Interlocks, PACs, and Corporate Conservatism

Dan Clawson, University of Massachusetts - Amherst
Alan Neustadtl

Available at: https://works.bepress.com/dan_clawson/20/
Interlocks, PACs, and Corporate Conservatism
Author(s): Dan Clawson and Alan Neustadt
Published by: The University of Chicago Press
Stable URL: http://www.jstor.org/stable/2780857
Accessed: 01/08/2013 08:15
Interlocks, PACs, and Corporate Conservatism

Dan Clawson  
*University of Massachusetts, Amherst*

Alan Neustadt  
*University of Maryland*

Two alternative corporate political strategies are identified for Political Action Committee (PAC) contributions to candidates in the 1980 congressional elections: (1) a pragmatic effort to promote a particular company's best interests and (2) an ideological effort to promote conservatism. With the use of multiple regression, this article examines three theoretical explanations of corporate political strategies. The expectations of corporate liberal theory are not confirmed. Rather, there is support for both state structure and interlock theories. It is argued that, at least in 1980, business political behavior was ideologically conservative, which business understood to represent classwide rational interests.

We know a great deal about the political behavior of ordinary voters (and nonvoters) but very little about the political behavior of business. This article uses data on corporate Political Action Committee (PAC) donations to candidates for Congress in 1980 to do three things: (1) delineate two alternative corporate strategies and show their opposition, (2) examine the factors said to explain which corporations choose each strategy, and (3) argue that in the current period these strategies need to be interpreted and understood in new ways. Specifically, in opposition to corporate liberal theory and many other left analyses, we will argue that at

---

1 The research reported here was supported in part by National Science Foundation grant SES-8512021 and in part by the Kellogg National Fellowship Program. However, the conclusions do not necessarily represent the views of the sponsoring organizations. We are grateful to Andy Anderson, Phil Bonacich, Mark Mizruchi, Bill Roy, Tie-ting Su, Mike Useem, participants in the Conference on Corporate Interlocks (Nagshead, N.C., September 1987), and (above all) two anonymous *AJS* reviewers for statistical advice and comments on earlier drafts. Some of these commentators specifically disagreed with one or another part of our analysis. Requests for reprints should be sent to Dan Clawson, Department of Sociology, University of Massachusetts, Amherst, Massachusetts 01003.

© 1989 by The University of Chicago. All rights reserved.
0002-9602/89/9404-0002$01.50

*AJS* Volume 94 Number 4 (January 1989): 749–73

749
least in 1980 the most conservative corporations acted with the most class consciousness.

Most theories of business political behavior distinguish two basic groupings: those corporations or individuals oriented to the long-run good of business as a whole and those with a shorter-range focus, whose primary concern is the immediate needs of their own companies. This distinction is made in a variety of ways, with each version proposing some factor or factors said to explain the difference in orientation. Corporate liberal theory, for example, argues that "Liberalism in the Progressive Era—and since—was the product, consciously created, of the leaders of the giant corporations and financial institutions that emerged astride American society in the last years of the nineteenth century and the early years of the twentieth. . . . Liberalism has been the political ideology of the rising, and then dominant, business groups" (Weinstein 1968, pp. xii, xv). Smaller businesses, this theory argues, usually held the political views the general population would expect business to hold: die-hard conservatism. But the leaders of the largest and most central corporations understood that the long-run stability of the system required that business be prepared to compromise, to adopt reforms that would be shaped to strengthen the position of the biggest corporations. Because many of these firms were highly capital intensive, labor reforms would cost them less than other companies (Ferguson 1984).2

A host of other analysts have attempted to differentiate the most class-conscious parts of business from those parts that focus primarily on the short-term interests of their own particular firms. Some argue that banks exercise hegemony over corporations; banks consider the long-run interests of the system as a whole because they must assess competing claims for financial support (Mintz and Schwartz 1985; Bearden 1987; Mizruchi 1982; Kotz 1978). Useem (1984) argues that an "inner circle" of the capitalist class, those who serve on the boards of two or more companies, develops an understanding of what is in the best interests of business as a whole, that is, a "classwide rationality."3

Recent data on corporate PAC donations to candidates for federal office make it possible to examine some of these issues for one important

---

2 A number of important works have developed and applied a perspective related to this, though there are important differences among the various scholars, with some of them taking strong exception to aspects of the work of others (Domhoff 1970, 1978; Collins 1981; Shoup and Minter 1977; Dolbeare 1986; Kolko 1963; Eakins 1969).

3 While most of Useem's analysis is in terms of individuals, for political behavior he focuses on corporations, arguing that the more interlocks it has, the more likely a corporation is to engage in classwide rational political behavior (Useem 1984, p. 138).
form of political behavior, the financing of electoral politics. The same basic distinction made by other analysts, between short-run, company-specific interests and the long-run interests of business as a whole, is also made by campaign finance analysts, who distinguish between pragmatic and ideological behavior (Handler and Mulkern 1982; Sabato 1984; Maitland and Park 1985; Gopian 1984; Brown 1983; Malbin 1979; Eismeier and Pollock 1986). Pragmatic PACs attempt to promote their own particular interests by making donations to incumbents, without regard to ideology, in order to ensure future access and the possibility of special favors. Ideological PACs abjure such considerations and aim at changing the ideological composition of Congress by replacing “antibusiness” liberals with “probusiness” conservatives; they therefore give much of their money to challengers.

As a result of a number of election-law changes in the 1970s, Federal Election Commission data on PAC donations to candidates for Congress now provide complete, systematic, quantitative data on one important form of corporate political behavior (Malbin 1980; Sabato 1984). These data allow us to characterize the political behavior of corporations themselves, not simply of individuals who are officers or directors of the corporation. The PACs are legally affiliated with the corporation; they are established by and responsible to the chief executive officer or the board of directors (Clawson, Neustadtl, and Bearden 1986; Handler and Mulkern 1982).

There were 1,251 corporate PACs registered with the Federal Election Commission in 1980. Our analysis is restricted to the 243 PACs (which, because of multiple PACs, represent only 224 corporations) that made contributions of $25,000 or more during the 1979–80 election cycle. Col-

4 Electoral politics is not by any means the only form of political behavior and is not, we believe, the most important. However, it is one significant form of political behavior for which complete and systematic evidence is available. Throughout this paper it will be important to consider whether our findings are unique to the financing of electoral politics or potentially generalizable to other forms of political action. The analysis presented here does not pretend to capture all the relevant forms of corporate political behavior, but, with caution, these findings may prove useful for analyses of other forms of corporate action.

5 Corporations may form more than one PAC. However, all PACs affiliated with one parent corporation are treated by the FEC as if they were a single PAC, and they must obey the legal limits on donation size that apply to a single PAC. Otherwise, corporations (and others) could evade all legal limits simply by creating several paper organizations. The following corporations in our sample had multiple PACs (number of qualifying PACs in parentheses): AT&T (7), Dow Chemical (5), LTV (3), Columbia (2), General Electric (2), Halliburton (2), Pillsbury (2), Signal (2), U.S. Steel (2), Weyerhauser (2).
lectively they accounted for 71% of all corporate PAC donations. Our analysis includes the 888 Democrats and Republicans in the 468 general election races in 1980, excluding both third party candidates and major party candidates who lost in the primaries. Information from the Federal Election Commission has been supplemented with additional material on the economic and organizational characteristics of the corporations drawn from company annual reports, Securities and Exchange Commission 10-K reports, Moody’s and Standard and Poor’s manuals, and other sources.

ALTERNATIVE STRATEGIES

Contributions to incumbents may be taken as one possible measure of a short-term, company-specific strategy. Contributing to incumbents will not change the composition of the Congress and therefore is likely to have limited effects on partisan political issues. However, members of Congress are, by all accounts, more likely to grant access to those who have made donations to their campaigns (Grenzke 1989). Senator Rudy Boschwitz (R-Minn.), for example, has institutionalized the practice. Those who contribute $1,000 or more to his campaign receive special blue stamps to place on their envelopes, lesser contributions entitle people to other color stamps, and noncontributors must take their chances. Letters are opened and replied to according to the contribution level, which Boschwitz considers “a nifty idea” (Klott 1986).

Members of Congress regularly insist that campaign donations cannot buy their votes on important contested issues, but most also acknowledge that donations do assist in gaining access, a chance for a spokesperson to present the company’s case (Drew 1983; Etzioni 1984). This makes it possible for a corporation to shape the wording of a bill in committee to minimize the cost or maximize the benefit to that specific corporation. The 1986 Tax Reform Act, for example, contained hundreds of provisions that were never subjected to public scrutiny. Provisions were typically written in such a way as to disguise their effect; one example was a clause limited to a single company, identified only as a “corporation incorporated on June 13, 1917, which has its principal place of business in Bartlesville, Oklahoma,” that is, Phillips Petroleum. Cumulatively these provisions were worth many billions of dollars; a company that gained

6 Third-party candidates were generally a relatively insignificant factor and substantially complicate the analysis for little added insight. Major-party candidates who lost in the primaries are excluded because it is difficult to make appropriate comparisons; such candidates received less than 7% of all PAC donations (Epstein 1984, p. 418).
access and succeeded in inserting such a clause could benefit substantially even if it were unable to influence the way a member of Congress ultimately voted on a bill (Domhoff 1978, pp. 28–30; Edsall 1984, p. 110). We believe the single best indicator of pragmatism is the proportion of its money a corporate PAC gave to incumbents; such a standard is explicitly or implicitly presented in the literature (Handler and Mulkern 1982; Herndon 1982; Maitland and Park 1985). This measure is highly correlated with several other possible measures of pragmatism: proportion of money contributed to the chairs of subcommittees (.85) or committees (.61), or the average seniority of the candidates receiving contributions (.91).

The most straightforward operationalization of ideological behavior is the extent to which a corporate PAC’s political behavior was similar to that of PACs that exist explicitly to promote an ideology. There are a substantial number of independent PACs, not connected to any corporation or trade association, that exist solely to promote a conservative ideology. The National Conservative PAC, the Congressional Club (allied with Jesse Helms), and the Americans for Constitutional Action are defined by their ideological purposes. We would have liked to have a similar independent measure of liberal ideology, but at least in 1980 there were not enough liberal PACs to construct a measure. We therefore took behavior similar to conservative ideological PACs as evidence of conservatism and behavior opposed to them as evidence of liberalism. There may be other forms of corporate ideology, but behavior that matches or opposes these explicitly ideological PACs is a clear indication of ideological behavior.

We assigned scores to candidates and gave corporate PACs a score based on the weighted average of the candidates to whom they contributed. A candidate’s score was equal to the number of conservative PACs that had contributed to his or her campaign, minus the number who had given to the opponent’s campaign. A candidate with a positive score is

---

7 Had there been any significant number of races in which a number of conservative PACs had contributed to one candidate, and a number of others to the opponent, this might have posed a problem. There were few cases where conservative PACs gave to both sides of a race; these were always races where the involvement on both sides was low. If each candidate had received a donation from one conservative PAC, e.g., each would have received a score of zero, indicating that the race was not of ideological significance. The strength of this measure is precisely its ability to assess the importance of the race for an ideological transformation of the Congress; it would be less appropriate as a measure of individual candidates, since ideological PACs might avoid a race because the outcome was not in doubt even though one candidate had an extreme ideology.
American Journal of Sociology

thus matched with an opponent with a negative score of equal magnitude. If corporations were ideologically neutral, their aggregate score on this measure would be zero; if they favor conservatives over liberals, they will have positive scores; and if they favor liberals (moderates), they will have negative aggregate scores. Since we used a list of 13 conservative ideological PACs, potential scores range from +13 (all the conservative PACs contributed to this candidate, and none to the opponent) to −13 (all the conservative PACs gave to the opponent, and none to this candidate), though actual scores ranged only from +10 to −10. As with our measure of pragmatic behavior, this measure is highly correlated with several other plausible operationalizations of ideological behavior such as the proportion of money given to Republicans (.93) or ratings of the voting records of the candidates receiving contributions (.92).

These two measures have been operationalized independently so that it would be possible to be high (or low) on both measures,8 or high on one and low on the other. There is no necessary relationship between the two strategies; a company could pursue a range of other strategies. For example, a corporation could contribute to all the races held in districts where it had a factory, allowing the PAC contributors in that factory to determine which candidate received the donation. In practice, however, there is a correlation of −.90 between these strategies, as we have reported elsewhere (Clawson et al. 1986), and this strong negative relation holds for all combinations of the plausible operationalizations we mentioned earlier. Therefore the variables that correlate with one orientation also correlate with the other; in the rest of the paper we focus on ideologically conservative behavior.

WHAT FACTORS EXPLAIN THESE DIFFERENCES?

A variety of factors have been offered as explanations of these variations in corporate political behavior. Three different theoretical positions attempt to predict and explain corporate political differences: (1) class frac-

---

8 To be high on both measures, a corporation would have contributed to incumbents who were supported by a substantial number of ideological PACs. This was a possible strategy, since there were 11 incumbents who received donations from six or more ideological PACs. The legal limit for contributions was $5,000 per election, and the average PAC in our sample contributed $55,899, so a corporation could have contributed the average amount, with all of it going to incumbents who received donations from six or more conservative PACs. To be low on both, a corporation would contribute to challengers or open-seat candidates who did not receive support from (or were actively opposed by) ideological PACs.
tions or corporate liberal theory, (2) explanations focusing on differential vulnerability to government power, and (3) interlock theory.

Class fractions and corporate liberal theory differ in significant respects, but each argues that business’s political activity grows out of its relatively immediate self-interest. Corporations with similar economic positions share interests and thus engage in similar political behavior. Weinstein’s corporate liberal analysis (1968) argued the key distinction was between big and small businesses; the largest firms were better able to afford concessions and were more concerned with the long-run viability of the system, so they were prepared to accept, and indeed promote, Progressive Era reforms (see also Kolko 1963). Ferguson (1984) attempts to show that multinational capital intensive firms accepted New Deal reforms, while domestic and labor intensive firms opposed them. Others have argued that the differences are explained by geographic region, with Frostbelt Yankees opposed to Sunbelt cowboys, or by new versus old money (Oglesby 1977; Sale 1976; Davis 1981, 1986; Burris 1987).

A second theoretical position stresses vulnerability to government pressure. Such a position could be based on a state-structure approach associated with Theda Skocpol and others (Evans, Rueschemeyer, and Skocpol 1985). Political scientists who study campaign contributions do not pose the issue in these terms, but it is the implicit reasoning behind their view of defense contractors and regulated industries as more likely to be pragmatic (Handler and Mulkern 1982; Gopian 1984; Maitland and Park 1985). This reasoning is also embraced by many business-oriented scholars; implicitly or explicitly it is assumed that the “natural” position for business is free-market conservatism, with any other behavior a response to a wish for some kind of government handout. The political preferences of these companies are not necessarily different from those of others, but acting on their preferences would be more costly to these companies. Greater vulnerability to congressional action, not a difference in political preference, may account for the difference in political activity.

A third theoretical perspective stresses the social and material forces that tie businesses together, arguing that those individuals who are part of the same networks will develop similar ways of understanding the issues and acting on the problems. Useem (1982, 1984) argues that those corporations with a large number of interlocks, that is, those who have several board members who are part of the “inner circle” of the capitalist class, will tend to adopt a classwide rational perspective because the members’ experience on the boards of directors of more than one corporation will lead them to consider what is in the best interests of more than just a single business. Corporations without such connections, without members of the inner circle on their boards of directors, will tend to adopt
a company rational perspective because their experiences have not pro-
vided any basis for looking beyond the interests of a particular company.
The argument is that similarity of political behavior is based on shared
social networks. While Useem’s formulation is the clearest and most eas-
ily tested, similar conclusions could follow from analyses of club member-
ships or interlock groupings (Domhoff 1970, 1978; Mintz and Schwartz

In examining these three explanations, we estimated two multiple re-
gression models. One dependent variable was the extent to which the
corporation’s contributions were ideologically conservative (operational-
ized as the extent to which the corporation contributed to the candidates
favored by our set of 13 independent ideological PACs); the other was the
proportion of its money a corporation contributed to incumbents. The
independent variables we used are presented below:

<table>
<thead>
<tr>
<th>Explanatory Factor</th>
<th>Operationalization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Directorate interlocks (Useem 1984).</td>
<td>Number of interlocks with the 200 largest industrials and 50 largest financials by assets in 1976.9</td>
</tr>
<tr>
<td>Dependence on defense contracts (Handler and Mulkern 1982; Maitland and Park 1985).</td>
<td>The dollar amount of 1980 defense contracts as a percentage of total sales.</td>
</tr>
<tr>
<td>Old versus new money (Davis 1981).</td>
<td>A dummy variable in which 1955 sales greater than $10 million indicates “old money.”</td>
</tr>
</tbody>
</table>

9 We use 1976 data because those were the best available to us. The data were generously made available to us by Beth Mintz. Discussion of the collection procedures and definitions can be found in Bearden and Mintz (1985) and in Stokman, Ziegler, and Scott (1985). Although we would prefer to have 1980 data, a study comparing 1962 and 1966 data indicates the correlation is probably about .9 (Mariolis and Jones 1982).
Industrial segment location of firm. Eight industries were defined: regulated firms;\textsuperscript{10} oil; chemical and drug; paper; high technology; metal processing; miscellaneous nonmanufacturing; and miscellaneous manufacturing (Andres 1985; Eismeier and Pollock 1986; Mizruchi and Koenig 1986; Salamon and Siegfried 1977).

The general form of the equation is:

\[ Y = B_0 + B_1(\text{Interlocks}) + B_2(\text{Defense}) + B_3(\text{Sales}) + B_4(\text{Market Orientation}) + B_5(\text{Capital Intensity}) + B_6(\text{Old/New Money}) + B_7(\text{Frost/Sunbelt}) + B_8(\text{Regulated}) + B_9(\text{Oil}) + B_{10}(\text{Chemical}) + B_{11}(\text{Paper}) + B_{12}(\text{Hi-Tech}) + B_{13}(\text{Metal}) + B_{14}(\text{Nonmanufacturing}) + \epsilon. \]

While multicollinearity posed a potential problem, our analysis indicates it was not important. For instance, the strongest bivariate correlation was .56 (interlocks and 1980 sales). Furthermore, multivariate tests, treating each independent variable in turn as a dependent variable regressed on the remaining independent variables, support our use of these measures and the estimated coefficients; none of the equations explained as much as 50% of the variance.

Table 1 shows the equation used in the analysis with the unstandardized coefficients and associated standard errors. Given that the two dependent variables are highly correlated with each other, we would expect the equations to have similar characteristics, and they do. Both equations are statistically significant (\( P < .001 \)), one explaining 27% of the variance and the other 21%. In the equation explaining the percentage of its money a PAC gave to incumbents, there is a statistically significant difference between those corporations with listed 1955 sales of $10 million or more (206 PACs) and those without such sales (37 PACs),\textsuperscript{11}

\textsuperscript{10} Government regulation of American business is complicated; a wide range of interpretation is possible about what constitutes regulation. While all business is subject to one form of regulation or another, our operationalization of regulated firms focuses on those firms that have been subject to an industry-specific regulatory body for a long time (since before 1945)—utilities, transportation companies, banks, insurance companies. Most of these industries are socialized in many European countries. We have termed these "old line" regulated.

\textsuperscript{11} A corporation could fail to have listed 1955 sales of $10 million or more for at least three different reasons: it had not yet been formed (McDonald’s), its sales or those of its precursor companies were less than $10 million, or it was privately held and no data
TABLE 1

EFFECTS OF CORPORATE ECONOMIC AND ORGANIZATIONAL CHARACTERISTICS ON POLITICAL BEHAVIOR

<table>
<thead>
<tr>
<th>INDEPENDENT VARIABLES</th>
<th>B</th>
<th>SE B</th>
<th>B</th>
<th>SE B</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interlocks</td>
<td>.603**</td>
<td>.231</td>
<td>-.041*</td>
<td>.019</td>
</tr>
<tr>
<td>Percentage defense</td>
<td>.688***</td>
<td>.153</td>
<td>-.045***</td>
<td>.013</td>
</tr>
<tr>
<td>Regulated</td>
<td>17.826***</td>
<td>4.873</td>
<td>-1.516***</td>
<td>.404</td>
</tr>
<tr>
<td>Total sales</td>
<td>-.067</td>
<td>.143</td>
<td>.019</td>
<td>.012</td>
</tr>
<tr>
<td>Percentage foreign sales</td>
<td>.018</td>
<td>.095</td>
<td>-.003</td>
<td>.008</td>
</tr>
<tr>
<td>Capital intensity</td>
<td>-.004</td>
<td>.008</td>
<td>.000</td>
<td>.001</td>
</tr>
<tr>
<td>Old money</td>
<td>9.522*</td>
<td>4.231</td>
<td>-.348</td>
<td>.350</td>
</tr>
<tr>
<td>Sunbelt</td>
<td>1.058</td>
<td>3.407</td>
<td>.308</td>
<td>.282</td>
</tr>
<tr>
<td>Oil</td>
<td>-7.013</td>
<td>5.694</td>
<td>.250</td>
<td>.472</td>
</tr>
<tr>
<td>Chemical</td>
<td>-3.085</td>
<td>5.513</td>
<td>.439</td>
<td>.457</td>
</tr>
<tr>
<td>Paper</td>
<td>4.898</td>
<td>6.482</td>
<td>-.480</td>
<td>.537</td>
</tr>
<tr>
<td>Metals</td>
<td>3.233</td>
<td>4.658</td>
<td>-.197</td>
<td>.386</td>
</tr>
<tr>
<td>Service</td>
<td>5.478</td>
<td>5.702</td>
<td>-.381</td>
<td>.472</td>
</tr>
<tr>
<td>Hi-Tech</td>
<td>-5.250</td>
<td>6.426</td>
<td>.160</td>
<td>.532</td>
</tr>
<tr>
<td>Constant</td>
<td>40.928***</td>
<td>5.097</td>
<td>3.015***</td>
<td>.422</td>
</tr>
<tr>
<td>R²</td>
<td>.268</td>
<td></td>
<td>.215</td>
<td></td>
</tr>
</tbody>
</table>

**NOTE.—N = 243.**

* P < .05.
** P < .01.
*** P < .001.

with the "old money" corporations contributing 9.5% more money to incumbents. This variable is not significant in the equation to explain the degree of a corporation's conservatism; all other variables that are significant are so in both equations. In certain ways the most striking finding is the null results: other than the effect of old money discussed above, none of the predictions of corporate liberal or class fractions theory are upheld. At least for our 1980 data there is no statistically significant relation between our dependent variables and most of the independent variables: size, multinational orientation, capital intensity, location in the Frostbelt or Sunbelt, or presence in most industrial sectors.

were reported in any available source (Coors, Broyhill, Reader's Digest). Being privately held is somewhat different from the other two reasons, but we believe the literature on new versus old money implicitly includes such a case; that is, such corporations had not entered the corporate mainstream.
Three variables are significant in both equations, tending to confirm the other two theories.\textsuperscript{12} Two of the three important factors—the percentage of a corporation's sales that came from defense contracts and presence in a regulated industry—essentially measure how dependent a company is on government action, with companies that are particularly dependent on the government demonstrating much more pragmatic, company rational behavior. This relationship was previously known (Handler and Mulkern 1982; Clawson, Kaufman, and Neustadtl 1985; Maitland and Park 1985); what is new here is our interpretation of these findings as related to a state-structure approach.

The only other significant factor is the number of interlocks each corporation has with the 200 largest industrials and 50 largest financials by assets. It remains significant even after introducing controls for a range of other factors. In particular, number of interlocks remains significant even after introducing a control for the size of a corporation. The more highly interlocked corporations had more moderate political behavior. Interlocks presumably exercise their influence through social networks of communication. Recent work in sociology has stressed the importance of interlocks for understanding the organization of the business community, but no previous research has been able to show that interlocks influence political choices even after controlling for a range of other factors.\textsuperscript{13}

\textsuperscript{12} We report results for only two dependent variables. However, we also ran the regressions for five other dependent variables: the percentage of a PAC's money contributed to committee chairs, subcommittee chairs, and Republicans, as well as the average seniority of the candidates to which the corporation contributed and their average voting records. The results were generally very similar across all equations: defense contracts and presence in a regulated industry were significant in all equations, and interlocks were significant at the .05 level in six out of seven (and nearly achieved such significance in the seventh \( P = .053 \)). The following variables were not significant in any of the seven equations: foreign sales, capital intensity, Frostbelt/Sunbelt, or the industry dummy variables for metal, paper, service, or high technology. Absolute size of the corporation was significant in two equations, being in the oil industry was significant in one, and being in the chemical industry was significant in one (with higher scores on each of these three associated with more ideological behavior).

\textsuperscript{13} Useem shows that corporations with large numbers of members of the inner circle are more likely to have PACs, and their PACs make substantially larger contributions (Useem 1984, p. 138). However, he reports no controls for other possible explanations, though it is at least plausible that these results simply indicate that large firms are more likely both to have PACs and to have high numbers of inner-circle directors. The size of the firm may be the crucial variable rather than inner-circle representation. Moreover, even if the relationship remained after introducing appropriate controls, these data indicate only that inner-circle firms are more likely to be politically mobilized. There is no way of determining whether their political preferences and behavior differ from those of other firms.
Our results here differ somewhat from those reported by Burris (1987). Using 1982 data and a slightly different sample, Burris replicated our earlier study (Clawson, Kaufman, and Neustadtl 1985) with modifications we had suggested (Clawson and Kaufman 1985; Neustadtl 1987). Confirming our earlier work and the results reported here, he finds that presence in a regulated industry or being a defense contractor significantly influences corporate political behavior. Burris differs with us in two important respects: he finds that corporations with headquarters in the Sunbelt are more conservative and that interlocks do not influence behavior after the introduction of appropriate controls.

Two explanations for these differences may be offered. First, 1982 is different from 1980. Burris's results may be correct for 1982 and ours for 1980. For example, corporations gave only 17% of their Senate contributions to Republican challengers in 1982, but 47% in 1980 (Malbin 1984, pp. A20 and A21). A central focus of our current and projected work (Clawson and Neustadtl 1987) is analysis of changes in corporate behavior over time.

Second, the differences may be due to limitations in Burris's study. For example, our interlock data cover the 250 largest corporations by assets, while Burris has data on 100 large corporations not selected by any similarly simple and specifiable criterion. His interlock data omit 8 of the 25 largest industrials but include 9 industrials that were not in the top 50. More important, Burris's procedures are flawed in ways that predispose him to finding Sunbelt location to be significant. Burris has modified a measure we developed but in a way that biases the results. Our measure uses the donations of explicitly ideological conservative PACs to determine the political importance of a race and is designed with a built-in control: donations to the liberal side of a race are in effect subtracted from donations to the conservative side of the race. Burris counts only donations to the conservative side. Therefore, if the conservative candidates he identifies are concentrated in the Sunbelt, and if corporations tend to give to candidates in their geographic regions, Burris will find that Sun-

---

14 Burris used all companies listed in Fortune magazine's reports of top industrials, service companies, and privately held industrials. This procedure restricts the possible range of variation in corporate characteristics, a priori excluding small firms and those that do not fit into any of the Fortune lists. In terms of our sample, this would mean omitting, e.g., large private companies that are not industrials (Cargill, Bechtel), "small" firms (Goldrus, sales $55 million), and farm companies (J. G. Boswell). Excluded would be our most liberal firm (Goldrus) and some important conservatives (Cargill, Bechtel).

15 On the basis of our analysis of data contained in U.S. Senate (1980, p. vii) and Fortune (1983), Burris's sources for this analysis.

760
belt corporations are more conservative, even if there is no actual ideological difference in corporate preferences between the two regions. This is a probable cause of Burris's results—74.6% of the “New Right” candidates he identifies are located in the Sunbelt, and only 25.4% in the Frostbelt. On average, Sunbelt corporations gave 7.76% more of their money to New Right candidates (Burris 1987, p. 738), but it is quite plausible that they also gave 7.76% more than Frostbelt corporations to the opponents of New Right candidates.

WAS CORPORATE LIBERALISM THE CLASSWIDE RATIONAL BEHAVIOR?

Before interpreting the interlock findings, we introduce an additional argument. Our results to this point support Useem’s contention that interlocks influence the degree to which a corporation is oriented toward its own particular advantage, which he terms company rationality, as opposed to the best interests of business as a whole, which is termed classwide rationality. Useem believes that the inner circle’s classwide rationality is distinguished by “an embracing of that complex of attitudes best termed ‘corporate liberalism’ ” (1984, p. 114). This is the normal view on the Left: the most class-conscious capitalists are those with the most moderate politics, those that understand the need to accept certain reforms in order to strengthen their long-run control over the system. But on this issue we disagree with Useem, corporate liberalism, and this widely shared left perspective. We argue that in recent years conservatives have had the most class consciousness.

There are at least two ways to approach this problem. One is to attempt a philosophical analysis of what is “really” in the best interests of capitalists. Implicitly, this is the position adopted by many academic analysts. They are convinced that the long-range interests of the capitalist class are best served by government planning and some form of corporatism. Therefore in their view the only class-conscious capitalist policies are those that involve some version of such a position. A strong argument can be made that American society would be better off with an effective industrial policy, full employment, strong social welfare, better education, and an attempt to use the skills of the American work force (Block 1988; Bowles, Gordon, and Weiskopf 1983; Magaziner and Reich 1982; Reich 1983). It is even possible that such a policy would also be in the best interests of the capitalist class, though that is a separate question. We would argue that what is best for the capitalist class depends on the place of the country within the world system and the balance of class forces in the society; there is no ahistorically correct answer. If the approach is to
American Journal of Sociology

determine the best policy for the capitalist class and to call those who hold such views class conscious, then there is no easy way to adjudicate between competing arguments on what is best at a particular moment.

A second approach, the one we adopt here, does not try to determine the “true” interests of the capitalist class; rather it examines what the capitalist class itself thinks or does. We argue that, at least since the mid-1970s, it would be inaccurate to characterize major corporations or leading business executives as supporting liberal, or even moderate, reforms. They have been key actors in pushing American politics to the Right. Nor have they simply responded to the increasing conservatism of the general population; they have been active agents leading the conservative shift in both policy and opinion. Public opinion has remained surprisingly progressive in many ways, right down to the present; business made key gains in 1977 and 1978 even with a Democratic president and a strongly Democratic Congress (Clawson and Clawson 1987; Edsall 1984; Ferguson and Rogers 1986; Himmelstein and Clawson 1985).

Consider, for example, labor policy. Many analysts have emphasized that after a period of class struggle in the late 1940s, big business then reached a de facto “accord” with labor (Bowles 1982; Gordon, Edwards, and Reich 1982; Aronowitz 1973). Labor unions accepted capital’s “right to manage” (Harris 1982), and business stopped trying to destroy unions, recognizing that it was in business’s interest to work with unions, using them as a way to discipline the labor force. In many instances big business has essentially aided the union; for example, General Motors lent money to the United Auto Workers while the UAW was on strike against GM (Cochran 1977, p. 322). Increasingly in the 1970s, however, some businesses began to be much more aggressively anti-union, using every possible legal means to delay or frustrate worker and union rights, but also violating the law outright while accepting the minimal penalties involved (Fantasia 1988; Clawson, Johnson, and Schall 1982). The AFL-CIO attributed this behavior to union-busting consultants, apparently in the belief—real or feigned—that big business did not know what was happening in their own labor-management relations. Various members of the AFL-CIO thus reminded business that it should be happy with the moderate labor movement in America and not risk provoking a more class-conscious and militant American labor movement. In 1978, with a Democratic president and one of the most heavily Democratic Congresses of all time, with a labor movement that was the strongest source of both financial and organizational support for the Democratic party, labor’s top priority was a very mild Labor Law Reform Bill. Essentially the bill did no more than provide meaningful penalties and enforcement procedures for labor laws that had been on the books for years. Labor assumed that
PACs

most of business would support the reform to discipline those businesses that were trying to gain special advantages for themselves through policies that involved serious long-run risks for business as a whole. Instead, almost without exception big business opposed labor law reform, fighting it with all the resources at its command. That is, the extreme conservatives had taken the lead and set policy for business as a whole (see Edsall 1984; Clawson and Clawson 1987; Ferguson and Rogers 1981).

The policy did not involve simply a legislative battle: following the lead of the most anti-union corporations, business is more and more willing to break strikes. As Meyer (1981, p. 70) wrote in a *Fortune* magazine article inspired by the PATCO strike, "The big news about labor-management warfare these days is not the new tactics of labor but the new, increasingly militant posture of management. Managers are discovering that strikes can be broken, that the cost of breaking them is often lower than the cost of taking them, and that strikebreaking (assuming it to be legal and nonviolent) doesn't have to be a dirty word. In the long run, this new perception by business could turn out to be big news not only about labor relations but about the health of the U.S. economy." It is also, we might add, the big news about the policies that business considers as promoting its long-range class interests.

Anti-union sentiment and behavior are only one aspect of corporate conservative behavior. In the 1970s extreme conservatives founded the Heritage Foundation and a great many other right-wing think tanks, and they helped to rejuvenate existing conservative think tanks such as the American Enterprise Institute and the Hoover Institution. Some corporations continued to support the moderates, but there was a major shift of funds toward conservative policy organizations. In 1965 and 1970, three key "corporate liberal" organizations (the Council on Foreign Relations, the Committee for Economic Development, and the Brookings Institution) had three times as much money as three key conservative organizations (the American Enterprise Institute, the Hoover Institution, and the Heritage Foundation). By 1980 funding for these three conservative organizations was about one-third higher than that for these three "corporate liberal" organizations (Clawson and Clawson 1987). Moreover, the organizations and think tanks associated with corporate liberalism, for example the Brookings Institution and the Council on Foreign Relations, shifted substantially to the Right (Peschek 1987; Kaufman, Marcus, and

---

16 The Heritage Foundation was not founded until 1975; this is not an example of noncomparable data but an important part of the shift that was taking place.
American Journal of Sociology

Zacharias 1987). In 1964, Barry Goldwater's quest for the presidency was supported by only a handful of big businesses; in 1980, Ronald Reagan had almost solid business support (Ferguson and Rogers 1981, 1986). In 1978 Justin Dart circulated a memorandum within the business community calling on business to stop financing its enemies. He asked corporations to support aggressively probusiness congressional candidates, even if doing so involved opposing moderates. By 1980, a large proportion of business was doing exactly that (Handler and Mulkern 1982; Malbin 1980; Clawson, Kaufman, and Neustadtl 1985). Class-conscious liberal options have gone nowhere—Felix Rohatyn’s call for industrial policy (Rohatyn 1983) has received almost no business support, and even in the field of high technology and education, where one might expect a base for corporatist policies, what is remarkable is how little has actually been done (Levinson 1987).

In each of these cases, conservatives led the way in defining the political agenda for business as a whole, taking the first actions that later became widespread policy. Moreover, their actions are clearly not an unthinking response to particular events. They proceed from a developed conception of what is in the best interests of business as a whole, and the conservative corporations often take risks to promote these policies, as for example when conservatives supported the opponents of powerful congressional incumbents or violated labor law in an attempt to bust unions.

Others have developed analyses that explain the underlying bases of this shift to corporate conservatism (Bowles, Gordon, and Weiskopf 1983; Clawson and Clawson 1987; Peschek 1987; Sklar 1980). Three factors seem to have been decisive in business’s shift to promotion of a thoroughly conservative agendas: (1) The decline of U.S. hegemony, as demonstrated by the U.S. defeat in Vietnam, the ability of OPEC to triple oil prices, and the inability of the United States to control events in Iran in 1978–79. This made the world a less secure place for transnational capital, simultaneously emphasizing the need to strengthen U.S. military capabilities and the potential need to restore the conditions for profitable production inside the United States. (2) The rise of economic competitors, especially in Western Europe and Japan, but increasingly from various parts of the Third World. Intercapitalist competition made it more difficult to adopt an accumulation strategy of minimizing conflicts through high wages and concessions, constraining companies to lower costs by reducing wages and welfare benefits while increasing pollution. (3) The strength of oppositional social movements, including the black, student, antiwar, women’s, environmental, and consumer movements. Business interpreted the successes of these movements in (roughly) the decade from 1964 to 1974 as a threat to its very existence. Though many
of the participants in these movements for social change were frustrated by the difficulties in gaining minimal changes, business felt that the trajectory of these changes would lead America to become a social democracy (Silk and Vogel 1976). Deregulation and a reduction in the role of the state seemed necessary in order to maintain business power (Huntington 1975; Weidenbaum 1978; Peschek 1987; Edsall 1984; Dickson and Noble 1981; Bowles 1982).

We contend that in 1980 the policy business believed best promoted its long-range interests as a class was support for ideological conservatives. Corporate liberal theory argues that the class-conscious policy for business is support of moderates. Evidence about labor policy supports our contention, but it might be that this kind of qualitative evidence for a particular policy area could be counterbalanced with another example. Data on campaign contributions provide the basis for a systematic quantitative test for the entire range of one type of political behavior. Presumably, the class conscious or classwide rational purpose of campaign contributions is to influence the outcome of elections, to provide money that can have an effect on determining the ideological character of the Congress. From a short-term or company rational perspective, this is not what matters; rather the purpose of contributions is to ensure access for a particular company so it will be able to promote its special interests. Therefore, classwide rationality should lead corporations to contribute their money primarily to close elections, and company rationality should lead corporations to contribute their money to sure winners. If corporate liberalism is correct, we would expect the moderate firms, or at least a substantial subset of them, to have contributed their money to moderate incumbents whose election was in doubt, in a class-conscious effort to preserve “the vital center.” If our position is correct for 1980, we would expect the corporations we have labeled ideological conservatives to have concentrated their money on close races in a class-conscious effort to change the ideological composition of Congress. What do the data actually show?

Giving in ways that could potentially influence the outcome of an election can be operationalized as the proportion of its money a corporation gave to close races, that is, races where the election was decided by 20 points or less (i.e., 60–40 or closer). The measure of conservatism we have been using is inappropriate here because the ideologically conservative PACs that form the basis for our measure intentionally try to target their donations to close races. To correct for this, we use an alternative measure of conservatism, the proportion of its money a corporation contributed to Republicans. As reported earlier, this correlates .93 with the measure of conservatism we have been using—correspondence to the
behavior of conservative ideological PACs. In a two-party system, each Republican who was in a close race was opposed by a Democrat in a close race, so if moderate corporations are as likely as conservatives to pursue classwide rationality (by trying to influence elections), then there should be no correlation between giving to Republicans and giving to close races. If moderates are more likely to be class rational, there will be a negative correlation between proportion of money given to Republicans and proportion of money given to close elections. In fact, the correlation between these two variables is .74, indicating that conservative corporations were much more likely to target their money to close races. If we accept the extent to which a corporation attempts to influence the outcome of elections as an indicator of its class-conscious behavior, then the extent of a corporation’s conservatism explains over half the variance in classwide rationality in the 1980 elections.

We can supplement this overall correlation by examining the behavior of those corporations at one extreme or the other. Forty-seven corporations gave their average donation to candidates with scores of plus four or more on our measure of ideological conservatism. We are arguing that in 1980 these corporations were not just ideologically conservative; they were classwide rational, were making a class-conscious judgment about what was in the best interests of business as a whole. Fifty-four corporations gave 80% or more of their money to incumbents. We interpret this to mean that these corporations were pursuing their own short-run interests, were company rational. The average corporation we have labeled classwide rational gave 79.3% of its money to close races, while the average company rational corporation gave only 42.2% of its money to such races. Every one of the corporations we have labeled classwide rational gave more than 60% of its money to close races, while none of the corporations we have labeled company rational did so. Thus there are no class-conscious corporate liberal corporations, that is, none that contributed money to the moderate candidates in close races. The corporations that contribute to moderates do so in order to gain access to incumbents, while the corporations that attempt to influence the outcomes of elections, that is, that demonstrate a classwide rationality, all support conservatives.17

17 Our data also refute the notion that corporations (at least in 1980 campaign contributions) are “liberal.” While 47 corporations gave their average donations to candidates with scores of (positive) four or more on our measure of conservative ideological PAC support, none gave their average donations to candidates with scores of minus four or less. No corporation had a score of even minus two, and only six had scores of minus one or less (Burlington Northern, Chrysler, Goldrus, LTV, Time Inc., and United Parcel Service).
DISCUSSION

We are now in a position to return to our earlier question: How can we explain the tendency of more highly interlocked firms to be less conservative in their 1980 PAC campaign contributions? If we were prepared to say that the classwide rational behavior was moderation, then our results would fit well with a large body of left literature. But we have argued that, at least in 1980, the position that business believed best promoted its class interests was conservatism. We are therefore arguing that the most highly interlocked firms demonstrated the least classwide rationality in their 1980 campaign contributions to candidates for Congress. This result runs counter to a large body of work indicating that highly interlocked firms demonstrate more classwide rationality (Useem 1982, 1983, 1984; Mintz and Schwartz 1985) and therefore requires some explanation or interpretation.

We believe the explanation is that the most and the least interlocked firms have differing orientations toward electoral politics. The most interlocked firms differ from the least interlocked because they have many channels of communication, many means of discussing and resolving disputes, and are the most likely to be members of various policy planning organizations. In these ways, they are able to develop policy outside the realm of partisan political activity; the policies they develop become accepted by leading members of both parties (Domhoff 1970, 1978; Shoup and Minter 1977; Peschek 1987). This is so not because of the technical characteristics of the policy statements—though these statements are generally well researched, developed through discussions involving many of the most powerful actors, and carefully thought through—but because of the hegemonic role of these corporations, organizations, and individuals in the U.S. economy and society (Mintz and Schwartz 1985). That is to say, their ideological positions and their classwide rationality are not developed in the realm of electoral politics and rarely need be defended by campaign contributions to contested partisan elections. If they enter the realm of campaign finance, therefore, they tend to do so in order to promote actions of particular benefit to their companies. This corresponds to the way many left analysts have understood the relationship between different kinds of capitalist class political activity: class-conscious policies are developed and promoted through policy planning organizations; Congress is the realm of the special interest process (Domhoff 1978).

The firms that are less central to the interlock networks, however, have fewer channels of communication and limited access to policy planning organizations. Therefore, they have fewer means of developing their classwide rationality and fewer means of seeing that it becomes widely
accepted in U.S. society. As a result, their classwide vision cannot be implemented through “nonpolitical” or bipartisan approaches. If they wish to change the direction of U.S. society, they must attempt to influence contested partisan elections.18

To test this interpretation, we determined whether any of a corporation’s officers or directors served on the boards of specified think tanks and policy organizations. We used three moderate (or “corporate liberal”) organizations (the Committee for Economic Development, the Council on Foreign Relations, and the Business Roundtable) (Burch 1981) and three conservative ones (the American Enterprise Institute for Public Policy Research, the Heritage Foundation, and the Institute for Contemporary Studies).

The evidence in table 2 supports our interpretation. The corporations with few (zero or one) interlocks have low levels of involvement with both conservative and moderate think tanks and policy organizations but are much more likely to give strong support to conservative candidates; over half of them (54.3%) did so. The corporations with many (10+) interlocks are highly involved in both moderate and conservative think tanks and policy organizations but are much less likely to give strong support to conservative candidates in close races; only a quarter of them (26.0%) did so. The highly interlocked corporations are three times as likely to be involved with conservative or moderate policy organizations but only half as likely to make campaign contributions to conservative candidates.

“Since the mid-1970s, we have witnessed a broad, pervasive, and coordinated political mobilization of the American capitalist class. This mobilization covers virtually all kinds of political activity; it embraces all fractions of capital; it involves a considerable degree of organization; and its thrust is clearly conservative” (Himmelstein and Clawson 1985, p. 1). Corporate liberal theory made a major contribution to political understanding but also had significant problems (Block 1977). Whatever its contributions to understanding earlier periods, in the past decade corporations have opted for a much more conservative set of policies, and it is a mistake to assume that corporations always adopt the same political strategy. Several analysts have made this point (Edsall 1984; Ferguson and Rogers 1981, 1986; Peschek 1987; Himmelstein and Clawson 1985; Clawson and Clawson 1987; Kaufman et al. 1987; Vogel 1983); we have added

18 In Domhoff’s terms, these corporations are less involved in the policy planning process, the single most important process in capitalist control of the state, and hence must rely instead on the election process. The need to use the election process also reduces conservative corporations’ reliance on the special interest process, since in order to change the character of Congress, they must forgo financial support of incumbents, which limits, though does not eliminate, their ability to gain special interest favors.
<table>
<thead>
<tr>
<th>Number of Interlocks</th>
<th>Percentage with Officers or Directors on Boards of Conservative Policy Organizations</th>
<th>Percentage with Officers or Directors on Boards of Moderate Policy Organizations</th>
<th>Percentage of PACs Strongly Supporting Conservative Candidates</th>
<th>Total (N)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 or 1</td>
<td>12.9</td>
<td>31.4</td>
<td>54.3</td>
<td>28.8 (70)</td>
</tr>
<tr>
<td>2–9</td>
<td>16.0</td>
<td>68.0</td>
<td>38.0</td>
<td>41.2 (100)</td>
</tr>
<tr>
<td>10 or more</td>
<td>50.7</td>
<td>87.7</td>
<td>26.0</td>
<td>30.0 (73)</td>
</tr>
<tr>
<td>Total (N)</td>
<td>25.5 (62)</td>
<td>63.4 (154)</td>
<td>39.1 (95)</td>
<td>100.0 (243)</td>
</tr>
</tbody>
</table>
American Journal of Sociology

to these narrative accounts some systematic quantitative data that document the extent of corporate conservatism and show that the degree of conservatism is not influenced by most of the factors identified by corporate liberal theory. It is of course possible that 1980 was a highly unusual year, but in 1980 most corporations were quite conservative, and economic interests did not lead to differing political behaviors.

The number of a corporation's interlocks did influence its campaign contributions; for each additional interlock, a corporation gave about .6% more of its money to incumbents. We argue that this reflects not so much a difference in corporate preference as a differing orientation toward electoral politics. The highly interlocked corporations are heavily involved in think tanks and policy organizations of all kinds and pursue their class interests in this way. They are therefore able to use electoral politics to focus on their particular companies' interests.

REFERENCES

PACs


American Journal of Sociology


