phenomenon poses a fundamental challenge to a central argument of this book. The fact that an electoral victory and a change of presidents produced a far-reaching transformation in public policy would seem to reestablish electoral politics as the central arena of political power and the state as the site of public policy formation. In order to retain its credibility, the perspective advanced in this book must be able to provide an alternative explanation for this shift to the right.

Most analyses have indeed remained at the level of electoral politics. The most superficial provide explanations in terms of personal or chance

factors: Reagan's charm and media skills as "The Great Communicator," Jimmy Carter and Walter Mondale's ineffectiveness, the state of the economy (bad in 1980, good in 1984) (Adatto, 1984; DiSouza, 1984; Hibbs, 1982). Others find the key in the right-wing populism of the "prolife" and religious fundamentalist movements (Petchesky, 1981). The most insightful approaches to electoral politics focus on the declining participation of less affluent voters and the collapse of the Democratic party (Burnham, 1981, 1982; Edsall, 1984).

Undoubtedly each of these factors has played some part in the political shift to the right. But this chapter will argue that the most basic cause lies elsewhere, in the economic, political, and ideological processes that this book has analyzed. American politics moved rightward because of a concerted corporate mobilization around a conservative agenda. Beginning well before the 1980 election, this mobilization involved the development of a new economic and political agenda and a redirection of corporate resources toward new policy formation institutions and new ways of influencing both the government and the public. It was these prior changes which created the impetus and laid the groundwork for the more visible transformation of 1980–1984.

WHY DID BUSINESS MOBILIZE FOR A CONSERVATIVE AGENDA?

As this book has argued (see Chapter 7), business and the policy organizations it dominates have largely controlled American politics for generations. Even the liberal social policies of the New Deal and Great Society were shaped by business groups in order to meet their needs while simultaneously responding to and defusing popular protests. If the liberal institutions that existed in the late 1960s and early 1970s were created to accord with business priorities, why then would corporate leaders wish to dismantle them? Why did they begin a mobilization to fundamentally change policies and organizations that they had shaped, supported, and in some cases even initiated?

The motivating factors for the rise of corporate conservatism are located in the economic and political changes of the last 30 to 40 years: the growing economic power of other capitalist nations in Europe and Asia, successful challenges to United States hegemony by Third World countries, and the impact of popular movements within the United States, including the black, student, antiwar, women's, labor, environmental, and consumer protection movements. None of these developments were about to topple Americna capitalism, yet it is clear that by the early 1970s many capitalists believed their power and options to be threatened. When, for example, Leonard Silk (*New York Times* economic columnist) and David Vogel (a graduate student) were allowed to sit in on a 1973 series of retreats for top executives, they found a mood of vulnerability and a concern about the long-range implications of recent social and economic policies: "we are fighting for our lives," "we are fighting a delaying action," "we are on the defensive, on the witness stand, forced to justify ourselves." The executives felt that "we must get to problems before they get politically hot," because "if we don't take action now, we will see our own demise. We will evolve into another social democracy" (Silk and Vogel, 1976, pp. 44, 45, 67, 72). Corporate executives, like many other people, may tend to overestimate their problems. Nonetheless, a comparison of the 1940s and 1970s makes it clear that the nature of the problems confronting U.S. capital had changed profoundly.

In international affairs, the initiatives of the 1940s, predicated on the assumption of American economic and political hegemony, had been directed toward two goals: *(a)* rehabilitating other industrialized capitalist countries so as to create viable political and economic partners for the United States and *(b)* freeing the Third World from overt colonial relationships, in order to satisfy aspirations for independence, meet the ideological challenge of the Cold War, and open those economies to equal penetration by American goods and capital. In contrast, the 1970s saw American industry outperformed by other capitalist countries. Moreover, popular insurgency in the Third World now focused primarily in the United States as the world's leading imperialist power. Such opposition posed a threat to American political and military primacy even in those cases where the loss of access to markets and investments was economically insignificant.

Domestically, corporate as well as political leaders, shaped by the experience of the thirties, entered the postwar era committed to the maintenance of consumer demand. Thus business came to accept increased government involvement in the economy (Collins, 1981; Stein, 1969). Welfare policies such as unemployment compensation and social security were especially important because they protected consumer purchasing power while helping to assuage popular discontent over the dislocations in the business cycle and the labor market. At the same time, the dominant position of the United States in the world economy enabled large corporations to pay high wages to unionized sectors of the workforce without significant cost to themselves.

By the 1970s these policies looked increasingly problematic to many business leaders. Expenditures for welfare, boosted in response to black insurgency and discontent, increased dramatically as a larger proportion of the poor began to actually collect the welfare for which they were technically eligible (Piven and Cloward, 1971). Expenditures also increased for programs primarily benefiting the stable working class (unemployment compensation, Social Security, Medicare), straining state finances and reducing (but by no means eliminating) workers' incentives to accept the wages and conditions employers chose to offer (Bowles, Gordon, and Weiskopf, 1983). Simultaneously, concern about the increasing level of imports prompted corporate leaders to seek to weaken unions and lower wages to facilitate competition with Europe and Japan. However, the entrenched power of unions meant that this could not be done without a political as well as an economic offensive. Finally, there was dismay over a new generation of government regulation in support of the environment, occupational health and safety, consumer protection, and affirmative action. These new regulatory agencies had been introduced as a result of popular social move-

ments; while business had managed to keep these laws weak, it was concerned at the very existence of such agencies.

On the one hand this concern seems misplaced or exaggerated: the power of an agency like the Occupational Safety and Health Administration (OSHA), for example, was severely compromised by the low budget given for enforcement and the low fines imposed on violators. In 1971 there were 47,000 commercially available chemical compounds. Since OSHA has set legal limits on concentration levels for only about 500 compounds, "thousands of known and suspected toxic chemicals lack exposure standards" (Berman, 1978, p. 82). Most workplaces never get inspected; even when violations are found, the fines imposed are generally nominal—in the early 1970s, for example, only about $25 per violation (Berman, 1978, p. 34).[1] Yet the logic of capitalist concern is clear. Laws gave OSHA the right to set standards for work place pollutants and for safeguards on machinery and equipment, to inspect work places to check compliance, and to fine employers found to be in violation. Properly enforced and funded, such laws could mean a major loss of power by capitalists. Even the weak and underenforced laws of the 1970s meant that in some cases social objectives would determine corporate operations even if this reduced profitability.

Thus capitalists in the early seventies felt threatened—by changes in the world economy, by the decline of American hegemony, and by the consequences and implications of domestic political mobilizations. The business community could, of course, continue to respond to these challenges incrementally, within the basic framework of postwar institutional structures, and this was one response. But, within the business community, expressions of discontent and calls for a more fundamental change had begun to coalesce in the early seventies.

Indeed, what would later become Reagan's agenda was being outlined in *Business Week* as early as 1975. The key problem in America, *Business Week*, argued, was a capital shortage: business needed more money so it could invest and rejuvenate the economy. After considering and rejecting various alternatives, *Business Week* decided that "a policy designed to increase savings is the only one that makes sense" and recommended a three-pronged attack:

> —The growth of government spending must be curbed. . . .
> —The tax structure must be changed so that the cash flow to business increases. . . .
> —Rewards to individual savers and investors must be increased (September 22, 1975, p. 115)

Thus by 1975 the new business agenda was emerging. But its implementation would require changes in both institutional structures and public perceptions. Its adherents had to mobilize, not only to articulate their positions in more practical detail, but to begin the massive job of changing the terms of political debate, reaching influential opinion leaders, and organizing an electoral majority. Thus the conservative mobilization operated in three major areas: policy formation, attempts to influence political and opinion leaders, and campaign funding. In this way business helped not only to change state policy, but the political mood of the country as well.

FORMS OF MOBILIZATION

In the sphere of policy formation, the major change was a shift of resources to conservative institutions. Think tanks are crucial to the policy formation process, providing information, ideas, and proposals to be considered by the government, the mass media, and capitalists themselves. In the 1950s and 1960s, the most important of these business-dominated organizations—the Brookings Institution, the Ford Foundation (see Chapter 12), the Committee for Economic Development (CED), and the Council on Foreign Relations (CFR)—supported and in fact shaped the moderate-to-liberal policies of the times. Explicitly conservative think tanks, such as the Hoover Institute and American Enterprise Institute (AEI), were relatively marginal. In the 1970s and 1980s, the shift to conservatism is evident both in the changed policies recommended by the "liberal" groups (Peschek, 1987) and, still more important, in the creation and expansion of explicitly conservative think tanks. Hoover and the AEI have expanded rapidly; the Heritage Foundation was created in 1973 and has since risen to prominence; and a host of other right-wing think tanks and institutes have appeared or been rejuvenated (Ed Meese's Institute for Contemporary Studies, the Georgetown Center for Strategic and International Studies, university-related centers for the promotion of "free enterprise," and a number of "public interest" conservative law firms that have done such things as pay for Westmoreland's lawsuit charging the media with liberal bias in their accounts of the Vietnam war).

The emergence of these conservative organizations is often attributed to a split in the capitalist class between western new money "Cowboys" and the eastern old money establishment "Yankees" (Davis, 1981; Dye, 1981; Sale, 1976). According to this explanation, the conservative organizations are essentially financed by the former group. For example, Joseph Coors, a Colorado beer manufacturer with little multinational involvement, was the most visible founding patron of the Heritage Foundation. But while theories of splits between "liberal" and "conservative" capitalists are extremely widespread, there is little or no evidence to sustain them. Thus, although Coors has been a major contributor to the New Right, the largest contributor, with amounts estimated at $10 million a year, is Richard Mellon Scaife, who provided far more of the seed money for Heritage than did Coors—and the Mellons are one of the most established old money families in America (Rothmeyer, 1981). Walter Wriston, chairman of the board of Citibank, the largest New York money market bank, is on the board of the American Enterprise Institute. The AEI has over 600 corporate contributors, including Citibank, IBM, Morgan Guaranty Trust, Exxon, Ford, General Motors, Firestone, and Goodyear (Goldstein, 1982; Morgan, 1981), the same corporations that contribute to moderate think tanks. There is simply no systematic evidence for a split; the only effort to test for one found that the hypothesized

factors had little or no impact on corporate support for conservative congressional candidates in the 1980 election (Clawson, Kaufman, and Neustadtl, 1985).

Table 19 indicates the extent of the shift in resources for think tanks. If we compare the three leading conservative think tanks with the three leading moderate/liberal groups (AEI, Hoover, and Heritage versus Brookings, CED, and CFR), in both 1965 and 1970 the moderate/liberal groups had more than three times the expenditures of the conservatives. In 1975 moderate/liberal think tanks still had a significant though much-diminished edge over the conservatives, but by 1980 conservatives spent substantially more than the moderate/liberal organizations (about one-third more). The moderate organizations continued to grow throughout this period, but the business mobilization led to an enormous increase in funding for conservatives.

A somewhat different but equally revealing case is the decline of the Ford Foundation as a funding source. In the 1960s and early 1970s the Ford Foundation had functioned as the quintessential liberal and activist foundation. It had provided massive funding for a variety of activities, supporting, for example, pilot projects that played an important role in defining the character of the civil rights movement and the War on Poverty. During this period, the foundation had in fact spent more than its income. But by the mid-seventies, it began to reduce its spending drastically, from a peak of $905 million in 1966 to $114 million in 1980 (in constant 1980 dollars), the year of Reagan's election. Therefore, even if Ford remained just as "liberal" as ever, liberal causes had only one-eighth as much money from this source during the late 1970s as during the mid-1960s.[2]

A second significant type of conservative activity was influencing political decision making through lobbying and public advocacy of probusiness positions. Of crucial importance to these efforts was the formation of the business Roundtable in 1973. Although the roundtable began in the efforts of two groups to break the power of construction unions by encouraging big business to use nonunion contractors, it was soon transformed by its merger with an informal group of top business leaders. It differed from the CED, which had previously been the most important business domestic policy organization, in two ways: first, it was only open to chief executive officers (no academics, no vice presidents); second, it focused primarily on active lobbying rather than on policy formation. In lobbying Congress, business was able to exert enormous leverage, because all congress-people are dependent, to some extent, on the operations of big business within their district. For example, in 1979 when Congress debated federally guaranteed loans for the Chrysler Corporation, Chrysler produced a list of the employment it generated in each congressional district. The list for just one Indiana Republican's district included 436 companies with sales totaling over $29 million (Edsall, 1984, p. 111). Since the Business Roundtable meets to coordinate its lobbying and plan the best approach to each member of Congress, it could multiply such a list by a factor of 100 or more, reflecting the combined employment of all the major companies and their suppliers in

Table 19
POLICY GROUP/THINK TANK EXPENDITURES
(IN MILLIONS OF DOLLARS)

Organization	Year 1965	1970	1975	1980	1983
American Enterprise Institute	.6	.9	4.1	9.7	10.6
Hoover Institution	1.2	1.9	3.0	5.7	8.4
Heritage Foundation	—	—	2.8[a]	5.3	10.6
Total, Three Conservative Organizations	1.8	2.5	9.9	20.7	29.6
Brookings Institution	3.0	5.5	7.8	9.2	11.9
Committee for Economic Development	1.7	2.1	1.9	2.6	3.1
Council on Foreign Relations	1.7	2.1	2.3	3.9	6.5[b]
Total, Three Moderate Organizations	6.4	9.7	12.0	15.7	21.5

SOURCE: Annual reports, phone conversations with relevant officials.

[a] 1978; 1975 data not available

[b] 1984

each district. Business is reported to have spent more than $5 million on the lobbying for just one bill, discussed below, the Labor Law Reform Act of 1978 (Malbin, 1980, p. 179).

Big business has also benefited from, and helped promote, the recent mobilization of small business. The Chamber of Commerce has been revived, with huge increases in membership and effectiveness, and to a lesser extent so have other small business organizations. On several key issues big business has gotten the support of small business. During the Labor Law Reform Bill debate, for example, big business used its corporate jets to fly small business people to meet with Congress. Big business has not been willing to reciprocate, however. For example, in the tax law of 1978, the breaks went almost exclusively to big business. " 'The bigs lobbied against us and squashed us,' James (Mike) McKevitt, head of the National Federation of Independent Business, complained after enactment of the 1978 tax bill." (Edsall, 1984, p. 126).

The seventies also saw the emergence and expansion of advocacy advertising as a means of influencing public opinion. Traditional advertising tries to sell a product: Presta-Glop cleans teeth whiter than Ultra-Goo. Advocacy advertising has no explicit connection with a corporation's products but rather promotes a political message.

Advocacy advertising has been targeted in both style and substance primarily at opinion formers; Mobil's ads appear on the *New York Times* editorial page rather than in the *National Enquirer*. In the case of Mobil, advertisements laid out to resemble op-ed pieces have criticized the media, defended special tax breaks for oil companies, and favored deregulation of gas and oil prices. Union Carbide commissioned public opinion surveys and

then took out ads claiming the American people had the same views as Union Carbide ("Americans reject no-growth future") and implying they supported Union Carbide's own recommendations for stimulating growth: less government spending, lower business taxes, and reduced government regulation (Himmelstein, 1980).

While no comprehensive data exist on the extent of corporate advertising, David Vogel claims that "major corporate advertisers are now spending about one-third of their advertising dollars on campaigns aimed at the public in their roles as citizens rather than consumers," and a congressional committee has estimated that issue advertising amounts to $1 billion a year (Vogel, 1979, p. 627; Edsall, 1984, p. 116). Clearly, advocacy advertising must now be recognized as a significant corporate strategy.

Last but not least, business has also mobilized around politics more narrowly defined, using its superior financial resources to make up for its limited numbers. As discussed in Chapter 6, campaign finance laws underwent changes in the early 1970s. Though these changes appeared to restrict the power of money, very similar changes had earlier been recommended by the Committee for Economic Development. By restricting the size of any individual donation and requiring public disclosure, the new laws made it much more difficult for a single source of wealth, whether an individual or a company, to buy special favors. (In 1972, for example, W. Clement Stone gave more than $2 million to Richard Nixon.) In practice this means that money influences politics through the coordinated action of many donors, and generally can only do so for ends that are publicly defensible. Translated, big business is the group able to coordinate hundreds of "small" donations (an average of $500 each), because of the underlying unity of business analyzed in Part I of this book. The new campaign finance laws simply restricted the power of mavericks such as Howard Hughes while reinforcing the structural power of the coordinated business community.

The alterations in campaign finance laws mean that comparisons of changes over time need to be treated cautiously. The new laws explicitly legalized political action committees (PACs) associated with labor unions or businesses: the PAC collects and pools donations from union members or corporation employees while the sponsoring organization contributes the administrative and collection costs. Though the money comes from individuals, it is controlled by the organization. Some part of the increase in business giving may simply be the result of previously hidden disclosures becoming public. What the data indicate, however, is that in 1974 labor PACs outnumbered business PACs by more than two-to-one, while in 1980 business PACs outnumbered labor ones by four-to-one. If we include under the rubric of business PACs of both corporations and trade associations, in 1974 labor gave substantially more than business ($6.3 million to $4.8 million), while by 1980 business contributed well over twice as much as labor ($35.3 million to $13.1 million) (Ashford, 1985). This business money comes from the very largest corporations: 70 of the 100 largest industrial corporations have PACs, but only 34 of the second 500 largest industrials do. While only one corporate PAC in five spends more than $25,000, the PACs of the 10 largest corporations spent about $70,000 each (Useem, 1984; Ashford, 1985).

Business not only gave more money to electoral politics, it also changed the character of its giving. Traditionally, business campaign contributions were primarily pragmatic, given to buy access to incumbents. Corporations were relatively unconcerned with a person's politics, and contributed to almost any incumbent, including liberals. Ideological commitments were not important enough to risk offending a powerful incumbent (given that almost no incumbents seriously challenged business). As a result, incumbents received far more business money than challengers—six times as much in 1972. In recent years, however, business has become more and more ideological, willing to oppose even powerful incumbents in order to alter the political composition of the Congress. In 1976, incumbents received only 3.9 times as much as challengers, and in 1980, only 1.9 times as much.

The change is not in the races pitting Republican incumbents against Democratic challengers. In those races both the pragmatic concern to gain access to incumbents and the ideological commitment to conservatism argued in favor of donating to the Republican incumbents, and as a result in both 1976 and 1980 they received more than 20 times as much as their Democratic challengers. But there has been a dramatic shift in races pitting Democratic incumbents against Republican challengers. In 1972 Democratic incumbents received almost four (3.89) times as much business money as their Republican challengers; in 1976 they received a little over twice (2.14) as much; and by 1980 they actually received *less* ($21,755 to $22,424) (Common Cause, 1973, 1977; Federal Election Commission, 1981).

There are few races in which business divides its money between the candidates equally; in practice there are some races where business unifies around the Democratic incumbent (because he or she is unbeatable or has political views that are unequivocally conservative) and other races in which business unifies behind the Republican challenger (Clawson, Neustadtl, and Bearden, 1986). Since studies show that the key impact of campaign money is in making challengers viable candidates, this major shift in corporate giving has contributed significantly to recent Republican strength (Jacobson, 1980, 1983).

For each of these forms of mobilization—conservative and tanks, the Business Roundtable, advocacy advertising, and electoral politics—the question can reasonably be asked: if corporate capital dominated the political system, why should business need to create new institutions to promote its views rather than changing the already existing ones? Organizations tend to take on a life of their own, as the professionals who work within them defend their own occupational interests, even vis-à-vis the capitalists who fund them. Corporate and individual donors, through their control of the board of directors, could have fired the liberal academics who had spent their life at Brookings and replaced them with the conservatives who now staff the American Enterprise Institute or the Heritage Foundation, but doing so

would have involved a major public confrontation and an admission of the ideological purpose behind this move. It is both simpler and more effective to simply establish, or increase the funding for, a parallel institution.

REAGANISM BEFORE REAGAN

This mobilization had begun to redefine the contours of American politics well before Reagan's election or Jerry Falwell's rise to political prominence. The decisive shift to conservatism came during the Carter administration (and before the 1978 elections), not as a result of the 1980 election—though that certainly extended and consolidated the reaction already in process. In important ways the 1980 election only provided electoral confirmation of a power shift that had already taken place in the economic and ideological spheres.

Because business has such enormous economic and social power, it does not need majority support in electoral politics to carry through a change in power relationships. In a capitalist system business has the power and the "right" to make hundreds of vital decisions—about employment levels, wages, hours, sex and race discrimination, pollution, prices, the safety and quality of products, the location of factories, whether flextime is permissible, the nature of advertising, retirement ages—on its own, without even a pretense at democracy, unless a specific law has been passed to the contrary. Thus, the fact that there are 47,000 commercially available chemical compounds but OSHA has set limits on worker exposure levels for only 500 of them (Berman, 1978, p. 82) means that for the other 46,500 (including thousands of toxic chemicals) business may decide what it considers appropriate. As if this isn't enough, most laws allow business's decision to stand until all appeals are exhausted, giving business the ability to effectively resist, or even change, the law through aggressive appeals and delaying tactics.

Take the area of labor relations. For many years after World War II, business accepted unions' right to exist (or the inadvisability of trying to defeat them) and generally lived with them in a relatively peaceful accord. From the mid 1970s on, corporations became increasingly antiunion and often intentionally violated the law. Labor then had to go to court for redress, and business stalled as long as it could, until the redress ordered by the courts was meaningless.

An excellent example of this is union organizing drives. When a union has signed support of 30 percent of the eligible workers, a representation election is held to decide if the union has majority support and can therefore be certified as a bargaining agent. It is illegal for employers to discriminate against workers for their union activity, but it nonetheless happens all the time, since the penalties are so minimal: an employer convicted of having illegally discharged a worker must make up his or her wages, less whatever the person has earned in the interim. If we compare the number of people illegally fired for their union activity (as determined by their having won their case before the National Labor Relations Board) with the number of workers

who favored the union (as determined by the number who voted for unions in NLRB representation elections), we get "a remarkable result: one in twenty workers who favored the union got fired" (Richard B. Freeman, quoted in Edsall, 1984, p. 152). Employers found this penalty well worth the cost, because firing a few union activists often stopped an organizing drive dead in its tracks. The illegal firing helped the union only if workers were actually reinstated before the representation election, but given the way the law was enforced employers could virtually always avoid this through delaying tactics.

Minimal penalties and lengthy delays in enforcement meant that employers had in practice changed the law, since a worker or union whose rights were violated had no meaningful recourse. Unions responded with a very mild bill, the Labor Law Reform Bill of 1978, intended to do little more than restore the initial intent of the law. The reform bill required that decisions be rendered within specified time periods, that the judge's ruling stand during the appeal process, and that the penalties for violating the law be increaed slightly. For example, employees found to have been illegally discharged for union activity were to receive not simply the wages they had lost, but 150 percent of lost wages.

Labor saw the bill as an attempt to isolate a few corporations that had been systematically violating the law, and expected that most large corporations would either support the bill or offer only token opposition. This mild reform bill was labor's number one priority; the Democratic party was heavily dependent on labor money to finance its election campaigns; Democrats occupied the White House and had strong majorities in both houses of Congress. It appeared that the bill should pass easily. But President Carter's first priority at this time was to secure the adoption of the Panama Canal treaty, and for the most part he left labor to fend for itself. Then, big business began an unprecedented mobilization against the bill, and labor was caught off guard.

> What galled labor beyond measure, oddly enough, was not the treason of politicians who had taken labor's shilling at election time. It was the defection to the anti-union camp of a raft of chief executives from the Fortune 500—men whom the unions had come to think of almost as allies. As many labor leaders see it, that crucial battle marked the end of a thirty-year entente cordiale. (A. H. Raskin, quoted in Edsall, 1984, p. 156)

Business interests spent more than $5 million lobbying on this one bill. The Business Roundtable served as a coordinating and directing force of the efforts by the inner circle to stop the measure. Heavy lobbying efforts focused on members of Congress whose votes seemed in doubt, with the Roundtable arranging a series of visits by the businesspeople from the district. Such lobbying was of considerably greater importance than the several million postcards sent out by the National Right to Work Committee (Ferguson and Rogers, 1979; Guzzardi, 1978; McQuaid, 1982). The bill was eventually stopped in the Senate by a filibuster; repeated attempts to invoke

cloture failed by narrow margins. Its defeat dramatically signaled a major political shift: the dominance of an aggressively conservative, big business posture.

The same story could be told of other issues. The proposed Consumer Protection Agency was defeated. The tax bill of 1978 began with a mildly progressive proposal from Carter, but the eventual result was "the first major tax bill since the 1930s that did not skew benefits toward those at the bottom and middle of the income spectrum" (Edsall, 1984, p. 150). Despite strong Democratic majorities in both houses of Congress and a Democratic president, the final tax bill involved a major cut in the capital gains tax (from 48 percent to 28 percent), a tax paid almost exclusively by the rich, along with increases in the most regressive federal tax, Social Security (Edsall, 1984, p. 65).

A range of other "Reagan" policies in fact began under Carter. One such policy was that of military buildup. Military spending as a percentage of GNP had declined fairly steadily from the late 1950s onward, from 9 percent in the late 1950s to 5 percent in 1978 and 1979. In 1979, however, this decline was halted, as Carter insisted on substantial increases in the 1980 military budget. Iran (and to a lesser extent, Afghanistan) seems to have been the crucial factor here.

Under the Shah, Iran had been regarded as the most stable and trustworthy U.S. ally; its wealth even allowed it to pay for most of the military equipment it received, and the Shah's unpopularity made it in his interest to have a strong military. The Middle East was a key to control of the world economy. When the Shah's power crumbled it seemed that nowhere in the world was safe: one day Iran was "an island of security in a troubled area of the world" (Jimmy Carter), the next month the Shah was out of power and the United States couldn't even find any "moderates" to quietly carry out its wishes. Iran underscored the problems inherent in relying on Third World dictatorships to protect U.S. interests. The idea that the United States must rely on itself led to both the reintroduction of registration for the draft and substantial increases in U.S. military spending. Carter proposed that the military budget be increased not only to match inflation, but also by an additional 3 percent a year.

Thus it would seem that not only had the ideological and institutional groundwork for a shift to the right been laid, but that actual policy changes had begun to be implemented. What then caused business's defection to Reagan? It is true that Carter was widely perveived as an ineffectual president. While his failures are most often attributed to his personal weaknesses, they must also be related to the inherent conflicts between the new (business) agenda and the traditional constituencies (labor, minorities) and programs to which a Democratic president and Congress were linked, conflicts which often compromised the ability to do what business wanted.

In 1974, *Business Week* had anticipated the political difficulties in the new program, and the consequent need for a Great Communicator: "It will be a hard pill for many Americans to swallow—the idea of doing with less so that big business can have more. . . . Nothing that this nation, or any other nation, has done in modern economic history compares in difficulty with the selling job that must now be done to make people accept the new reality" (October 12, 1974, p. 120). The selling campaign began with advocacy advertising and new think tank studies, but it culminated six years later in the campaign and election of Ronald Reagan.

THE "REAGAN REVOLUTION"

In important ways Ronald Reagan in 1979 resembled Barry Goldwater in 1963. Both were extreme ideological conservatives with a large core of devoted supporters, and both seemed unlikely to attract the support of a majority of voters, let alone be able to carry through on their campaign platforms. But although in 1964 Goldwater lost by a landslide, 16 years later Reagan won by a landslide.

The differing outcomes of these elections are due to many different factors—the mood of the country, the economic situation, the United States' ability to militarily dominate the rest of the world, the basic competence of the two incumbent presidents. Probably no difference is as crucial, however, as the contrast in the extent of their support from big business. In 1964 the largest corporations and the most important inner circle capitalists abandoned the Republicans and Goldwater for the Democrats and Johnson. Without the support of big business Goldwater remained simply an extremist, and the press focused on his occasional problematic statements.

Reagan, on the other hand, although starting out without much support from business's inner circle or from the largest companies, by election day had the solid support of most of the big business community (Ferguson and Rogers, 1981). Big business didn't just support Reagan, they supported a complete conservative slate. In 1980 congressional races, corporate donors rejected their traditional strategy of support for incumbents. Most business PACs gave some money to conservative challengers, and about 40 percent of the largest corporate PACs essentially replicated the behavior of conservative ideological PACs, supporting ideological conservative challengers even where they were running against powerful moderate incumbents (Clawson, Kaufman, and Karson, 1986). These corporate PACs provided much more money to Republican challengers than did the more highly publicized ideological PACs. In a number of key races business money clearly made the difference. For example, Frank Church, an incumbent senator with 24 years seniority, received $32,000 from corporate PACs; his victorious conservative challenger Steve Symms received over $400,000 from corporate PACs in an election decided by 4,000 votes.

On the one hand, Reagan had to make certain concessions to gain this support from business. On the other hand, once Reagan had business support, that very fact guaranteed that he would no longer be seen as an extremist. However implausible some of his assertions may have been, they were treated with respect. Thus the media did not embarrass Reagan by adding up the numbers when he insisted that he would balance the budget by 1984 while simultaneously introducing massive tax cuts and huge in-

creases in military spending. Compare this to the careful accounting that was given to George McGovern's 1972 proposal for a guaranteed annual income once it became apparent that he was a serious candidate. Questions about its financial viability were used not only to discredit the program itself but to raise more serious questions about McGovern's general competence and responsibility. Reagan could claim that there was a "window of vulnerability" such that the Soviets could successfully launch an unanswerable first strike against United States, and no one laughed him out of court (Scheer, 1983). Reagan could even question the theory of evolution, claiming that "recent discoveries over the years have pointed out great flaws in it" (quoted in Ferguson and Rogers, 1981, p. 3) without any of the press asking him what effect these views would have on his science policy or appointments. Solid support from big business is perhaps the single most important factor making Reagan a viable candidate, though the weakness of Carter and the Democrats was also necessary. Without business support Reagan would not have been in a position to benefit from Carter's weakness; with business support Carter would not have been as weak and ineffective as he was.

The 1980 election involved a stunning political shift to the right, probably the most important political shift since the 1930s. It brought the first defeat of an elected incumbent president since the 1930s, the most ideologically conservative president since the 1920s, Republican control of the Senate for the first time in more than a quarter century, and large Republican gains in the House. Nonetheless, these changes would normally not have been enough to carry through the sorts of policy shifts Reagan had promised. The Democrats still controlled the House, and the American political system gives many advantages to the forces resisting change. After the 1980 election most analysts thought Reagan would be unable to enact his tax cut and budget changes. In fact, however, he was able to get Congress to adopt an essentially intact version of his basic program.

Why was Reagan able to get his program enacted? The most commonly offered explanation focuses on Reagan's personal popularity and his skills as the Great Communicator. His background as an actor supposedly makes him able to get his message across on TV; when people hear this message they support it; by mobilizing popular support, Reagan pressures a reluctant Congress to adopt his program.

There is no doubt that Reagan makes effective use of television, but this cannot explain his success. The polls, in fact, indicate that during the first two years when Reagan's crucial policy changes were enacted, he was *not* a popular president. Most presidents are popular right after they are first elected, but Reagan received the lowest first- and second-year ratings of any president elected in the fifty-year period during which public opinion surveys have measured presidential popularity. Reagan was substantially less popular than Carter, Nixon, Kennedy, or Eisenhower. Later in his term Reagan's approval ratings increased—but during the time he had high approval ratings he was unable to enact any significant new elements of his program. Given that Reagan's approval was low while he was getting his program adopted, and high during the time he could not enact legislation, it seems that public approval or personal popularity cannot explain the adoption of the dramatic and significant policy shifts favored by Reagan.

Reagan's success is instead to be explained by the fact that his program was supported by a virtually unanimous business community. This support, combined with a less explicit consensus among leaders of both parties, made it possible to get his program through even without a popular mandate.[4] In the spring of 1981, for example, both business and political leaders strongly supported some kind of major tax cut for business. The Democratic leadership agreed on the need to cut business taxes (this had also been part of Carter's platform), differing primarily in their opposition to cuts in personal income taxes. Similarly, the Democratic leadership agreed on the need to increase military spending, though there were clear differences on the extent of the increases.

Reagan was able to enact three major changes: a reduction in many areas of government spending, a tax cut for business, and a tax cut for individuals with benefits heavily weighted toward the wealthier individuals most likely to save. A fourth major Reagan initiative, an increase in military spending, actually began under Carter, though Reagan accelerated it. The three major changes in government policy that are specific to Reagan are identical to the changes *Business Week* had demanded five years earlier (see p. 204 above). On the other hand, there have been few changes in the areas of most importance to many of Reagan's New Right supporters, social issues such as abortion, race, and school prayer. This is not to say that Reagan would not like to make changes in those areas, and has not attempted to do so, but the actual changes have been slight. Key elements of the New Right have in fact complained that it is their issues that get Republicans elected and yet the business agenda is implemented while theirs gets shunted aside (Phillips, 1982).

MEANING AND CONSEQUENCES

Pluralist analysts agree that business has vast resources and therefore a unified business community would have enormous power. However, they argue that in practice business is rarely able to unify, since businesses compete against each other in the marketplace and different companies have different interests (the steel industry wants high prices for steel, the auto industry wants low prices, etc.) (Dahl, 1958). Individual businesses may and do buy influence, but "to the extent that the groups are buying anything, therefore, they seem to be canceling each other out" (Malbin, 1980, p. 175) and thus lack significant political impact.

This book has argued, however, that corporate capital is unified as well as divided. This unity, moreover, is not simply at the level of ideology; nor is it achieved solely by the efforts of a semiautonomous state, as theories of Marxist structuralism would maintain. We offer an alternative position which combines elements of both "instrumentalist" and "structuralist" theories of the state.

Instrumentalism, a position incorrectly attributed to G. William

Domhoff, locates capitalist control of the state in a variety of day-to-day influences, achieved through mechanisms such as lobbying and personnel transfers. Structuralists argue that these activities are comparatively unimportant, since what matters is the way the state itself is organized institutionally to pursue long-term capitalist interests. Capital's well-being is served because of the structure of the state, not because of day-to-day capitalist interventions in politics. This book, building on Domhoff's work, finds both perspectives inadequate: long-term capitalist interests are not secured merely through the visible interventions of daily political practice, but neither are they left to the structure of the state.

As Part I revealed, on an economic level big business is tied together in myriad ways, tied together not simply by episodic exchanges between marketplace equals, but by long-term power relationships. If members of the capitalist inner circle serve on the boards of several giant corporations, this both expresses and solidifies their dependence and working relationship. The inner circle helps the capitalist class to develop, and *enforce*, a unified perspective (see Chapter 9). Similarly, when banks lend money to a corporation they develop a material interest in its policies and programs and their financial involvement gives them the leverage to insure their wishes receive serious consideration. All these underlying *material* relations, which are simultaneously *social* relations, make it possible for capitalist leaders to develop a range of organizations and processes through which they discuss, argue about, and eventually agree on policies to serve the long-range interests of capital. Thus, capitalists develop a class-conscious understanding of their long-range interests *outside* the state; only later are these policies brought to the state itself. The structure of the state does not serve capitalist interests through the automatic operation of mechanical laws; deliberate and continuing process of capitalist activity is required.

Neither Reagan nor the 1980 election can explain Reaganism: the bases of this political transformation are to be found in the changing interests and perceptions of business as it responded to a changing world. Business concern about the political and economic climate seems to have crystallized around 1973, and with this crystallization began the key period of mobilization. It is important to note that the various forms of business mobilization described here—new policy organizations, new think tanks, advocacy advertising—emerge *before* there is any shift in popular opinion or election results. The Congresses elected in 1974 and 1976, as the mobilization was developing, were among the most Democratic ever elected. Clearly the business mobilization is not a consequence but a cause of the shift to conservatism.

Nor did business initiate its offensive through changes in state policy. It began by creating new policy organizations (the Business Roundtable), by founding or expanding think tanks (the American Enterprise Institute, the Heritage Foundation), by advocacy advertising, and (presumably) by the exchange of ideas at corporate board meetings. Only after an extensive process of this kind had taken place *outside* the state was it possible to change state policy. The changes in state policy began well before they had received any significant electoral support: the first tax cut favoring the rich and the defeat of the Labor Law Reform Bill actually occurred before the 1978 election, with a Democratic president and heavy Democratic majorities in both houses of Congress. The 1980 triumph of Reagan and the Republicans was a watershed, but it did not begin the process. The policy changes that Reagan then enacted were crucial; they resulted, however, not from widespread public demand, but from a unified business community and a public willingness to tolerate such changes.

NOTES

1. A 1985 study by the Congressional Office of Technology Assessment makes it clear that nothing has changed: less than 4 percent of work places are inspected each year; a "serious violation" is defined as one that creates a "substantial probability of death or serious physical harm"—but the average fine for such a violation is only $172 (*New York Times*, April 18, 1985, p. A18).

2. The decline of expenditures by Ford seems to typify a pattern in business political activity. Major sectors of the business community rarely oppose each other publicly and directly on important political issues. Rather, at some time periods or for some issues, one part of business mobilizes, while other sectors maintain a low profile; at another time, or for another issue, the first sector reduces its activity and visibility while a previously quiescent sector leads the business community (Whitt, 1982; Clawson, Neustadtl, and Bearden, 1986). Here as well, the Ford Foundation, a well-known supporter of "liberal" causes, reduced its funding at the same time that other parts of business were increasing the funding of conservatives.

3. For discussion of the Business Roundtable see Burch (1981), McQuaid (1982), Ferguson and Rogers (1979), and Guzzardi (1978).

4. Reagan's election mandate was itself weak. On the one hand, he won the 1980 election by a landslide, but on the other hand relatively few people voted. In fact, a smaller proportion of the eligible electorate voted for Reagan in 1980 than voted for Willkie in 1940, even though Willkie lost as decisively as Reagan won. Business had not so much succeeded in persuading the population to accept their program as created a situation where no alternative seemed viable and appealing. Therefore many people stayed home on election day (Burnham, 1981).