

Arranged Alliance: Business Interests in the New Deal

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In 1935, the National Association of Manufacturers, the U.S. Chamber of Commerce, and other major business organizations joined forces in harsh public condemnation of the Social Security bill currently before Congress. Builders of America's expanding welfare state knew at the same time, however, that they had backing from a number of nationally prominent corporations. The executives lending their support were a rather impressive bunch; most prominent were those from General Electric, Standard Oil of New Jersey, Eastman Kodak, and Goodyear Tire and Rubber.

What to make of business division of this nature is something that has long confounded the literature on the passage of the New Deal. One view holds that liberal corporate executives were prime movers despite monolithic organized opposition. Another responds that the organizational or structural power of reactionary capitalists was no match for the popular and institutional forces of progressive reform. Corporate liberal assistance was, to put it simply, superfluous at best.

There is a curious consensus of silence in this debate, however, about business support or opposition *after passage* of the New Deal's labor and social insurance legislation. Some evidence indicates, surprisingly, solid support within only a few years, despite organized business's gloomy prophecies. A 1939 *Fortune* magazine survey reported, for example, that despite desires for adjustments,

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the impressive fact remains that whatever changes business might demand in such laws as the Wagner Act, Social Security, and the Wages and Hours Law, business seems to embrace the principles of this legislation—collective bargaining under federal supervision, federal provision for old age, and a federal floor to the wage and ceiling to the hours of the country's working week.

The results “belied the theory that the business community . . . is ready with one accord to scuttle the whole New Deal and set up a regime of black reaction the moment it gets a chance.” Of those surveyed, 76.8 percent favored keeping or adjusting wage and hour regulation; 72.2 percent felt the same toward social insurance. A surprising 51.7 percent even accepted the new labor law protecting unions (the vast majority of those favoring modifications), and an amazing 80 percent actually regarded union efforts to raise standards and regulate or stabilize the labor market as a good thing.¹

The same year the *Fortune* survey was published—only four years after passage of the Social Security Act—the National Association of Manufacturers (NAM) actually helped *block* legislative backtracking. Walter Fuller, chairman of NAM's Economic Security Committee, testified in Senate hearings in response to a House bill to reduce the unemployment insurance fees, that while of course NAM normally welcomes tax reductions, “we do not feel that a reduction should be made in such a way as to endanger the ultimate success of the program.” In another context he also advocated extension of pension benefits to domestic and agricultural labor along with widows and orphans of the insured and a shift to a “pay as you go or low reserve” basis, to eliminate the anticipated “enormous reserve fund” called for in the Social Security Act, and therefore to allow the starting of payments even before 1 January 1942 as specified in the legislation.² Within a few years, the supposedly ultrareactionary NAM finally brought its official position into line, and began repeatedly endorsing the new welfare state. In its “Better America” program of November 1943, when its significantly larger membership figures actually made it more representative of American manufacturing than when it had vociferously opposed compulsory social insurance in 1935, NAM declared flatly that “the need for Social Security is not questioned.”³

Similar things were happening in the Chamber of Commerce, an organization roiled by internal controversy. In 1935 its leadership had been captured by truculent opponents of reform; in 1942 another insurgent leadership took charge, however, having campaigned on a platform of cooperation with government and labor and “less Roosevelt-baiting.” A membership referendum sent out around the same time came back, according to its promoter Marion Folsom of Eastman Kodak, “much to the surprise of everybody” with the necessary two-thirds vote for an official change of policy in favor of every important feature of the Social Security Act.⁴

Political circumstances associated with World War II cannot easily explain the apparent shift, for the support held firm. In 1948, the NAM began officially favoring “extension to all groups now excluded,” supporting the Social Security

Administration's call for coverage of all persons gainfully employed, including self-employed. In 1965, R. T. Compton, NAM vice president responsible for government relations, mused before a conference of manufacturing leaders that "I suppose there are people in management . . . who now feel this country could get along without government-operated unemployment compensation, but I haven't met any lately who hold this viewpoint." About the same time, Marion Folsom ventured that about 95 percent of American businessmen supported compulsory social insurance.⁵

ANTICIPATED ALLIANCES

Evaluation of the role of business power in the making of the New Deal, and in reforming capitalist society generally, needs to take account of what politicians anticipate about business reactions to reform, and their efforts to design legislation that will engender a friendly response. The two camps mentioned earlier neglect to incorporate analysis of strategic, forward-looking political agency, and as argued below, fail because of this. Though politicians may see in electoral and parliamentary majorities a chance to impose reform, they know they cannot necessarily count on sustaining these majorities against a business community crouched and waiting to strike back at the propitious moment. Such a reaction would wedge politicians between the rock of business-financed electoral challenges and the hard place of angry constituents with a violated sense of entitlement. Politicians' desire for *robust* policy—legislation secure from future attack from businessmen once the social emergency and electoral mobilization of supportive populist pressures inevitably passes—motivated their design of legislation that would engender *post facto* cross-class alliances reaching into the business community.

In short, my evidence and arguments strongly indicate that significant numbers of prominent and politically vocal American business executives from leading companies signalled politicians about the potential for stable cross-class alliances behind social and labor policy reform in the 1920s and early 1930s, emboldening them to ignore an apparently implacable organized opposition. Actual *pressure* for reform came from other social groups—mobilized on a mass basis through electoral and other processes.⁶ Politicians' and policy experts' strategic role in arranging these relatively happy marriages was also informed by pre-New Deal experiences with initial business opposition and delayed support in the areas of workmen's compensation, wage and hour regulation, and unemployment insurance. Earlier learning experiences in the realm of cross-class alliance making, reported by reform intellectuals like Felix Frankfurter, Isaac Rubinow, and John R. Commons, stiffened politicians' resolve against the vocal opposition of business organizations and shaped their strategies in the design of the New Deal. The social policy that resulted, and endured, after the social emergency passed and the dust cleared, was secured by a cross-class coalition anticipated by elected politi-

cians. A partial exception was the Wagner labor relations legislation, whose business support, as *Fortune* reported, was significant but not as deep as Wagner and others probably hoped. Indeed, it suffered a business backlash and some reactionary adjustments in 1947, while other elements of the New Deal social legislation were spared.

A central core of my argument is constructed from evidence that there was a clear *regulatory logic* to the New Deal social and labor legislation that the reformers anticipated would appeal to businessmen. During the 1920s and 1930s, intense competition in national and local product markets, exacerbated by overcapacity and stagnating demand, was fueled by sufficient unemployment to make “chiselling” or “cut-throat competition” on the basis of low wages and substandard (or nonexistent) nonwage benefits a nuisance for practically all sectors. Many individual employers, preferring relatively progressive relations with their employees and unions, signalled what kinds of policies were possible to regulate their low-cost, low-price competitors. Politicians, in turn, enlisting the help of pragmatic reform intellectuals equally understanding of the need for business support, stepped in with social legislation that could provide market security for capitalists as well as social security for workers.⁷ Much of the intense opposition to the legislation, especially the new labor law, can be attributed to aspects of the law that did not fulfill this purpose.

In a limited but important way, the argument echoes the work of Gabriel Kolko, for whom progressive legislation before the New Deal was the result of instrumental “business control over politics” for the sake of regulating disruptive competition.⁸ It differs, however, from Kolko’s in its explicit focus on the controlling agency of politicians, rather than businessmen, who initiate and broker regulatory alliances, and who are jolted into action by pressures coming from outside the business community. It differs also in that Kolko himself did not detect a regulatory logic behind the New Deal’s social legislation.⁹ Working from this perspective, the analysis directly debates more current works by Theda Skocpol, Thomas Ferguson, Fred Block, and Colin Gordon. It steers a clear path between those analyses like Skocpol’s and Block’s, which in different ways downplay the decisive role of businessmen and business interests in shaping social policy, and those like Ferguson’s and Gordon’s, which exaggerate their importance.

By confronting this literature with my arguments and evidence about the New Deal’s wage and hour regulation, compulsory social insurance, and union-friendly labor law, I attempt finally to formulate a more nuanced and realistic assessment of the nature of power in capitalist society and how it affects the passage and durability of social reform. The analysis shows, I believe, that theories about the state and politics in capitalist society that ignore both historical learning and strategic anticipation on the part of politicians about capitalists’ behavior survive the tests neither of logic nor of evidence. The nature of capitalist power, I argue,

is revealed in the strategic behavior of experienced political agents who anticipate capitalists' reactionary as well as progressive potential.

ARRANGING THE NEW DEAL

From the Progressive Experience to Fair Labor Standards

An exchange between New York's Senator Robert Wagner, the legislative pilot of the New Deal, and James Emery, general counsel of the NAM, during Senate hearings in 1934 concerning a bill to protect labor's right to organize and bargain clearly indicates Wagner's view that an initially meager support base among businessmen was not fatal to durable social reform. Asserting that "the large majority of employers want to be fair with their employees," Wagner added that "sometimes they are unable to be as fair as they would like to be, because of the keen competition with [employers] who are unfair to other workers, and these laws are always passed for the minority recalcitrants, not for the majority." Emery interjected, sarcastically, "Well, I suppose the Senator noticed the vast number of employers who flocked into this committee room last week, to support this bill."

Senator WAGNER: Well, that is the history of all acts.

Mr. EMERY: Yes.

Senator WAGNER: The Workmen's Compensation Law. I do not know whether you were an active opponent of that in 1913, in New York State. That was a bill I introduced.

Mr. EMERY: On the contrary, I was a strong proponent of it.

Senator WAGNER: Then you were not articulate, because there were no employers that came before the committee, favoring it.

Mr. EMERY: I was very articulate . . . I remember we began the agitation in the National Association of Manufacturers, for the substitution of workmen's compensation for employers' liability, in 1909.

Senator WAGNER: Well, if you will look at the record of 1913, every employer that was represented at a hearing opposed the act. There was only one, the enlightened Chamber of Commerce of Rochester, that, with some modifications, which modifications were made, favored the act.¹⁰

Both Wagner and Emery were right: At the national level NAM had promoted a workmen's compensation law to shelter manufacturers from increasingly expensive litigation and unpredictable damages pried out of them by liability lawyers and their clients. But as a nonfederated national organization of individual manufacturers, it was not active at the state level.¹¹ Wagner had a more interesting point—that legislators need not act as if employer resistance today inevitably meant reaction tomorrow. As the "welfare capitalist" (paternalistic employer) and "corporate liberal" (progressive activist) Ernest Draper of the Hills Brothers

Company recalled, “the heavens resounded with the wails of those who prophesied quick and complete disintegration of industry” before passage of laws in forty-three states between 1909 and 1920 requiring employers to insure workers against industrial accidents. Afterwards, however, “American industry gave up wailing, and went to work seriously on the problem of prevention.”¹² The eminent progressive social reformer Isaac Rubinow, publishing in 1934, recalled that workmen’s compensation laws enjoyed enthusiastic support from many employers after passage: “Those who strenuously opposed it not so very long ago are a little bit ashamed when reminded of their opposition,” he said, adding that “This includes employers, individual or organized, who were afraid of the cost and in most cases have shifted it upon the consumer.”¹³ According to reform expert John Commons, Wisconsin employers learned to appreciate the regulatory value of its law. Before the law was introduced, “the competition of the worst employers [tended] to drag down the best employers to their level”; afterwards, when employers were brought into the combined administration of safety laws and workmen’s compensation, “the most progressive employers in the line of safety . . . [drew] up the law” and the Industrial Commission went out to enforce it and “bring the backward ones up to their level.”¹⁴ All agreed with Wagner that employers “discovered . . . within a year or two that it was a great blessing, a great boon for industry.”¹⁵

Progressive era experience with workmen’s compensation was soon matched by experiences in the realm of state-level wage and hour regulation, providing even more direct lessons to New Dealers contemplating similar reform at the national level. The initiative, it appears, behind minimum wage and maximum hour regulations for women and children at the state level between 1912 and 1919 originated largely with middle-class reformers, above all from the National Consumers’ League; apparently, “business organizations and state Federations of Labor opposed minimum wage statutes in most places.”¹⁶ In California, at the time of passage, the state minimum wage law met with “more or less opposition” from employers of women and minors. Among them were those in the fruit and vegetable canning industry, the largest employer of women workers of any industry in the state.¹⁷

One canner admitted that, at the time, “we all felt it would ruin us.” Later, however, he had nothing but praise. A report prepared by leading lights of the New Deal, Felix Frankfurter and John Commons, along with progressive reformer Mary Dewson, quotes the president of the Canners’ League of California declaring ten years into the operation of the law that “I do not believe you could find a reputable canner or other large employer of women who would ask to have this law repealed.” The report also presented enthusiastic testimony from California employer groups in canning, laundries, retail, and manufacturing that “unfair competition” was prevented and industrial efficiency was enhanced; at a 1923 meeting of the San Francisco Retail Merchants’ Association, “resolutions galore”

were passed praising the work of the Minimum Wage Commission; most retailers at the time opposed wage reductions the commission had been considering. In the words of the managing director of the San Francisco Retail Merchants' Association, the merchants had acquired a strong liking for the law's regulatory impact: "[T]he greatest boon to them is that it takes the question of wages very largely out of competition and saves them from the necessity of holding wages down to the level of their hardest and shrewdest competitor."¹⁸

There were probably always a few prominent employers who signalled early support. In Oregon, at least, where "relatively few business men came out personally into the open in favor of the law," the Board of Governors of the Portland Chamber of Commerce actually endorsed it, and "the main representatives of more enlightened business interests, especially if they reflected even slightly a community standpoint, accorded cordial support to the measure." After the law was in force, however, many other businessmen shifted their views, sometimes "strikingly" in favor, especially for wage as opposed to hours regulation. In 1923, shortly after an adverse Supreme Court decision against a District of Columbia measure, "employers displayed no disposition to welcome the Supreme Court decision; in fact their openly declared sentiments were against the Court decree." The Manufacturers' and Merchants' Association of Oregon, among others, vowed to help fight legal challenges to the Oregon law.¹⁹

By the mid-1920s, future New Deal politicians could reasonably gamble on the proposition that minimum standards legislation would enjoy considerable *post facto* business support; early organized opposition might be regarded as hollow, reflexively voicing ideologically conditioned anxieties about government meddling. But even the NAM sent positive signals to the New Dealers. In the early days of state minimum wage legislation it had proclaimed the laws "fantastic and grotesque"—indeed nothing less than "pure socialism."²⁰ Later, however, it stood up in defense of national-level wage and hour regulation provided for in the NIRA, the most important piece of early New Deal legislation. Thus in 1934 when the regulation of "fair trade practices" under the National Recovery Administration (NRA) industry codes was crippled by withering criticism from within and outside the business community, and facing a promising move against it through the courts, the NAM did not smell victory and lunge. On the contrary: a NAM committee, reinforced by its interpretation of a membership survey, recommended to the NAM's December 1934 convention that it promote continuation of the labor provisions of the NRA's industry codes, tailored to individual industries, "pertaining to child labor, minimum wages, maximum hours, and collective bargaining, with clarifying definitions of collective bargaining and provisions for more elastic working hours added."²¹ Despite some division within the membership on the minimum wage and related issues, these aspects of the committee's recommendation sparked no open debate; only the committee's recommendations regarding extension of the fair trade practice regulation did. Ultimately, while the NAM

officially opposed the legislated minimum wage in 1938, the reality known to New Dealers was that this official position concealed considerable latent support.

When the Supreme Court ruled the NIRA unconstitutional in 1935, interest in NRA-style regulation of fair trade standards seemed to die away completely, but many businessmen took an active role in promoting alternative ways of imposing wage and hour standards.²² Most prominent perhaps was Robert Johnson, of Johnson & Johnson, a major manufacturer of textiles, especially hospital and surgical supplies, headquartered in New Jersey. Johnson lobbied hard among other big businessmen in and outside the Commerce Department's Business Advisory Commission (BAC) to line up supporters, including Walter Chrysler of Chrysler Motors, Myron Taylor of U.S. Steel, and the president of Otis Elevator. Johnson promised politicians he would gather support from the big retailers, in addition to other textile and garment manufacturers—for example, Donald Nelson of Sears Roebuck, and leading figures from Gimbel Brothers, Strawbridge & Clothier, and Roos Brothers of San Francisco.²³ Other major supporters from the retail sector were Edward A. Filene and Louis Kirstein of Filene's in Boston.²⁴ As early as 1923, Filene had also proselytized for minimum wages, partly to eliminate low-quality cut-throat competition in the retail sector, partly to increase efficiency and stability in both industry and retailing, and finally, to maintain the "consuming power" of working-class customers.²⁵

Though the textile industry, for one, was divided, its associations and major firms dominating them were key actors behind the Black-Connery wage and hour bill, which was formulated under the expertise and leadership of Felix Frankfurter and Labor Secretary Frances Perkins, and became the Fair Labor Standards Act (FLSA) in 1938. (They had also been influential in shaping the NIRA.²⁶) William P. Connery of Massachusetts, chairman of the House Committee on Labor, was a major promoter, since in Labor Secretary Perkins's account, "his experience in Massachusetts, which had suffered from the exodus of textile and shoe industries to lower wage areas, had convinced him that national legislation was necessary to eliminate this destructive competition."²⁷ Democratic Senator Hugo Black of Alabama had business support too, even from the southern textile industry.²⁸ Most notable was fellow Alabaman Donald Comer of Avondale Mills, who had long favored federal child labor legislation, minimum wages, and maximum hours. On the whole, however, while most southern textile industrialists favored some regulation, they still harbored futile hopes of flexible and differentiated self-regulation without government enforcement. Above all they feared—with good reason, it turned out—that federal legislation would favor their New England competitors by fixing uniform standards for all states, thus undermining the southern manufacturers' low-wage advantage.²⁹

Like business, organized labor was divided over the legislation, especially the American Federation of Labor (AFL), which had until recently entirely rejected imposed standards as a substitute, and therefore an obstacle, to unions, which of

course some big employers like Comer saw as icing on the cake.³⁰ In any event, federal minimum wages and maximum hours were clearly founded on a cross-class alliance whose business constituency probably only grew after passage, as the 1939 *Fortune* survey suggests. Strategic anticipation of this result by Democratic reformers was justified by recent and clear signals from many manufacturers, and by historical learning from Progressive era reforms. It had been reinforced even more recently by the success of the Davis-Bacon Act, sponsored by New York and Pennsylvania Republicans, and signed into law by Republican President Herbert Hoover in 1931, which answered the desire of building contractors as well as their workers for protection from low-wage competitors by enforcing standard union wage rates on federally funded construction.³¹

Unemployment Insurance for Competitive Advantage

New Deal politicians, experts, and other reformers also had recent and direct experience suggesting to them the potential for *post facto* business support of compulsory unemployment insurance legislation, a key element of the New Deal's omnibus Social Security Act. In 1928, after four years of pressure, the Amalgamated Clothing Workers union prevailed upon New York City men's clothing manufacturers to set up an unemployment benefit scheme for over 400 firms and 22,000 union members. "Once the manufacturers had accepted it," according to Daniel Nelson's important history of unemployment legislation, "they insisted that unemployment insurance was good business and not merely a system of charitable payments to unfortunate workmen." One prominent employer argued that unemployment insurance would serve the organized employers' and union's ambitions to "stabilize the industry"—code words of course for imposing more uniform costs and standards to inhibit cut-throat competition.³² (Coal mining, apparently, according to historian Colin Gordon, was another sector where the idea of unemployment insurance was contemplated by some employers as a "means of shaking out marginal competition," and therefore as a complement to collective bargaining as a regulatory instrument in ruinous product market competition.³³ In any event, no collectively bargained system emerged; legislation would prove necessary.)

President Roosevelt and Senator Wagner were both New Yorkers intimately familiar with the problems of the unions and employers alike in the needle trades, the state's most important manufacturing sector in employment terms. Wagner had been a key figure in the Factory Investigating Committee investigations of sweat-shop operations after 1911, and in passing the Factory Commission Laws, which helped elevate industry standards to those followed by "legitimate" manufacturers vulnerable to low-price competition from dangerous and filthy sweat shops. Wagner had also dealt intimately with the market control benefits of collective bargaining in his capacity later as member of the New York State Supreme Court, issuing in 1922 a famous injunction against employer violations

of a multiemployer bargaining agreement.³⁴ As governor, Franklin Roosevelt also displayed familiarity with the garment industry and, therefore, understanding of the regulatory logic of its collectively bargained multiemployer unemployment insurance. In 1929 he maintained that “strong and comprehensive organizations of both employers and workers are of the highest importance” to impose uniformity and stability to the clothing industry.

To this end he appointed Herbert H. Lehman, who would later fill Roosevelt’s shoes in the state house, as Chairman of a Board of Conciliation in 1929, to help the two sides resolve their differences and bolster each others’ strength. Lehman had previously served in 1924-1926 as a member of Governor Alfred E. Smith’s Special Advisory Commission on the women’s cloak and suit industry, whose recommendations were designed to favor both union demands and the economic stability of “legitimate” and “inside” manufacturers at the expense of small, fly-by-night contractors. One of its successful recommendations was to set up an unemployment insurance fund, whose trustees were to direct a new Labor Employment Bureau to supervise placements of workers. Lehman also served temporarily as an “impartial chairman” for the industry (as did New Dealer Harry Hopkins, many years later in 1945), which testifies to the esteem in which he was held by clothing manufacturers, not just the garment unions, a point his biographer leaves out. In 1935, as New York governor, Lehman signed the first state unemployment legislation since Wisconsin’s, which passed in 1932.³⁵

The enactment in 1932 of the first state unemployment insurance law in the state of Wisconsin provided yet another and even more immediate lesson for the New Dealers. Once again, reformers outside the business community were largely responsible for initiating the legislation—just as a union had initiated collectively bargained unemployment insurance in the needle trades. Organized employers in the Wisconsin Manufacturers’ Association (WMA) had energetically opposed compulsory unemployment insurance through much of the 1920s but were defeated by reform experts, liberal members of the legislature, Progressive Governor La Follette, and organized labor. Organized farmers, who were often employers themselves (e.g., the Pure Milk Products Cooperative, representing about 5,000 dairy farmers) were persuaded by the reformers that the scheme would support purchasing power for their agricultural products, and broadly endorsed the legislation—after being exempted from payment of the new contributions. Only four nonagricultural employers testified in favor during legislative hearings, even though, according to historian Daniel Nelson, the plan “was calculated to win the approval of the progressive employers.”³⁶

Interestingly, Nelson finds, employers—at least some prominent ones—began to look at the legislation “in a different light” as soon as it was passed, and because so many Wisconsin experts were brought to Washington, this fact could not possibly have been ignored by the Roosevelt administration. Partly the Wisconsin employers saw it as a better and cheaper alternative to more radical proposals

being considered. Partly they came to approve of its “preventive” virtue of giving employers an incentive to regularize employment. In other words, the legislation was designed to be cheapest for employers who gave regular employment to their workers and to be most expensive for those who, for example, employed on a seasonal basis, or otherwise treated workers as a highly variable and interchangeable input. The plan called for individual employers to set up separate funds or “reserves” into which they paid a yearly fee until it accumulated a fixed balance; no further payments were required unless layoffs occurred and the reserves were drawn down.³⁷ This would impose heavier costs on product market competitors with lower-wage, labor-intensive operations and more casual relations with workers in secondary labor markets. Progressive employers no doubt liked this aspect but seem not to have called attention to it—how gauche it would have been to utter such thoughts publicly!

Initial opponents George Kull, executive secretary of the WMA, and Frederick Clausen of the J. I. Case Company of Racine, which had installed its own company unemployment plan for its various factories in 1931, served happily on the employers’ advisory board of the Wisconsin Industrial Commission to help implement and administer the legislation and later became active propagandists for the ideas behind the Wisconsin legislation as the movement for reform spread in other states and to Washington. H. W. Story, an executive of agricultural implement manufacturer Allis Chalmers, who along with Clausen and Kull once attacked the plan as visionary and impractical, appeared as its advocate at the Senate hearings on the Social Security bill in 1935.³⁸

Learning by example from workmen’s compensation, minimum wages, the New York garment industry plan, and the Wisconsin unemployment legislation were not the sole factors emboldening depression-era politicians to proceed with compulsory unemployment insurance legislation. A handful of successful businesses—and some supremely successful ones—had also signalled at least the practicability of legislation by setting up company plans. General Electric (for its electric appliance assembly workers) was a leader in this field. Eastman Kodak established a joint plan with seven other companies in the Rochester, New York, area in 1931; three manufacturers in Fond du Lac, Wisconsin, had done the same the year before. A total of about two dozen firms promised benefits between 1916 and 1934.³⁹

The number of company experiments was not impressive, and many of these arrangements foundered. Two disappeared in the 1920s before the depression, one was started and failed in 1929, and another four were discontinued between 1931 and 1932. On the other hand, fifteen companies (including the Rochester and Wisconsin firms) started up between 1930 and 1934. The paucity and precariousness of the companies’ “voluntary” plans would not, however, have invalidated the idea of legislation and compulsion, but would have impressed upon politicians seeking cross-class support the virtues of legislation that could force upon

competitors the standards that progressive employers were struggling to adopt and which they could more easily sustain if less advantaged competitors were forced to follow suit.

That unemployment legislation would have regulatory effects on product markets and supporters among progressive employers in big firm sectors, not just smaller ones in clothing and mining, was made strikingly clear by Gerard Swope, friend of FDR and chief executive of General Electric, one of the few big firms to offer unemployment benefits. The famous "Swope Plan," which he made public in late 1931 in numerous speeches and in the press, is widely regarded as a major inspiration behind the NRA. In the plan Swope also advocated compulsory industry-wide unemployment insurance and pensions, along with disability insurance. Swope asserted that his plan, which would have empowered trade associations of interstate businesses to impose higher standards on nonmembers, would "place the same social burdens on companies competing in various parts of the United States." He thus left no doubt that it had a market control as well as humanitarian purpose, which politicians like Roosevelt by now could easily understand. Swope revealed that product market competition was weighing heavily on his mind in the plan's "addendum," which called for special tax relief for the manufacturing operations of companies subject to international competition (e.g., G.E.'s light bulbs) when their foreign competitors were free from similar "provisions for the benefit of employees."⁴⁰

A personal meeting of Swope and Roosevelt in March 1934, and two weeks later a detailed proposal for unemployment, pension, and disability benefits authored by Swope on FDR's request, was apparently one source of encouragement for the president. Roosevelt also shared the concern of many employers with heading off plans for more radical social insurance legislation gaining considerable support in Congress. He appointed a Committee on Economic Security (CES) of cabinet members headed by Labor Secretary and fellow New Yorker Frances Perkins and directed by Edwin Witte from Wisconsin. Attached to the CES was a "citizen's" Advisory Council on Economic Security, composed of prominent businessmen, labor leaders, and social reformers. G.E.'s Swope, along with Walter C. Teagle of Standard Oil of New Jersey, Kodak's Marion Folsom, Morris Leeds of Leeds & Northrup (Philadelphia), and Sam Lewisohn of Miami Copper (New York City), represented the corporate liberals. Except for Lewisohn, they were also active members of the Commerce Department's Business Advisory Commission (BAC), set up by FDR's Secretary of Commerce, Daniel Roper, and composed of several dozen mostly progressive businessmen.⁴¹

There is at least some striking evidence that other important big businessmen, not just this handful, as well as smaller ones in industries like clothing and coal mining, were gravitating toward the view that unemployment insurance was politically practical, and could have great regulatory value. Among the most prominent and enthusiastic was Ernest Draper of Hills Brothers of the food

processing industry.⁴² More important economically but less busy among reform circles was Paul W. Litchfield, President of Goodyear Tire and Rubber. Litchfield, a welfare capitalist innovator, publicly promoted compulsory unemployment legislation, because much as he would like to provide unemployment benefits to his workers, “the goal is simply not attainable for most of the concerns engaged in the rough-and-tumble competition of industry today, no matter how high their motives or how strong their treasuries.” In other words, “There are always enough establishments in any industry which would be willing to cut prices by the amounts that a competitor was laying aside for unemployment benefits.”⁴³

A possible confidence builder for the politicians and reformers preparing to defy the NAM, and who would be naturally cautious about passing legislation that might awaken a powerful business reaction, was the participation of the Industrial Relations Counselors (IRC) in legislative groundwork for compulsory social insurance. According to G. William Domhoff, the IRC was “the creation of John D. Rockefeller and . . . financed by him”; its board of directors included the chairmen of U.S. Steel and Standard Oil of New Jersey. According to Witte, executive director of Roosevelt’s CES, “almost the entire research staff of the Industrial Relations Counselors, Inc. was placed on the payroll of the Committee on Economic Security, so that the arrangement in effect amounted to employing the Industrial Relations Counselors, Inc. to make this study [on unemployment insurance].”⁴⁴ Also, the Special Conference Committee (SCC), a secretive group of large industrial firms that, according to Gordon, exercised considerable influence in the NRA’s Industrial Advisory Board and the Commerce Department’s BAC, was a forum where encouraging views developed. Swope and Jersey Standard’s Teagle were among them. Some of the BAC’s reports, studied by the CES staff, were even ghostwritten by the SCC. In its 1934 report, the SCC argued that “*for the protection of employers in general and to equalize cost burdens among competitors* [my emphasis], there probably will be need for funds built up and administered under the direction of public authorities.”⁴⁵

Some prominent businessmen’s express interests in regulating substandard competition through compulsory unemployment insurance were complemented in some cases by their interests in stabilizing demand from workers, even unemployed ones, as consumers. Here, retail merchandising interests spoke with extraordinary unity and clarity in support of unemployment insurance to bolster purchasing power even though mass producers were not yet persuaded.⁴⁶ Owners and executives of Filene & Sons of Boston were prominent crusaders for unemployment insurance along with minimum wages and other stabilizers of worker income. So many others were persuaded that the National Retail Dry Goods Association, which included in its membership R. H. Macy & Co. and Sears Roebuck, would prove to be the only significant national business organization to support the Social Security Act in 1935. Their only worry, characteristic of many employers in highly competitive sectors, was about extra payroll costs that

could not be passed on in prices. In New York, the New York Retailers Association came out openly in support of legislation while it was still being debated in the state; in California and Ohio, state retailers associations even played a central role in drafting unemployment legislation.⁴⁷

Ultimately, these progressive businessmen operating close to the Roosevelt administration were decisive in motivating him and reassuring Congress that social insurance was practical, both from the standpoint of the nation's economy and from the standpoint of substantial support from extraordinarily successful businessmen and employers of large numbers of voters. Successful and therefore manifestly practical businessmen were advocating workable proposals, a comforting thing for insecure politicians hoping for future monetary support and not relishing the idea of intense and unified business pressure to withdraw entitlements from constituents in following years when the social emergency passed and mass pressure subsided.

Social Security as Market Security

As in the case of unemployment insurance, corporate executives who went out of their way to promote legislation in the area of compulsory old-age pensions were prominent but few and far between. Swope of G.E. and Teagle of Jersey Standard were two; another worth mentioning because he is overlooked in the literature is Alfred I. Du Pont. Alfred had served as vice president of production in the E. I. Du Pont corporation through many successful years, until 1915 when he was ousted by cousins Pierre S. and Thomas Coleman. One of several reasons for the ouster was serious differences over expansion strategies: As a champion of free and vigorous competition in the realm of innovation, Alfred rejected his rivals' idea of establishing and maintaining monopoly by buying up competitors and forming cartels.⁴⁸ While still the second largest shareholder in Du Pont, he devoted considerable energies to philanthropy, crusading for pension legislation. He might have seen this as a way to stabilize other forms of competition without the baneful effects of monopoly—in any event, he had greeted the NIRA “as a major step toward bringing together labor and capital, as well as for setting standards for both production and wages.” Alfred was perhaps the single most instrumental figure in the passage of Delaware's relatively advanced statewide pension plan in 1931; he died of a heart attack four years later while the Social Security Act was working its way through Congress. As a fairly consistent supporter of the New Deal and Franklin Roosevelt—in contrast to Pierre's more famous hatred toward the same—he sincerely hoped it would pass.⁴⁹

It would be wrong to conclude that Swope, Teagle, and DuPont were entirely exceptional, aside from their activism, and therefore of little interest to politicians seeking reassurance that business could grow to accept and even like social security. Legislators got plenty of advance reassurance from an informal survey conducted by the National Publishers' Association of editors at various industry

journals. For example, it reported to the Senate that an editor of *National Petroleum News* declared that “most if not all of bigger oil companies now have, and some have had for many years, various forms of pensions” and other social benefits, while twenty to twenty-five thousand “legitimate” oil producing and market companies lacked them, as did “some 200,000 and more price-cutting retail dealers, cooperative oil companies, and straight price cutters who have no protective features for their employees.” He ventured therefore that “if these last were forced to contribute to such protection as bigger companies are now doing, it might help to lessen some of their price cutting by bringing up their costs.” Not surprisingly, then, some major oil firms—Standard Oil of New Jersey, Phillips Petroleum, Signal Oil, and Ohio Oil—were important Democratic contributors in the 1936 election.⁵⁰

“Rapidly increasing numbers” of textile industrialists, perpetually worried about low-wage substandard competition, had been recently coming around to a favorable position on social security, the editor of *Textile World* responded to the same inquiry. Possibly they believed that uniformly enforced social costs would have the same market controlling or even shake-out effect of the minimum wages many of them, especially New Englanders, promoted. The editor of *Iron Age* declared that in metal manufacturing and processing, “industry is in sympathy with the broad objectives leading to social security” and that it had “no objection to having these burdens transferred to Uncle Sam’s shoulders, provided it is a practical load for him to carry.” The editor of *Steel* suggested that iron, steel, and allied industries, though fearing hasty and ill-conceived legislation, in principle favored pensions and unemployment plans, and “would strongly prefer . . . uniform plans,” no doubt to bring the wage costs of smaller firms closer to those of the larger ones.⁵¹

Other trade journal editors often hesitated to speak for their industries, declaring that a consensus had not yet developed one way or the other. Division and ambivalence, not reflexive opposition, seemed to prevail. Some expressed strong doubts, in part because the legislation might exacerbate competitive problems instead of relieving them. Though many were friendly to the idea of legislation, it threatened to increase the exposure of paper manufacturers to ruinous international competition—especially the beleaguered newsprint manufacturers who were menaced by low-price foreign competitors in Russia and Finland, according to the editor of *Paper Mill and Wood Pulp News*. The editor of *Laundry Age* said the industry greatly feared increased tax burdens that could not be passed on in higher prices; in hearings a unique problem noted by a representative of the Laundryowners National Association was that their customers were also their competitors, because more laundering might be done at home if social security taxes drove prices higher. Owners seriously feared getting all washed up themselves, for increased home laundry accounted for the loss of about half of the industry’s 1929 volume.

Finally, the editor of *Bus Transportation* feared that “the provision in proposals now being considered which apparently would exempt all companies with less than four employees seems to leave the door wide open for the small, shoestring company to operate at cut rates and to seriously hamper the larger companies who must comply with the law.” Otherwise, he said, though extreme caution was necessary, “I believe the industry is not too strongly opposed to the general principles involved.”⁵² Even John Edgerton, president of NAM in 1931 when Swope’s plan came out, not only cautiously praised Swope’s initiative but expressed implicit if muted support for the social insurance idea (which the association later rejected), but anticipated the bus industry’s competitive fears regarding Swope’s dividing line of fifty employees. “Any plan,” he said, “which does not embrace in its application and direct benefits all of the people who are employed in America, will not be a thoroughly sound and saving plan.”⁵³

Social security reformers were therefore emboldened to move ahead, knowing that substantial numbers of businessmen would gain competitive advantages from social security taxation in the country’s largely domestic competition, even if others might suffer. As CES staff member J. Douglas Brown put it in Senate testimony, the employer contribution “levels up the cost of old-age protection”; in other words it “makes uniform throughout industry a minimum cost of providing old-age security and protects the more liberal employer now providing pensions from the competition of the employer who otherwise fires the old person without a pension when superannuated.”⁵⁴ Anticipation of this fact would have been heightened by the fact that despite the depression and the collapse or suspension of many welfare capitalist initiatives noted by historians Brody and Brandes, large numbers of employers were initiating new company pension arrangements that were more actuarially sound and otherwise secure for workers.⁵⁵ The meager taxes proposed in the legislation would not exceed what many of these approximately 400 larger employers would already have been paying; after passage, they would be able to dismantle their company plans if they wanted. A telling piece of evidence was that the big retailers were about the most likely to have installed company plans, just as they were the most consensually enthusiastic about legislated social security.⁵⁶

Not surprisingly, then, the old-age insurance portion of the social security law elicited very little concern and opposition from big firms with their own plans. The most controversial issue for them was whether or not to allow individual companies to opt out of the system by providing their own pensions matching or exceeding federal requirements. A number were moved by the insurance consulting and brokerage firm Towers, Perrin, Forster & Crosby to write letters to Congress requesting that right, which was denied.⁵⁷ Probably the insurance industry was more upset by this decision than the manufacturers. Afterwards, many of them happily pursued Eastman Kodak’s course, which was to adjust their plans “so that the cost to the company remained practically the same as before

and the employee received the same benefits from the company contribution he previously received, part coming from the Government and part from the insurance company.”⁵⁸ Only their competitors who previously lacked plans would face new costs.

In retrospect, it is now easy to see why the business advisors for Roosevelt’s cabinet committee helped maintain the legislative momentum when the committee itself was still hesitant about the pension portion of the Social Security Act. As J. Douglas Brown, a CES staffer from the Rockefeller/IRC policy network, put it, “the industrial executives” on the CES advisory council stepped in with encouragement when support from the cabinet members in the CES “was still in doubt.”⁵⁹ Seeing competitive advantages for themselves, these key big businessmen assured wary politicians and reformers that a truly broad-based business reaction to legislation was unlikely, even if major organizations were making threatening noises at the time. The reformers knew, from experience, that this was probably enough to go on and so proceeded with the making of a durable cross-class alliance—and robust legislation.

The Wagner Act: Trouble Thereafter?

According to CES chairman Edwin Witte, the Roosevelt administration could have shrugged off concerns about business or labor support for the Social Security bill “and still force a measure through Congress.” But a major objective of the Roosevelt administration was robust legislation capable of weathering future challenges. “The violent opposition of either group is likely to mean trouble hereafter,” Witte wrote as the debates raged.⁶⁰ Senator Robert Wagner of New York, by far the most important politician responsible for shaping and passing the National Labor Relations Act (NLRA, or the Wagner Act) the same year, was also strategically motivated to avoid “trouble hereafter” from business, even though, as it turns out, he was only partially successful. Wagner, according to his biographer, was well aware from experiences with his New York State Factory Commission laws that “passage of a measure [did not] mean that it was permanently secure.”⁶¹

In all probability, Wagner anticipated a postlegislative alignment of employer support based on the regulatory service that collective bargaining could provide. He invested prodigious energies in formulating and passing labor legislation in 1935, and would probably not have done so had he anticipated a business backlash that would lay waste to his entire investment. Being from New York, he knew that at least a major part of his politically relevant business world, the clothing industry, was favorable to strong unions—a fact thoroughly and laboriously demonstrated by industrial relations historian Jesse Carpenter.⁶² This sector would favor legislation to help unions force nonunion competitors inside and outside New York into multiemployer collective bargaining with the ILGWU (International Ladies’ Garments Union) and the ACW (Amalgamated Clothing Workers),

important Wagner supporters. Indeed, in 1936, after the passage of the Wagner Act, the garment industry was about the single most important source of individual business endorsements for Roosevelt and contributors to the Democratic National Committee (DNC).⁶³

Coal mining operators, large numbers of whom favored collective bargaining, contributed nothing directly to the DNC in 1936.⁶⁴ On the other hand, they did so and no doubt knowingly, with the automatic check-off of union dues to the United Mine Workers (UMW), which many operators supported as a way of strengthening the union. Out of these dues, in turn, the UMW contributed about \$100,000, over half of all the union money given to the DNC, and lent it another \$50,000.⁶⁵ Further, both Wagner and Roosevelt had a large political stake in promoting the construction industry, especially with relief projects and public infrastructure programs, and large numbers of contractors, huge and small, who would benefit from these projects, were very often friendly to collective bargaining.⁶⁶

Another key congressional politician in fashioning this and other New Deal labor legislation, Massachusetts Senator David Walsh, the Democratic chairman of the Committee on Education and Labor, revealed similar hopes for unions and collective bargaining during the same hearings. Walsh's main electoral constituency was workers in the state's two leading but ailing industries, shoes and textiles. In 1926, Walsh took his Senate seat from Republican rival William M. Butler, a wealthy cotton textiles manufacturer, who was politically wounded when the textile manufacturers' association let slip that Butler supported modification of the state's forty-eight-hour law for women and children, which would have helped him cope with southern competition (Butler's denial did not, according to Huthmacher, neutralize the damage).⁶⁷ By contrast, Walsh's strategy as Senator was to appeal to the same industrialists, whether they believed in the strategy yet or not, by trying to extend Massachusetts standards to the entire country.

On several occasions, Walsh deliberately led witnesses to express or affirm his argument for collective bargaining, which had a good foothold in the Massachusetts industries, "in the interest of the employer." "A company recognizing collective bargaining will be driven out of business," he said, "if it must compete with a company that will not recognize collective bargaining, if one agrees to pay higher wages than the other." Anticipation of *post facto* support was therefore implicit in the purposes of the legislation, "to encourage the establishment of uniform labor standards" and in Walsh's position that "the employer who lives up to the spirit of the collective bargaining idea and who recognizes the union and meets the wages simply cannot survive unless all the industry is subjected to collective bargaining."⁶⁸ One textile manufacturer, Howell Cheney, even wrote to Franklin Roosevelt expressing fear for the industry's stability and health "unless further legislation lays a firm foundation for trade practices and labor agreements rather promptly."⁶⁹ Because they were similarly motivated, according to Gordon, Wagner apparently planned to bring in coal operators, clothing manufacturers,

and tobacco producers to testify in 1935 in favor of legislation. A cannery owner was sought because, according to a Wagner aide, "He wants to have his men organize, in the hope that this will force organization . . . among his competitors."⁷⁰

National politicians would also have received scattered indications that firms in more capital-intensive, mass production industries would ultimately see advantages in collective bargaining advanced by government legislation. In a meeting of the National Industrial Conference Board, Cyrus Ching of U.S. Rubber expressed the view that unions "would be perfectly justified in saying, 'We will have to step in and do the job for you' " if manufacturers alone or through the NRA code authorities could not raise wages and impose a wage floor to stabilize the "competitive situation" and eliminate "substandard conditions which exist in that industry."⁷¹ According to Gordon, big northwestern paper producer Philip Weyerhaeuser "saw the potential of union-regulated wages as early as 1932 and pressed for the stabilization of wages, 'the higher the better.' "⁷² Finally, some big retailers were among those supporting labor legislation to strengthen unions and collective bargaining for the same reason they aided the garment and textile industry unions and supported unemployment insurance: stabilization of supply of and especially demand for goods sold by firms with high overhead costs and low profit margins. As retailer/reformer Edward Filene put it, "Our labor unions have a better understanding of what is good for business today than our chambers of commerce have."⁷³

Of course the legislation did not command businessmen into industry-wide collective bargaining over wages and working conditions. Some of the intense opposition before and after legislation may therefore have arisen because it did not insure against dangerously uneven union inroads into an industry for firms forced by uneven union strength into accepting uncompetitive wage levels. Some of the intense business opposition also stemmed from the fact that most employers were anxious about losing control of the workplace to American unions that were still wedded to the idea of the closed shop and other restrictions on managerial prerogatives. Even more support from businessmen could have been generated, or much less shrill opposition aroused later, if Wagner's NLRA had contained better protections of "management's right to manage" and restriction of the collective bargaining agenda to the distributional issues like wages and working hours, which many businessmen wanted regulated, be it by the defunct NRA code authorities or by other means. But given Wagner's knowledge and understanding of the needle trades, and support from both unions and employers in that sector from New York, it is no surprise that such limitations, which would have been entirely logical in legislation designed for a cross-class constituency, never appeared. Because of the peculiarities of the garment industry, Jesse Carpenter shows, extraordinarily detailed negotiation over managerial and entrepreneurial prerogatives in multiemployer bargaining units were regarded by both sides of

the class divide as essential for realizing the distributional and market control ambitions of the two sides.⁷⁴

Thus Washington politicians did experience a good deal of what Witte called “trouble hereafter,” especially from a strange and reactionary cross-class alliance of the NAM and the crafts-based AFL. This led to the Taft-Hartley law of 1947, which shifted the advantage partially back to employers and against the newer and more radical Congress of Industrial Organizations (CIO). It also blocked the use of some union tactics, while strengthening employer defenses.⁷⁵ But the success, just like the opposition from employers, was limited. It did not touch the regulatory role of collective bargaining by outlawing multiemployer bargaining and removing unions’ antitrust exemptions. The NAM had advocated these changes because it was dominated in large part by the National Metal Trades Association and its engineering firms competing less on the basis of prices determined by wages than by productivity and flexibility in the labor process. For many firms in engineering, unlike clothing, the regulatory advantage of standardized union wages was not worth the risk of losing control over production decisions. But garment manufacturers and coal operators, not surprisingly, like those in many other sectors with friendly market control relations with unions, did not belong to the NAM. Even within the NAM there was considerable internal division on the issue of industry-wide or multiemployer bargaining into the 1950s; in fact it was the most divisive issue discussed within the association during the period.⁷⁶

The partial robustness of the Wagner Act, contained in its potential for offering market control to capitalists, suggests that politicians’ anticipation of substantial *post facto* support from employers was neither wishful thinking nor courageous defiance of capitalist interests. Events in the steel industry corroborate this conclusion. In 1935, the *Wall Street Journal*, reporting on a voluntary agreement among American steel firms in the American Iron and Steel Institute, concluded that “the steel trade has decided to trust a combination of agreed wage standards and employer self-interest to prevent renewal of predatory competition” after the Supreme Court’s rejection of the NRA.⁷⁷ The step from faith in voluntary agreement among highly competitive firms to reliance on a strong union offering regulatory services in enforcing standards was apparently not a long one, as events in 1937 indicate. During the economic upturn early in 1937, U.S. Steel had been eager to avoid an interruption in production and loss of markets due to a big conflict with the CIO’s Steel Workers’ Organization Committee (SWOC), led by the miners’ leader, John L. Lewis.⁷⁸ Therefore, to the surprise of many, U.S. Steel’s Myron Taylor signed an agreement with Lewis, after secretive negotiations and without a strike, on 28 February 1937. A key facilitative factor was the signing, two days earlier, of the Entente Internationale de L’Acier in Italy, a cartel agreement among international steel producers, which promised to protect U.S. Steel and the other American cosignatory, Bethlehem Steel, from foreign compe-

tition that might take advantage of their increased wages and prices. Taylor had perhaps hoped that by signing with Lewis two days later, the free-trading Roosevelt administration would look the other way and not prosecute his company for antitrust violations.⁷⁹ Equally important to steel executives was the anticipation that Lewis would be successful in organizing the rest of the steel industry. Thomas Lamont, who represented J. P. Morgan in his relations with the company, noted in a letter to Roosevelt in June that the SWOC would help protect U.S. Steel's leading, but ever-declining, position by preventing "the spectacle of 'the independents' jumping in and slashing wages roughshod."⁸⁰

By 1941, the steel workers' union succeeded in organizing the rest of basic steel and helped impose unprecedented regulatory order to the industry. U.S. Steel's legendary role as the fortress of antiunionism in America came to an abrupt end, both in the industrial relations and political sphere. At this point, the company abandoned American industry's crack division in the interindustrial trench warfare against the labor movement, the National Erectors' Association (NEA). The NEA had long been dominated by U.S. Steel subsidiary in structural steel production and erection, American Bridge, which also signed with the SWOC in the weeks following the settlement between Taylor and Lewis. Interestingly, even the NEA's Walter Drew, the country's leading warrior in the crusade against unions, had argued that "As long as we have this [Wagner] Act with us, it ought to be made to apply in as wide a scope as possible in order to stop chiseling."⁸¹ The Wagner strategy, gambling on the emergence of a regulatory cross-class alliance between unions and employers in the steel industry, where for a long time unions had met the most crushing opposition, showed strategic realism by a cautious politician, not the bold defiance of a class warrior. If the cross-class alliance proved weaker here than other parts of the New Deal, it was largely because the legislation did not protect against union encroachments in the area of managerial control, while offering only imperfect regulatory services, given the unevenness of union organizing campaign successes within competitive product markets.

BRINGING CAPITAL IN: ON THE AUTONOMY OF THE NEW DEALERS

As mentioned in the introduction, the role of business in the shaping of the New Deal is probably the most controversial aspect remaining in the understanding of its history. Disagreement about this matter is intensified by the underlying and deeper controversy about the autonomy of the state in all capitalist societies. Is control of the state personally exercised by members of the capitalist class or systematically constrained by the impersonal, structural forces of capitalism? One of the most influential lines of argument in the historical and theoretical literature, associated above all with historical sociologist Theda Skocpol and her collaborators, holds that neither is the case: capitalist interests

had nothing to do with the shaping of major social policy reforms.⁸² As regards the New Deal, her position is best understood as an elaboration of Arthur Schlesinger Jr.'s mainstream historical interpretation of the New Deal as politicians' vote-getting response to popular discontent with the failures of the business-dominated market and political system during the 1930s depression.⁸³ To the extent that she accepts the importance of social bases of support outside of business, her perspective fits comfortably alongside the political science and recent political economy literature depicting the New Deal as resting on a capital-exclusive cross-class alliance of agrarian and urban working-class support, or on the ascendance of labor as a political force against capital, for example, in works by Burnham and Rogowski.⁸⁴ The business community, these views sometimes suggest, ineffectively fought Franklin Roosevelt's moderate reform solutions imposed on narrow-minded capitalists, perhaps even to save them from their own economic failures and yet more radical political outcomes. Her position on European welfare states focuses similarly on working-class bases of support.⁸⁵

Skocpol's "institutionalist" analysis argues, in a nutshell, that the New Deal emerged when intense, but malleable, popular demands from below were shaped, channeled, and extruded into policy form through the relatively rigid institutional machinery of party politics and government, tended by politicians and "policy intellectuals" constrained more by their vested or anticipated interests in those autonomous institutions than by outside economic or social interests. Organized business was so monolithically hostile that, by implication, reformers acted in bold, conscious, and successful defiance of capitalist interests. Here, Skocpol and her collaborators take special note of the antagonism from the NAM, the U.S. Chamber of Commerce, the National Publishers' Association, the Manufacturing Chemists Association, and various state manufacturers' associations, based on their congressional testimony.⁸⁶ Skocpol and Amenta write, for example, that by 1934 and 1935, when the Roosevelt administration was at work on the Social Security Act, "virtually all politically active business leaders and organizations strongly opposed national and state-level pensions and social insurance, along with other legislation perceived as 'pro-labor' and/or likely to raise taxes."⁸⁷

Though significant, labor pressure was too weak, divided, and amorphous to explain much about final outcomes in the Skocpol view; business support from a "handful of liberal-reformist businessmen" was evidently of no consequence because these corporate liberals were disappointed by the details of legislation that autonomous politicians ultimately passed. In the case of unemployment insurance, supportive businessmen supposedly failed to get their way in shaping federal legislation; they were even more disappointed by state-level implementation, where labor influence and other institutional factors prevailed. Therefore, it is implied, politicians' response to or anticipation of business interests in market security should not be part of our understanding of the origins of the New Deal.⁸⁸

The following critique shows that this coherent interpretation of the New Deal unravels in the face of historical evidence. First I bring to light evidence that monolithic organized opposition was illusory. Reformers themselves saw through and beyond the rather hollow wall of opposition, and because of that they were emboldened to proceed with cross-class alliance making. Second, I show that liberal corporate executives were not at all disappointed by important details of the legislation that Skocpol identifies as contradictory to their wishes. Thus to argue that the New Dealers were responding to corporate liberal signals about the regulatory value of reform remains consistent with the facts. Third, I show that Skocpol's policy intellectuals were shrewd alliance brokers, eager to protect existing institutionalized cross-class alliances of a corporatist nature and promote new ones. They did not want to protect their vested interests and expand their power in autonomous state structures. Finally, I show that to the extent she draws on class interests rather than institutional factors to explain outcomes, she incorrectly characterizes labor's success as capital's loss.

Bold Defiance of Monolithic Opposition?

A critique of Skocpol's institutionalist position must first of all look beneath the public record of apparently unequivocal official positions taken by business associations. The look reveals a complex tangle of internal controversy, self-censorship in the face of pack behavior, uncertainty, and sheer ignorance among businessmen. Statements by relatively cautious and rational politicians suggest they probably had an accurately nuanced view of reality and were therefore emboldened to proceed with the arranging of alliances that could protect their hefty investments in reform. The fact that the U.S. Chamber of Commerce's oppositional position of May 1935 was a recent reversal is telling. Outgoing chamber president Henry Harriman had for a number of years spoken openly and favorably in support of social insurance legislation. At its 1935 national conference, however, "outstanding leaders on important committees" and "the permanent staff of the chamber" found themselves in a minority. According to the *New York Times*, they "were unable to muster sufficient influence to sway those who were intent on jamming through the derogatory sections" of what some chamber officers regarded as "churlish" resolutions against the Roosevelt administration.⁸⁹

The result of this meeting, "the most tempestuous in the chamber's annals," according to the *Times*, was "the appearance of a split in the organization," not anything like unanimity. Peter Van Horn, head of the National Federation of Textiles, charged that a "minority group with selfish political and business interests" were using the chamber as a "catspaw"—an unwitting tool, or dupe—against the Roosevelt administration, especially against its efforts to extend the NRA.⁹⁰ *Business Week*, criticizing sensationalized press reports, claimed that the chamber action "came from a single maneuver engineered by that body's way-

right wingers.” The insurgent president, Harper Sibley, claimed that he would be guided by the majority mandates, but added curiously that “The difficulty, of course, in a large hall like that, is that people didn’t really know what they were voting on.”⁹¹ As *Business Week* put it a few years later, “(as often happens in all sorts of organizations) a small group of strong men had gradually obtained the upper hand.” The rebels’ claim to be representative of anything close to unanimity was quickly weakened by some local chamber withdrawals from the national organization and a new rebellion seven years later, when insurgent Eric A. Johnston was elected on a platform of “more cooperation with government and labor, less ‘Roosevelt-baiting.’”⁹²

Roosevelt’s reaction to the chamber’s 1935 opposition, and that of the NAM, with a membership of only about 2,000 manufacturing establishments (out of about 200,000 in 1935),⁹³ was one of firm resolve to stay the course. In a talk to the BAC, according to *New York Times*, he recalled his New York State experience, when three important pieces of progressive social legislation were “fought by chambers of commerce, manufacturers’ associations and other business organizations.” Roosevelt reminisced that the factory inspection law, prepared by a legislative committee headed by Robert Wagner as chairman and Frances Perkins as secretary, was ultimately supported by the great majority of manufacturers and businessmen; chambers of commerce and other business organizations fought it until it was enacted, he recalled. In sum, Roosevelt publicly asserted that “in altogether too many cases *the general views of business did not lend themselves to expression through its organizations* [my emphasis].”⁹⁴

Chamber president Sibley’s view that members were not fully aware of what they were voting for or against certainly supported Roosevelt’s view about the deceptiveness or superficiality of opposition from ideologically motivated business organizers. As the editor of *Textile World* put it in February 1935, textile manufacturers, who were once hostile and now responding favorably toward persuasive efforts, “have not been able to formulate their own ideas as to just what lines [social security] legislation ought to follow; naturally, when it comes to details, they are completely lost.” New Deal brains truster, speech writer, and friend of progressive businessmen Raymond Moley (who coined the term “New Deal”) probably advised Roosevelt, just as he reminded readers of *Today* (published by Vincent Astor), about the demagogic manipulability of businessmen, not just members of lower classes. Thus business organizations, he wrote, were actively “misrepresenting American business.”⁹⁵ This was a view shared by some local units that refused to participate in a U.S. Chamber of Commerce survey heavily loaded with what the Decatur, Illinois, chamber called “trick questions” designed to elicit a response that could be used against Roosevelt—a survey cited recently by Skocpol collaborators Amenta and Parikh for their wrong conclusion about the depth and vastness of capitalist opposition to social security. The questions in the survey in fact had very little to do with social security, unlike the

later Chamber of Commerce survey around 1942, showing overwhelming support for the specifics of the legislation.⁹⁶

Beneath the surface, therefore, of organizationally expressed opposition, there remains the possibility that large numbers of employers were uncertain, open-minded, and persuadable—even if not already among the openly supportive, whom Marion Folsom estimated at about 5 percent in recollections thirty-five years later.⁹⁷ If the open-minded ones did not show their numbers, it could have been that they were mostly politically inactive and often publicly reticent. These were *busy* businessmen who, especially in a depression, could ill afford to alienate any stockholders, board members, buyers, and suppliers caught up in the organized frenzy of reactionary Roosevelt-baiting of the mid-1930s. As social insurance reformer Isaac Rubinow put it, “Individual employers are found to be much more ready to express their acceptance of [unemployment insurance] proposals in private.” When asked for open endorsements, however, “They prefer ‘to have their name kept out of this.’”⁹⁸ Therefore, although Skocpol was right about the belligerent thrust of opinion among the relatively few politically and organizationally active businessmen, she did not understand the full spectrum of politically *consequential* businessmen whom politicians knew they were dealing with now and, even more importantly, in the future.

Disappointed Corporate Liberals?

Even the few politically active progressive employers on the Commerce Department’s Business Advisory Committee and the CES’s Citizen’s Advisory Committee did not get their way in the design of social security legislation, according to Skocpol and her collaborators. Logically enough, Skocpol tries to identify differences between what these progressive businessmen wanted and what they got in order to discredit what she calls “Beardsian” theories attributing decisive importance to the behind-the-scenes influence of individual businessmen representing broad capitalist interests. The problem with this part of her argument lies once again in the evidence used.

One instance of a discrepancy between business liberals’ desires and the New Deal legislation they got, Skocpol and Amenta argue, is that the business liberals on the CES advisory committee failed to get a portion of the unemployment insurance tax imposed on workers.⁹⁹ These progressive capitalists had reasoned rather speculatively that employee contributions would cause workers to regard the plan as partly their own and not a gratuity, and thus help prevent malingering. The fact is that the corporate liberals, though mostly advocates of worker contributions, were divided on this one. Marion Folsom, one of the most prominent, thought worker contributions had nothing to do with the market control purposes of the legislation, which involved manipulating *business* costs. For market control reasons, he was in fact entirely agreeable to the idea of imposing the larger burden on the employer, because “as he can do something about reducing unemploy-

ment . . . the employee can do very little.”¹⁰⁰ Another influential progressive welfare capitalist, Lincoln Filene of the Boston retail firm William Filene’s Sons Co., who like the CES committee employers favored the “preventive” effects of taxing employers according to their layoff records, strongly *objected* to employee contributions because “the underlying principle is that unemployment is a business cost and should be so charged and hence paid by business, not by the employee.”¹⁰¹

Skocpol (with John Ikenberry) has also generated considerable confusion in arguing that progressive capitalists like Folsom, Swope, Teagle, Lewisohn, and Leeds failed in their efforts to get the CES to accept a “nationally uniform” system, or “a kind of Ohio plan at the national level.” In Skocpol’s view, such a plan would impose a uniform system of taxes and benefits and was therefore favored by the liberal businessmen because they did not want “balkanization of benefit standards or (worse) irregular taxes on business.”¹⁰² The Ohio plan they refer to, widely favored in nonbusiness reform circles, called for pooling uniform employer and employee contributions in a large state-level unemployment insurance fund. In effect, firms and sectors with stable employment levels would subsidize unstable sectors. The Ohio plan competed with Wisconsin’s controversial system, which set up separate reserves for each individual employer and implied irregular taxation. The Wisconsin scheme’s claim to superiority lay in its absence of cross-subsidization and therefore its supposed preventive effects: employers would face a disincentive against firing workers because, as explained earlier, they only paid taxes into their reserves until a fixed balance accumulated; no further payments were required unless layoffs occurred and the reserves were drawn down.

Contrary to Skocpol and Ikenberry, congressional testimony and memoirs show indisputably that the *last* thing the corporate liberals would have wanted was an Ohio plan that pooled insurance funds at the national or any other level. The five progressive employers, along with fellow CES advisory committee member Raymond Moley, made it entirely clear that their utmost concern was to preserve the widest latitude for experimentation—be it at the state or industry level—in other words to let states “experiment with standards not less favorable than those approved by a governmental administrative body.”¹⁰³ In a statement submitted to the Senate Finance Committee, Folsom argued forcefully that the advantages of the “federal subsidy” or “grants-in-aid” plan being considered were that it allowed for a great deal of experimentation:

We felt that under the [grants-in-aid] system it would be possible to set up industrial plans covering more than one State, and that an entire industry could do a better job in stabilizing and reducing unemployment than individual companies in any industry could do in individual States. We thought there should be experimentation along industrial as well as State lines. It was also felt that the workers would be better protected because more minimum standards could be included in the Federal law under the grants-in-aid plan than

under the proposed plan. There would still be considerable freedom to the States, but only above certain minimum standards.¹⁰⁴

His reasoning was simple: firms and industries that through fortune or merit had stable employment should not be forced to subsidize others (in autos, construction, and needle trades, for example) by contributing to a common pool.¹⁰⁵ Folsom neglected tactfully to mention the other side of the coin: firms like his, fortunate in being able to stabilize production, sales, and employment, would now have *lower* costs than some product market competitors, because they would be able to maintain funding levels with lower yearly contributions. For this regulatory reason, the company reserve plan, by ensuring lack of uniformity, was superior to the pool system, which imposed far greater uniformity. In other words, “Balkanization” and irregular taxes were a good thing—not, as Skocpol and Ikenberry suppose, undesirable.

In short, the welfare capitalists did not oppose state-level experimentation; what they preferred was legislation that allowed both state-level experimentation and nationwide experimentation, especially with company reserves, industry by industry. They did not want any pooling requirements, but neither did they advocate restrictions on experimentation with pooling. What they got along these dimensions was practically everything they desired, losing only the possibility of national-level industry-specific experimentation. Folsom’s effective testimony in the Senate probably helped bring about the elimination of all standard pooling requirements.¹⁰⁶ Experimentation with individual employer reserves or other experience rating designs were explicitly accommodated in detailed language, opening the door for state-level politicians to fashion alliances as they pleased with business sectors highly divided over the issue, as seen below.¹⁰⁷ There were no disappointed corporate liberals—yet. If they were disappointed, it was later, and because of the state-level alliance politics of other employers, not just politicians and unions. In any event, the theory that the New Dealers were responding to signals from prominent capitalists about what might be a workable basis for a cross-class alliance fares better in the face of this evidence.

Bureaucracy on Top?

Skocpol’s argument holds that New Deal reformers acted with little regard for corporate interests or preferences and great regard for those of autonomous bureaucrats and policy makers. Thus, she attributes the victory of state-level autonomy and experimentation (provided for in the unemployment insurance legislation) largely to the protective efforts of Congressmen on behalf of “pre-existing state-level programs or administrative structures”—not to support from capitalists or people consciously advancing their interests. In particular, she identifies the efforts of CES director Edwin Witte, who was brought by Frances Perkins to Washington from Madison “to protect the autonomy of the state of Wisconsin.”¹⁰⁸ Witte is for Skocpol a quintessential example of a “third force”

mediator—a policy expert with bureaucratic leverage and an agenda that looks beyond class interests to protect and expand state administrative and policy-making capacity that is autonomous from economic or class interests. Coming out of Wisconsin's unusual "academic-political complex," a policy network connecting the University of Wisconsin in Madison and the state's unique administrative apparatus, the Wisconsin Industrial Commission, Witte was supposedly an exemplary specimen of this breed.¹⁰⁹

Here Skocpol misunderstands Witte's motives. It is true that he viewed social insurance as "a matter for state action." He coordinated efforts with Wisconsin Senator Robert La Follette, Jr., whose amendment, passed in Senate committee, removed all obligatory pooling and therefore spared Wisconsin's system. Personally, Witte favored partial pooling. However, he did not act on the basis of this preference, but rather the preferences of Wisconsin employers and others, like the CES business advisors, who favored its system.¹¹⁰ Therefore if his demonstrable commitment to Wisconsin's institutions and policies was in fact responsible for the shape of the federal legislation, it reflected Witte's belief in the strategic importance of Wisconsin's *corporatist* model of policy-making and administration—specifically, its practice of delegating substantial policy-making and administrative authority to progressive employers and thereby institutionalizing regulatory cross-class alliances. As we shall see, the relevant administrative structures and practices that Witte protected were not free from class interests.

How the Wisconsin Industrial Commission (WIC) is characterized, therefore, is crucial. The WIC, which was set up initially to administer workmen's compensation and factory safety regulation, taking on other functions over time, was later to oversee the implementation of the state unemployment insurance scheme as well. Skocpol identifies as the WIC's chief virtue its integration of administrative functions in diverse realms of labor and social policy. With concentration and coordination came an unusual capacity to innovate and generate policy, especially with the help of "America's most influential 'academic-administrative' complex, with a major research-oriented state university right in its capital city, Madison, and a strong Legislative Reference Bureau creating ties between legislators and academics." Arthur Altmeyer, Elizabeth Brandeis, Paul Raushenbush, and Edwin Witte, the "experts from Wisconsin who played the controlling roles in formulating the Social Security Act," came out of this "academic-political complex" and therefore answered to their own "autonomous roots and orientations."¹¹¹

John R. Commons, who helped set up the WIC, would vehemently disagree with this picture if he were alive today. He was a corporatist, not an autonomous state builder. The supreme doyen of progressive reform experts in America at the time, Commons saw the WIC above all as the legal-administrative exoskeleton for corporatist policy making, inspired by Belgium's cross-class "Superior Council of Labor" and by his experience with the National Civic Federation during the heyday of cross-class collaboration between industrialist-politician Marcus

Hanna and mineworkers' leader John Mitchell.¹¹² The essentials of the WIC were therefore not to be found in an expert staff recruited along civil service lines and engaged in policy discourse with liberal scholars. These types were either too inflexible or impractical compared with the industrial and labor leaders recruited onto the WIC "advisory boards," the real heart of the system.

If one examines the three hundred pages of the labor law of the state he will find that the legislature enacted only one hundred pages and these advisory committees of employers and employees drafted two hundred pages. These were then issued as "orders" by the Industrial Commission. Two-thirds of the labor laws of the state are actually made by the men in the industries, who must obey the laws and who therefore frame them.

In other words, the corporatist WIC "combines to a certain degree, the activities of legislation, execution and judgment," handing all three over to representatives of private interests.¹¹³

Administrative corporatism—legislation through collective bargaining—was the next best thing to Commons's "collective bargaining instead of legislation." And collective bargaining, as Commons preached ever since his NCF days early in the century, was all about managing competition. The WIC, set up for industrial self-governance, as he pointed out, was partly modeled after the corporatist Wisconsin Railroad Commission. On the other hand, it exercised a significantly different regulatory function: "The railroad Commission regulates monopoly—the Industrial Commission regulates competition. It endeavors to enforce 'reasonable' competition in so far as dealings with employers are concerned, by raising the level of labor competition." In Wisconsin, Commons noted, "it has been found that the *employers on the [advisory] committees have been more exacting in their search for the highest practicable standards than the representatives of labor on the committees* [my emphasis]."¹¹⁴

Commons thus saw the Wisconsin unemployment law, which was drawn up by his students but incorporated features of the negotiated multiemployer plan he helped set up and administer for the Chicago clothing industry, as "an enabling act, setting up an administrative system of collective bargaining" and said it "cannot be understood as a mere statute administered by a bureaucratic commission with appeals to the courts. It is as nearly a voluntary system of collective bargaining as the nature of our constitutional government will permit, and it can be understood only in so far as the concerted action of voluntary private associations is understood." The bureaucratic autonomy of the WIC and its experts, therefore, was practically nonexistent. The fact that the industry advisors, nominated by the Wisconsin Manufacturers Association, served without compensation, not as full-time salaried civil servants, only strengthens this conclusion. They gave "an astonishing amount of time, at their own expense, which if paid for at commercial rates, would have required an expenditure far beyond the appropriation which the legislature allowed to the commission." They did not regard their

work as “merely a public service, but *mainly as a vital matter in the future conduct of manufacturing* in the state [my emphasis].”¹¹⁵

Finally, Commons was openly skeptical about the autonomy of the academic side of the Wisconsin “academic-political complex”: he dismissed journalists’ hackneyed stories about how “a university governs a state.” To a conservative employer worried about the “radical university” (who visited for the purposes of getting the employer’s side represented on the faculty), Commons pointed out “that the University had a great majority of its faculty in several colleges—engineering, law, commerce, the college of liberal arts, the economics department—mainly devoted to training students to serve the interests of business and employers.” The visitor then “verified my statement and so advised me.”¹¹⁶ In his autobiography, Commons states unabashedly that corporate capitalists doubled his university salary in 1904 and otherwise augmented his income in following years, never hastening to clear up in advance any questions this might raise among future historians about his intellectual autonomy.¹¹⁷

In the case of Wisconsin’s unemployment compensation law, the advisory board came to play a role “not very different from the one Commons had envisaged.” CES director Edwin Witte fully agreed with the Commons approach to merging interest group representation into law making and enforcement; later, after returning to Wisconsin, he wrote it into a 1937 Wisconsin labor relations act, which created a board where “both industry and labor shall have an opportunity to set their own houses in order without governmental intervention.”¹¹⁸ Clearly, Witte was not acting as a member of a corps of “third-force mediators” with autonomous orientations and state-building agendas. Instead he was acting out of a pragmatic recognition of the need for cross-class regulatory alliances, and the desire to tend them with carefully designed policy and corporatist administration after passage of reform legislation. Not surprisingly, Wisconsin’s Arthur Altmeyer, chairman of the Social Security Board in 1940, was a chief proponent of efforts to work corporatist advisory boards into the administration of the U.S. Employment Service and the Social Security Board. “It is only through representative advisory committees that bureaucracies can be kept *on tap instead of on top*,” he said.¹¹⁹ So there *was* corporatism in America—or institutionalized cross-class alliance making—before the New Deal in Wisconsin, and afterwards, in at least twenty-five other states.¹²⁰ No better evidence can be found that cross-class alliance making was in the minds of the New Deal’s policy experts, not the protection and expansion of autonomous state structures.

State-Level Implementation: Disappointment After All?

Although liberal corporate executives were in fact pleased by the design of the national unemployment legislation, which explicitly allowed states to follow in Wisconsin’s footsteps and install individual reserves or merit rating, their hopes

were dashed when most states failed to exercise these options—at least into the 1940s. Thus when Skocpol and collaborators turn to state-level implementation shortly after the passage of the Social Security Act, they find that employers were flattened by the combined forces of organized labor, professional reformers, and electoral politicians. With Amenta and others, Skocpol argues that in the five states they look at, organized business opposed all legislation, especially when it provided for pooling, with the exception of the Boston Chamber of Commerce. Here, ironically, she switches position in arguing that the widespread success of statewide pooling systems demonstrates the weakness of the corporate liberals, having once argued that they valued the uniformity pooling would give. Also, for evidence supporting “class-conflict theories” (posing an empowered labor movement against politically neutralized capital), they cite the fact that the New York law “provided benefits to strikers that could help unions prolong strikes.”¹²¹

Available evidence suggests that state-level cross-class alliance making needs to be included in explanations of these outcomes. Governors and state legislators responding to well-articulated union pressure for the “Ohio” or statewide pooling option were probably anticipating *post facto* alliances with politically influential industries in their states—especially unstable industries like rubber, construction, mining, textiles, and clothing. These industries proved to favor the cross-subsidization that most—but not all—BAC liberals objected to, and may have enjoyed better leverage through state-level politics and institutions than at the national level.¹²² One BAC liberal who actually preferred the Ohio plan was Paul Litchfield, president of Akron, Ohio’s Goodyear. Speaking for investment goods industries like rubber, as well as others suffering heavy cyclical and seasonal unemployment that “good management” could exercise little control over, he argued that the Wisconsin system “would bear with too great harshness” upon them.¹²³

In Pennsylvania, where coal mining was still a politically if not economically important industry, politicians may well have been counting on support from mine operators for its unemployment legislation, which most other employers apparently fought, at least initially. Company reserves and experience or merit rating were initially not permitted in the first state legislation passed pursuant to the Social Security Act. Therefore the “sick” mining industry was favored at the expense of more stable or growing sectors. Conflict between coal operators and other employer groups over reform of the system in following years continued, with the industry and its union often lining up against their class compatriots. Another interesting example was Rhode Island, where employers from the ailing textile industry and its important, but highly seasonal, jewelry industry successfully joined forces with labor in sharp conflict with other employers on the issue. State-level cross-class alliance politics also affected post-New Deal outcomes in Utah, where steel, oil, retail merchandising, and auto dealers clashed with mining and seasonal industries like construction favoring the more liberal pooling system;

in California, the “high-cost” industries like motion pictures and retail trade lined up against “low-cost” employers like California’s economically weighty utilities.¹²⁴

The New York case is worth dwelling on. Its 1935 legislation explicitly rejected all “prevention” features, and thus was designed to subsidize the highly seasonal garment industry with, among other features, a single, statewide pool. In other words, firms and industries with stable employment would support the clothing industry by supplementing its workers’ incomes during slow periods and thereby relieve some wage pressures and reduce conflicts. It would also help keep good workers on hand when production picked up again. The fact that Governor Lehman changed his initial opposition to the pooling system, bucking the influence of big New York progressive business supporters of company reserves like Eastman Kodak, Endicott Johnson, and General Electric, was probably due to his partiality to the garment industry, not just garment *workers*. This would not be surprising, since it was the largest single industrial branch in the state, employing 10 percent of all workers covered by the system, and bringing in revenue from far beyond New York’s borders. Twice he vetoed “merit-rating” amendments in 1939 and 1940. In any event, whether he expected it in advance or not, Lehman was to receive support from one sector of the business community, clothing, which “had labor’s viewpoint on many crucial issues” including statewide pooling instead of company reserves. Here was a cross-class alliance well-tailored to New York State’s political economy.¹²⁵

Even the strike-benefit feature, which on the face of it makes the New York legislation look deceptively like the result of working-class pressure alone, needs reinterpretation. In the garment industry, as a matter of fact, larger and more established garment makers dominating employers’ associations often welcomed the strategic use of strikes to reduce overproduction, impose wage standards, and punish violations of multiemployer agreements. Fully endorsing strikes as the ultimate enforcement tool against their competitors, they often refused to do work on contract for struck firms, assisted in the planning and financing of strikes, and in their contracts explicitly exempted general organizing, strikes from no-strike clauses. They would sometimes collude in the planning of general strikes that would shut down member firms for a couple of days only, but unorganized employers for the duration, to help drive workers into the union and force union terms on competitors.¹²⁶ Unions, however, could not always afford strikes; subsidizing strikes with unemployment benefits would have helped them assist employers seeking the market control benefits of strong unions and collective bargaining.

Finally, the New York retailers’ association supported the law (a fact overlooked by Amenta et al.) in part because it would stabilize demand.¹²⁷ These same big retailers sometimes applauded and even aided in unionization of the garment industry, as for example when Louis Kirstein of Filene’s used his commercial

leverage for his decisive support in helping the ACW organize the men's garment industry in Rochester, New York, in 1919.¹²⁸ Perhaps they anticipated that by increasing the effectiveness of collusive strikes, unemployment insurance might help secure overall peace and stability in the collective bargaining system, thus stabilizing the supply of clothing to meet the stabilized demand.

New York was probably extreme in its insistence on pooling and unemployment benefits to strikers because of the peculiarities of the garment industry. Joining other states in moves away from a pure pool system toward the prevention idea probably had to await the decline in importance of that industrial sector. By 1942, 34 states had introduced experience rating, which had been aggressively promoted by the National Association of Manufacturers. This may help explain why the NAM was able to find so much belated satisfaction in the law around this time, as discussed earlier. Its full conversion to the merit rating idea came at roughly the same time that many state legislatures were also moving in that direction. The NAM's earlier hesitation stemmed from divisions among the membership between those with greater instability in employment due to uncontrollable seasonal and other factors and those with greater stability, both real and potential.¹²⁹

Ultimately, business pressure, possibly also in cross-class alliance with labor interests organizationally aided by the Wagner Act in firms with well-developed internal labor markets (i.e., stable employment relations), recovered the advantage for the prevention idea.¹³⁰ In New York, George Meany of the plumbers' union, whose members were relatively immune to seasonal unemployment compared with outdoor workers in the building trades, took a conciliatory posture on the merit-rating question. While his move out of New York in 1940 to the AFL leadership in Washington possibly delayed adoption of merit rating in New York, it may have helped swing the pendulum nationwide to the prevention idea.¹³¹ A durable cross-class alliance finally emerged, as anticipated, with some unexpected twists and turns along the way, and explainable only with reference to the interests of both capital and labor.

OTHER THEORIES: STRUCTURAL MECHANISMS AND INSTRUMENTAL PRESSURE

Institutionalist theory about the New Deal that emphasizes the autonomous and mediating role of state structures and progressive state builders has misconstrued the autonomy of reformers and the failures of corporate liberals, ignoring the role of both signalled and anticipated business interests in the regulatory advantages of social legislation, and focusing almost exclusively on popular working-class demands. Competing theories about major social policy reform in America, based either too heavily on impersonal structural mechanisms operating in capitalist society or on the conscious intervention of individual capitalists, also make a number of errors avoided by the regulatory cross-class alliance argument.

Class Conflict and Business Confidence

One of the most important and influential theoretical treatments of major social policy reforms in America is that of Fred Block.¹³² His neo-Marxist attempt to explain capitalist reform shares to a certain extent Skocpol's focus on the independent role of what he calls "state managers" (politicians and reformers with their own state-building agendas), but attributes far greater importance to class struggle as the major "structural mechanism" bringing reforms into being. Here, Block can justifiably rest his case on the effects of increased labor militancy, ideological mobilization on the left, and the huge electoral swing in 1934 to the advantage of liberal Democrats in Congress and their progressive reform mood.¹³³ But his theory also purports to explain major reform breakthroughs like the New Deal with reference to the role of economic depressions in neutralizing the obstructionary, conservative force of his other "major structural mechanism." This mechanism, operating more effectively during normal economic times, is the veto power capitalists exercise over the acts of politicians when their acts undermine "business confidence" and therefore weaken their own electoral and fiscal support base.

The ability of capitalists to reduce investments in states (and countries) where invasive reforms take place, and move capital across political jurisdictions, is what gives them this unique veto power. Capitalists exercise this unique power without votes, without organization, and even without the conscious intention or expectation of influencing public policy.¹³⁴ During depressions, however, according to Block, "low levels of economic activity mean that the threat of declining business confidence loses its power, at the same time that popular demands for economic revival are strong. In such periods, the state managers can pay less attention to business opinion and can concentrate on responding to the popular pressure, while acting to expand their own power." After economic recovery, however, business confidence revives as a force in favor of capitalists' interests in rolling back reforms, which they partially achieve "through intense political struggle."¹³⁵

Evidence and arguments developed above indicate a number of problems. Overall, a reactionary political struggle obviously did not ensue, and even the NAM played a progressive role in supporting developments in the Social Security Act. Only in the case of the campaign for Taft-Hartley revisions of the NLRA does Block's prediction seem valid. But the cross-class alliance argument explains the variation in ways that Block does not, for the revisions involved aspects of the labor legislation that did not offer clear regulatory advantage or market control, but rather threatened managerial autonomy and protected highly disruptive union practices (the closed shop, unionization of supervisory personnel, jurisdictional strikes, election of Communist officers, wildcat strikes, bribery, and extortion).¹³⁶ A more serious problem is that Block neglects to note that depressions give many capitalists *heightened interests in progressive reform* rather than (or perhaps in

addition to) weakening or neutralizing their impersonal, structural mechanism of resistance.

This mistake arises from Block's exclusive focus on endemic class struggle between workers and capitalists during depressions and total neglect of the fierce internecine struggle over dwindling profits and business survival among capitalists. It also derives from his exclusive focus on the veto power of capital flight, while neglecting the mobility of low-priced goods across vast territory in integrated product markets. By intensifying this product market competition, depressions heighten business interests in regulating labor-related costs of production. Observing cut-throat, ruinous competition over scarce demand and dwindling product markets (where workers as innocent bystanders are of course by far the most victimized), politicians and reformers then seize the conjunctural opportunity not to harness the working class to their state-building projects because capitalists are collectively at bay, but to arrange cross-class alliances behind social policy and divide capitalists among themselves over market control strategy that some favor and others oppose. Some of these capitalists—especially retailers as the American case showed—also favor social policy as a source of demand stabilization and stimulus, and signal interest in an alliance for market as well as social security. Thus the same economic events simultaneously engender class conflict and recognition of mutual cross-class interests in regulation of cut-throat competition through social legislation.

Instrumental Pressure

While proposing problematic alternatives, both Skocpol and Block fairly criticize another radical line of argumentation, which suggests that because important businessmen, especially among leading manufacturers and bankers, supported the New Deal, they were therefore somehow instrumentally decisive in its realization. Much of this literature, identifying individual businessmen or business sectors supportive of various aspects of the New Deal, suffers from a failure to deal with a major methodological problem: the need to specify and empirically substantiate the operation of mechanisms that indicate when correlation (i.e., between support for legislation and the legislation that actually results) is also causation.¹³⁷ Thomas Ferguson is one who writes in this tradition who at least ventures to specify some mechanisms. Above all, according to Ferguson, even more than the “transfer of money” to electoral politicians, it is “the power major businessmen have to influence associates and cultural institutions, especially the media.”¹³⁸ On the other hand, Ferguson's approach only shifts the problem to one of identifying why some money and cultural institutions prove more effective than others, for business money flowed in great amounts both with and against the currents of progressive reform. Indeed, in 1935, Roosevelt was deeply convinced that the press was more an enemy than friend.¹³⁹

In principle, Ferguson's analysis of the New Deal reform process can deal with this problem to the extent it implies a cross-class alliance, where labor and progressive reformers threw their pivotal weight behind the liberal corporate executives. However, he still suggests that businessmen were instrumentally and decisively the makers of change. Also, he fails to capture the regulatory underpinnings of the cross-class alliance. Here, the problem starts when he compacts practically all of the New Deal, and more, from 1935 onwards, into a single package, including everything from the Wagner and Social Security Acts through bank regulation and foreign economic policy. The decisive business groups in his analysis are free-trading "internationalists," and especially the dynamic and highly competitive capital-intensive ones among them.¹⁴⁰ The New Deal, thus characterized, becomes one omnibus log-rolling process, whereby in exchange for Roosevelt's efforts to promote some American business interests in open international trade, those companies among them that were less "labor sensitive"—relatively indifferent to labor costs and related product market problems in the domestic scene—lined up decisively behind the Social Security Act and the Wagner Act.

Ferguson attaches virtually no importance to business interests in regulation of domestic product market competition through the imposition of floors on labor and social costs. These were in fact interests shared by all employers in all kinds of sectors, from huge, capital-intensive welfare capitalists in oil (like Teagle of Jersey Standard) and electrical engineering (like Swope of G.E.) engaged in international competition, to small, relatively labor-intensive garment manufacturers and coal mining operations concerned largely about intense home market competition. Standard Oil of New Jersey and G.E., of course, just like garment and textile manufacturers, worried a great deal about low-wage, low-price competition in the national product market. The big oil producer was pestered by the numerous "independents" and their substandard labor practices, and G.E. was far from invulnerable to low-wage, substandard competitors in the new yet unsteady mass market for home appliances and other electrical goods. The garment and coal industries, of course, were by and large labor intensive, and their mostly supportive (or at least silent) response to the New Deal can easily be accounted for. Ferguson fails to mention these industries entirely; nor does he mention construction, which is labor intensive, practically exclusively engaged in domestic, even local, competition, and an enormous beneficiary of New Deal public works and other support.¹⁴¹

Ferguson fails also to mention the more capital-intensive big retailers, desiring loyal, efficient, and therefore high-cost employees who worried about covering high fixed costs with high and stable demand. Yet they faced intense domestic competition from low-wage smaller retailers, prepared to lay off and hire as demand permitted, and less concerned about high real estate and other fixed costs.

It is therefore probably true that *within* sectors, the capital-intensive firms were the most supportive of social security reforms. But this was not because they were indifferent to labor costs, for they were deeply concerned about holding their own down, and only grateful when their competitors' costs could be increased. For example, some major northeastern textile executives, operating in a highly labor-intensive industry, and as Ferguson argues, trying to compete with low-wage southern competitors on the basis of more advanced "best practice" techniques, were supportive of the New Deal. He muses, however, that were it not for their social contact with progressive businessmen from other sectors that fit his argument better (through the Taylor Society, whose managing director, H. S. Person, favored obligatory unemployment insurance), their support was "otherwise inexplicable." The argument presented here makes their support as easy to explain as Jersey Standard's and G.E.'s.¹⁴² They simply wanted to level the competitive playing field.

Finally, Ferguson fails to specify any regulatory logic in the opposition to the New Deal from what he calls "nationalist" sectors—those seeking shelter from increasingly threatening world competition. Here, opposition among capital-intensive producers to the New Deal (in its entirety) supposedly was a response to Roosevelt's increasingly internationalist objectives—i.e., things not usually regarded as part of the New Deal, strictly speaking—not because of any particular features of social or labor legislation. One example should help illuminate the problem here. The fact, cited above, that the segment of the paper industry most vulnerable to foreign competition—newsprint—was more hesitant to support social legislation only superficially supports Ferguson's argument. Newsprint producers actually had a more direct and specific reason than lack of international ambitions for opposing the New Deal in parts or in its entirety: the relatively low wage costs of foreign producers newly entering the international market. Even on these dimensions Swope himself betrayed his own ambivalence in the addendum to his famous plan, which called for abatement of social security taxes on any portion of business activity subject to competition from foreign firms not similarly compelled to internalize the social costs of production.

Probably the best existing work on the character and significance of business support for the social and labor policy components of the New Deal, compared with works by Skocpol, Block, Ferguson, and others, is by historian Colin Gordon. Drawing on voluminous archival research, Gordon concludes that "Federal social security and labor law grew directly from the search for competitive order," a formulation that is broadly consistent with the economic logic of the cross-class alliance argument developed here. In other words, social security legislation "was largely an effort (made more urgent by the Depression) to 'even out' the competitive disparities resulting from two decades of private and state-level experimentation with work benefits."¹⁴³ Furthermore, in contrast to Ferguson, Gordon argues that reform was "driven more by the competitive anxieties of a wide range of

business interests” and not the result of “the ideological and political power of a few corporate interests or the ascendance of certain types or groups of industries.”¹⁴⁴

Strangely, Gordon asserts without documentation that business opposition to the Social Security Act “spread quickly after 1935 and by the late 1930s had found a voice among some of the earliest and strongest proponents.” This contrasts sharply with the NAM positions and the *Fortune* survey discussed earlier, along with Marion Folsom’s recollection in 1965 that it only “took several years to get the business community sold” on social security.¹⁴⁵ A more significant problem with Gordon’s analysis is his frequently repeated claims that the New Deal was “business driven” and “a creature of business demands.” Businessmen, Gordon says repeatedly in his analysis of the Social Security Act, “demanded” that government “compel marginal competitors to respect standard labor costs and trade practices,” and “pressed,” “lobbied,” or “pushed” for comprehensive federal law to “regulate competition by imposing higher labor costs on their rivals.”¹⁴⁶ In short, the Social Security Act “was largely the work of a motley coalition of business interests grasping for solutions to the ravages of economic competition and federated economic regulation.”¹⁴⁷ Despite his abundant archival evidence showing that many businessmen clearly signalled theirs and others’ amenability to an arranged alliance, and that others helped in generating ideas about how to shape legislation that would generate such an anticipatory *post facto* alliance, Gordon unearths virtually no evidence of direct pressure—that is to say, that threats were made or rewards offered, either explicitly or implicitly. Like Ferguson, he fails to show or argue why pressure for reform, even if it was there, beat out business pressure against it, which was probably much more organized and intense.

CONCLUSION: “THE HISTORY OF ALL SOCIAL POLICY ACTS”?

The American story of *post facto* cross-class alliances for social reform actually begins as early as the late nineteenth century, when among the most forceful defenders of local outdoor poor relief were small businesses, merchants, and even manufacturers, according to historian Michael Katz.¹⁴⁸ But Katz does not argue that these same businessmen were prime movers in introducing poor relief. The history of the progressive era social legislation, and then the New Deal, suggests they probably would not have been. Progressive reformer and cross-class alliance maker John Commons argued that employers do not normally open their minds to legislated social reform “until they are faced by an alternative which seems worse to them than the one they ‘willingly’ accept.”¹⁴⁹ Indeed, some politically active American employers probably felt moved to voice open support for social insurance in the 1930s only after having witnessed the impressive popularity of the Townsend movement’s radical plan for old-age pensions, the Democrat’s 1934

electoral sweep and their readiness to consider seriously things like Senator Black's radical bill limiting working hours to thirty per week. Some, of course, would have experienced creeping anxiety about the consequences of a polarized American society, complete with worker militants marching behind the banners of communism and the success of demagogues like Huey Long of Louisiana.¹⁵⁰

As a reform practitioner, Commons knew that while some businessmen might need to be frightened into accepting reform, their conversion after the fact was essential to the success and durability of the reform once the social emergency and the radical threat it occasioned had passed. His formula for ensuring these things was to incorporate business as well as labor influence into the administration and adaptation of social legislation over time. Isaac Rubinow, a contemporary and equally passionate reform intellectual, shared Commons's faith, based on experience early in the century with workmen's compensation, that "the employing class" would be "frankly antagonistic" at first. However, later they would come around, as they did in the past, when they "learned to accept its value and sometimes—sometimes—[were] honest enough to admit it."¹⁵¹ Their wisdom was passed along to New Deal reformers, as no doubt Marion Folsom, the leading New Deal corporate liberal, and later a cabinet member in the Eisenhower administration, did through the 1950s and even the 1960s. In 1965, the year that Medicare passed, Folsom noted that as a rule business people were resistant; when finally they "think it through," they would come around, he accurately predicted.¹⁵²

Franklin Roosevelt clearly understood the dynamics of reform politics after legislation was passed, and consciously designed his own strategies in that light. As New York governor, Roosevelt had once vetoed a bill passed by the state legislature allowing private insurance companies to enter the unemployment insurance business, hoping instead on passing the kind of progressive and compulsory solution eventually signed by his successor Herbert Lehman. "It is fairly obvious that if private corporations are permitted now to begin to write unemployment insurance, this will make it impossible to have the full and free consideration of other methods," he stated, adding that "they will hereafter claim a kind of vested right in this business."¹⁵³

These observations suggest that, despite criticisms above, the literature on the mediative effects of institutions on policy making can yet offer some help in explaining the development of social security in the United States. It can do so with attention to the role of "policy feedback" anticipated and instrumentally manipulated by political entrepreneurs like Roosevelt or Wagner. In other words, reformist politicians, responding to their own agendas and popular pressures, anticipate the supportive, stabilizing effect of the institutionalization of *post facto* cross-class coalitions they arrange with business and working-class interests.¹⁵⁴ Even Skocpol applies this kind of logic to European welfare states, which she says were political elites' efforts at "anticipatory political incorporation of the

industrial working class.” The evidence suggests her speculative insight needs extension to business—in the United States and probably in Europe as well.¹⁵⁵ In short, the consequences of social policy—policy coalitions—are in a real sense also their causes. However, the argument avoids any crude functionalist fallacy by taking into account the agency of cautious, but forward-looking political entrepreneurs who create these alliances to anchor policy in broad-based vested interests that might even rise later in its defense.¹⁵⁶

This history of the building of the American welfare state suggests that studying political reformers’ strategic anticipation of supportive capitalist preferences can bring us closer to a true assessment of the character and extent of capitalist power.¹⁵⁷ With it, we approach a better understanding of the limited, but important, role of corporate liberals, who signal to politicians responding to mass popular and electoral pressures what kind of policy might endure when that pressure subsides. The analysis of anticipated cross-class alliances thus steers a clear path between theories that exaggerate the instrumental importance of businessmen in shaping social policy and theories that dismiss this role. In other words, the analysis tells us that corporate interests are not the *deus ex machina* that decides the exact fate of social reform. But the analysis also steers us clear of the conclusion that capitalists are politically weak—this can be crudely inferred from the gap between the reactionary demands of ideologically motivated business leaders and progressive legislative outcomes.

In the political economy of major social policy reform, neither capital nor labor imposes its will and interests over the other. The real instrumental agents are politicians and institution builders, but rarely do they choose to act as if they can operate with much autonomy from the market interests in which durable and robust policy must be anchored. This conclusion would appear to apply with at least some certainty to social reforms that impinge on labor market processes, and because of that, on other markets. By better situating the role of businessmen and markets in the making of the New Deal, the cross-class alliance argument more clearly illuminates the limits and possibilities of reform in capitalist society.

NOTES

1. Bigger companies were more supportive of social security and the new labor law; smaller ones tended to favor wage and hour regulation. The closed shop, encroachments on managerial control, violence, and racketeering probably made unions most unappealing, not their wage effects. “What Business Thinks,” *Fortune*, October 1939, 52, 90, 92.

2. NAM Press Service, “Proposed Amendments to the Social Security Act: Statement by Walter D. Fuller before Finance Committee of the United States Senate, June 14, 1939,” NAM I/Box 209, Hagley Museum and Library, Wilmington, DE; “Federal Social Security Amendments Proposed: Address by Walter D. Fuller before the State Associations Group” [no date, probably summer 1938], NAM I/Box 209, Hagley.

3. “Current NAM Positions on Federal Program for Old Age and Survivors Insurance,” NAM I/Box 209, Hagley. For membership figures, see Richard W. Gable, “A

Political Analysis of an Employers' Association: The National Association of Manufacturers" (Ph.D. diss., University of Chicago, September 1950), 190-92.

4. "A 'New' C. of C.," *Business Week*, 8 August 1942, 19; "Interview with Marion Folsom" (Social Security Project, Columbia University Oral History Collection, 1965, typescript), 75-76. Folsom recalled incorrectly, however, that NAM did not come around until later in the 1940s.

5. "Comparison: Present NAM Positions on Recommendations Advanced by the Social Security Administration," 10 March 1948, NAM I/Box 105, Hagley. This position was objected to by the Associated Industries of Alabama, "Resolution Adopted by Board of Directors, August 13, 1948," NAM I/Box 209, Hagley; NAM, *National Conference on Unemployment Compensation: Proceedings, Washington, DC, October 29, 1965* (New York: National Association of Manufacturers, 1965), 15; "Interview with Folsom," 76.

6. See, for example, Frances Fox Piven and Richard A. Cloward, *Poor People's Movements: Why They Succeed, How They Fail* (New York: Pantheon Books, 1977); Michael Goldfield, "Worker Insurgency, Radical Organization, and New Deal Labor Legislation," *American Political Science Review* 83, no. 4 (December 1989): 1257-82.

7. Use of the term *regulatory* is borrowed from Colin Gordon, *New Deals: Business, Labor, and Politics in America 1920-1935* (Cambridge: Cambridge University Press, 1994), 35-165, who makes a similar argument (discussed below). See also Jill Quadagno, *The Transformation of Old Age Security: Class and Politics in the American Welfare State* (Chicago: University of Chicago Press, 1988) and "Welfare Capitalism and the Social Security Act of 1935," *American Sociological Review* 49, no. 5 (October 1984): 732-47.

8. Gabriel Kolko, *The Triumph of Conservatism: A Reinterpretation of American History, 1900-1916* (New York: Free Press, 1963), 3. See also *Railroads and Regulation* (Cambridge, MA: Harvard University Press, 1965).

9. See his *Main Currents in American History* (New York: Harper & Row, 1976).

10. Senate Committee on Education and Labor, *To Create a National Labor Board: Hearings on S. 2926: Hearings before the Committee on Education and Labor*, 73d Cong., 2d sess., 1934, 374-75. According to the NAM, "The advancement of workmen's compensation at the state legislative level was generally the work of state manufacturers associations." NAM, *National Conference on Unemployment Compensation*, 3.

11. On the NAM, see James Weinstein, *The Corporate Ideal in the Liberal State 1900-1918* (Boston: Beacon Press, 1968), 47-48, and Roy Lubove, *The Struggle for Social Security 1900-1935* (Pittsburgh: University of Pittsburgh Press, 1986), 55. Wagner's recollections are supported by Robert F. Wesser, "Conflict and Compromise: The Workmen's Compensation Movement in New York, 1890s-1913," *Labor History* 12, no. 3 (Summer 1971): 345-72. The Washington case by contrast seemed to involve cross-class "cooperation between organized labor and employers in the lumber industry anxious to rid themselves of personal injury litigation." Joseph F. Tripp, "An Instance of Labor and Business Cooperation: Workmen's Compensation in Washington State (1911)," *Labor History* 17, no. 4 (Fall 1976): 530-50.

12. Ernest Draper, "Industry Needs Unemployment Reserves," *American Labor Legislation Review* 22, no. 1 (March 1932): 31.

13. I. M. Rubinow, *The Quest for Security* (New York: Henry Holt, 1934), 89, 102.

14. John R. Commons, "Constructive Investigation and the Industrial Commission of Wisconsin," *Survey* 29, no. 14 (4 January 1913): 445.

15. Senate Committee on Education and Labor, *To Create a National Labor Board*, 375.

16. Theda Skocpol, *Protecting Soldiers and Mothers: The Political Origins of Social Policy in the United States* (Cambridge, MA: Harvard University Press, 1992), 401, 411-12, 417.

17. Felix Frankfurter, Mary Dewson, and John R. Commons, *State Minimum Wage Laws in Practice* (New York: National Consumers' League, 1924), 9, 60. In Washington state, organized employers were largely indifferent because agriculture and canning, the major employers of women, were exempted. Joseph F. Tripp, "Toward an Efficient and Moral Society: Washington State Minimum Wage Law, 1913-1925," *Pacific Northwest Quarterly* 67 (1976): 101.

18. Frankfurter, Dewson, and Commons, *State Minimum Wage Laws in Practice*, 50, 60, and generally 44-70. Dewson sat on the advisory committee to Roosevelt's Committee on Economic Security (see below), which drafted the Social Security Act.

19. Victor P. Morris, *Oregon's Experience with Minimum Wage Legislation* (New York: Columbia University Press, 1930), 213-22.

20. Quoted in Tripp, "Toward an Efficient and Moral Society," 100.

21. NAM, *Thirty-Ninth Annual Convention*, Waldorf-Astoria, New York, 5-6 December 1934, 149-206, imprints collection, Hagley. See also "Text of New Parts of Recovery Platform Adopted by Manufacturers' Association," *New York Times*, 7 December 1934.

22. Many employers had once insisted that minimum wage laws would be unnecessary "if the Sherman Anti-Trust Law were amended to permit voluntary agreements on prices, production and allocation of territory between competitors," because "they would be able to eliminate 'destructive competition' and pay higher wages." "Are Minimum Wage Laws Needed?" *Information Service* 12, no. 21 (17 May 1933): ??.

23. Steven Fraser, *Labor Will Rule: Sidney Hillman and the Rise of American Labor* (New York: Free Press, 1991), 391-411.

24. Philip Burch, *Elites in American History: The New Deal to the Carter Administration* (New York: Holmes & Meier, 1980), 38.

25. Edward Filene, "The Minimum Wage and Efficiency," *American Economic Review* 13 (September 1923): 411; "Good Business," *Survey* 50 (15 May 1923): 219-20.

26. Louis Galambos, *Competition and Cooperation: The Emergence of a National Trade Association* (Baltimore: Johns Hopkins University Press, 1966), 173-202.

27. Frances Perkins, *The Roosevelt I Knew* (New York: Viking Press, 1946), 257.

28. Black and Connery had earlier proposed the unsuccessful bill limiting work to thirty hours per week, "a measure cut to fit the needs of the textile and clothing trades." Gordon, *New Deals*, 169-70. As Gordon points out, businesses outside these industries were not against standards; they just wanted to set their own.

29. James A. Hodges, *New Deal Labor Policy and the Southern Cotton Textile Industry 1933-1941* (Knoxville: University of Tennessee Press, 1986), 181; Stanley Vitztoz, *New Deal Labor Policy and the American Industrial Economy* (Chapel Hill: University of North Carolina Press, 1987), 21-33, 119-34. In coal mining, the Guffey-Vinson Act of 1937 was similarly founded on a cross-class alliance of bituminous mine operators and workers desiring to impose competitive wage (and price) standards on shared enemies, low-wage mines and miners, principally in West Virginia and Kentucky. John Bowman, *Capitalist Collective Action: Competition, Cooperation, and Conflict in the Coal Industry* (Cambridge: Cambridge University Press, 1989), 203-10.

30. Hodges, *New Deal Labor Policy*, 50; Fraser, *Labor Will Rule*, 411. Before public deliberations over the NRA textile code in 1933, Frances Perkins had to coach Thomas

McMahon of the United Textile Workers of America not to ask for less in the way of hour reductions than the employers were planning to propose. During the deliberations the employers' Cotton Textile Industry Committee embarrassed the AFL's Green by taking the initiative in proposing the abolition of child labor in the industry by the NRA. Perkins, *The Roosevelt I Knew*, 224.

31. Between 1898 and 1914, six states had passed such legislation to create a level playing field and stabilize cut-throat, unscrupulous competition in bidding and other practices. Mark Erlich, *Labor at the Ballot Box: The Massachusetts Prevailing Wage Campaign of 1988* (Philadelphia: Temple University Press, 1990), 18-20.

32. "Operation of Unemployment-Benefit Plans in the United States Up to 1934," *Monthly Labor Review* 38, no. 6 (June 1934): 1315-16; Daniel Nelson, *Unemployment Insurance: The American Experience 1915-1935* (Madison: University of Wisconsin Press, 1969), 88-90.

33. Gordon, *New Deals*, 252.

34. J. Joseph Huthmacher, *Senator Robert F. Wagner and the Rise of Urban Liberalism* (New York: Atheneum, 1968), 47-48, 341.

35. Dwight Edwards Robinson, *Collective Bargaining and Market Control in the New York Coat and Suit Industry* (New York: Columbia University Press, 1949), 4, 52, 59-61, 71, 98, 148; Raymond Munts and Mary Louise Munts, "Welfare History of the I.L.G.W.U." *Labor History* 9, Special Supplement (Spring 1968): 86; Robert P. Ingalls, *Herbert H. Lehman and New York's Little New Deal* (New York: New York University Press, 1975), 7, 134-36. According to Lehman, who "maintained very close relationships both with labor and with industry," of all the social and labor legislation passed while he was governor, "not a single one of them—with perhaps the exception of injunctions—would be repealed now if the employers themselves had the decision." "Reminiscences of Herbert H. Lehman" (Columbia University Oral History Collection, 1972), 363, 452.

36. Nelson, *Unemployment Insurance*, 120.

37. *Ibid.*, 104-28.

38. *Ibid.*, 122, 128; Senate Committee on Finance, *Economic Security Act: Hearings before the Committee on Finance*, 74th Cong., 1st sess., 1935, 516-22.

39. "Operation of Unemployment-Benefit Plans," 1289.

40. Gerard Swope, *The Swope Plan: Details, Criticisms, Analysis* (New York: The Business Bourse, 1931) 25-27, 43-45, and "Stabilization of Industry," in Charles A. Beard, ed., *America Faces the Future* (Boston: Houghton Mifflin, 1932), 184. See also David Loth, *Swope of G.E.: The Story of Gerard Swope and General Electric in American Business* (New York: Simon & Schuster, 1958), 201-15; Kim McQuaid, "Young, Swope and General Electric's 'New Capitalism': A Study in Corporate Liberalism, 1920-33," *American Journal of Economics and Sociology* 36, no. 3 (July 1977): 323-35; and "Competition, Cartellization and the Corporate Ethic: General Electric's Leadership During the New Deal Era, 1933-40," *American Journal of Economics and Sociology* 36, no. 4 (October 1977): 417-28.

41. Loth, *Swope of G.E.*, 233-39; Perkins, *The Roosevelt I Knew*, 278-301; Edwin Witte, *The Development of the Social Security Act* (Madison: University of Wisconsin Press, 1962), 47-76; Theron F. Schlabach, *Edwin E. Witte: Cautious Reformer* (Madison: State Historical Society of Wisconsin, 1969), 99-131; Daniel C. Roper, *Fifty Years of Public Life* (Durham: Duke University Press, 1941), 404-7. On Leeds, see Walter Licht, *Getting Work: Philadelphia, 1840-1950* (Cambridge, MA: Harvard University Press, 1992), 189-93.

42. See Draper, "Industry Needs Unemployment Reserves."

43. Paul W. Litchfield, "Paying the Bills for Social Insurance," *Today*, 9 February 1935, 3-4 (*Today*, which merged with *Newsweek* in 1937, was edited by FDR advisor and speechwriter Raymond Moley, who was also a member of the CES advisory committee). Arthur Altmeyer, "Reminiscences" (Social Security Project, Columbia University Oral History Collection, 1966), 149.

44. G. William Domhoff, *The Power Elite and the State: How Policy Is Made in America* (Hawthorne, NY: Aldine de Gruyter, 1990), 57; Witte, *The Development of the Social Security Act*, 29.

45. "Annual Report of the Special Conference Committee, 1934," Harrington Papers, Box 19, Hagley.

46. See Robert M. Collins, *The Business Response to Keynes, 1929-1964* (New York: Columbia University Press, 1981). Albert L. Deane of General Motors Assistance Corporation (GMAC), whose purpose was to help arrange financing for car purchases by people with modest incomes, did, however, propose a tax on overtime in manufacturing to finance unemployment benefits and induce manufacturers to even out production. See Robert G. Elbert, *Unemployment and Relief* (New York: Farrar & Rinehart, 1934), 127-30. See also Michael J. Piore and Charles F. Sabel, *The Second Industrial Divide: The Possibilities for Prosperity* (New York: Basic, 1984), 73-104, who suggest that Keynesian macroeconomic regulation was a solution more or less accepted after the fact, rather than politically engineered by, mass production industry.

47. Testimony of Samuel W. Reyburn and Albert D. Hutzler, in Senate Committee on Finance, *Economic Security Act*, 702-13, 802; Joseph M. Becker, *Shared Government in Employment Security: A Study of Advisory Councils* (New York: Columbia University Press, 1959), 205, 247, 349.

48. Joseph Frazier Wall, *Alfred I. du Pont: The Man and His Family* (New York: Oxford University Press, 1990), 290-92, 515.

49. *Ibid.*, 523-33, 542-43, 547-49. Pierre Du Pont was a key figure behind the American Liberty League, about the most shrill and alarmist organ of business opposition to the New Deal around.

50. Thomas Ferguson, *Golden Rule: The Investment Theory of Party Competition and the Logic of Money-Driven Political Systems* (Chicago: University of Chicago Press, 1995), 210. Cf. Michael J. Webber's critique based on the number, not amount, of individual (often small) contributions, as opposed to large company contributions, favoring Republicans, in "Business, the Democratic Party, and the New Deal: An Empirical Critique of Thomas Ferguson's 'Investment Theory of Politics,'" *Sociological Perspectives* 34, no. 4 (1991), 486-87.

51. Letters to Malcolm Muir, President of McGraw Hill Publishing Co., New York, submitted with statement of L. C. Morrow of McGraw-Hill, editor of *Factory Management and Maintenance*, and representing the National Publishers' Association, in Senate Committee on Finance, *Economic Security Act*, 795-99.

52. *Ibid.*, 796-801, 918-19.

53. Edgerton quoted in Swope, *The Swope Plan*, 53.

54. Senate Committee on Finance, *Economic Security Act*, 284.

55. "Statement of H. Walter Forster, Life Insurance and Pension Division of Towers, Perrin, Forster & Crosby, Inc.," in Senate Committee on Finance, *Economic Security Act*, 659-69; Frank R. Dobbin, "The Origins of Private Social Insurance: Public Policy and Fringe Benefits in America, 1920-1950," *American Journal of Sociology* 97, no. 5 (March 1992): 1416-50. Cf. David Brody, "The Rise and Decline of Welfare Capitalism," in John Braeman et al., eds., *Change and Continuity in Twentieth Century America: The 1920's*

(Columbus: Ohio State University Press, 1968), 147-78; Stuart Brandes, *American Welfare Capitalism 1880-1940* (Chicago: University of Chicago Press, 1976).

56. Dobbin, "The Origins of Private Social Insurance," 1425. Big department stores like Lord & Taylor's and Hearn's in New York were early in developing welfare capitalism. Michael J. Carter and Susan B. Carter, "Internal Labor Markets in Retailing: The Early Years," *Industrial and Labor Relations Review* 38, no. 4 (July 1985): 586-98.

57. Witte, *The Development of the Social Security Act*, 105-6; Schlabach, *Edwin E. Witte*, 150-51.

58. Marion Folsom, "Coordination of Pension Plans with Social Security Provisions," *Personnel* 16 (1939): 41-42; Dobbin, "The Origins of Private Social Insurance," 1432-34.

59. Brown, *An American Philosophy of Social Security: Evolution and Issues* (Princeton: Princeton University Press, 1972), 21-2.

60. Schlabach, *Edwin E. Witte*, 123; Edwin E. Witte, "The Government and Unemployment," *American Labor Legislation Review* 25, no. 1 (March 1935): 8.

61. "Manufacturers, canners, and real-estate operators maintained powerful lobbies at Albany and could always find lawmakers who were willing to sponsor bills that would repeal, or amend into insignificance, the Factory Commission laws." Huthmacher, *Senator Robert F. Wagner*, 9.

62. Jesse Carpenter, *Competition and Collective Bargaining in the Needle Trades 1910-1967* (Ithaca: New York State School of Industrial and Labor Relations, 1972).

63. Herman E. Kroos, *Executive Opinion: What Business Leaders Said and Thought on Economic Issues 1920s-1960s* (New York: Doubleday, 1970), 185; Louise Overacker, "Campaign Funds in the Presidential Election of 1936," *American Political Science Review* 31, no. 3 (June 1937): 485-87.

64. See Bowman, *Capitalist Collective Action*.

65. Some coal operators apparently contributed to the Republicans. Overacker, "Campaign Funds," 488-90. These were in all probability the anti-union breed, possibly from the anthracite and "captive" bituminous mines in the north, and southern bituminous operators in West Virginia and Kentucky.

66. While local contractors' associations often supported collective bargaining, the Associated General Contractors (AGC) opposed the Wagner Act. However, there was much internal division, and labor relations in the 1930s had been mostly a "taboo subject within the association." William Haber, *Industrial Relations in the Building Industry* (Cambridge, MA: Harvard University Press, 1930); Booth Mooney, *Builders for Progress: The Story of the Associated General Contractors of America* (New York: McGraw-Hill, 1965), 85; "Brief Presented in Behalf of the Associated General Contractors of America," in Senate Committee on Education and Labor, *National Labor Relations Board: Hearings before the Committee on Education and Labor*, 74th Cong., 1st sess., 1935, 743-45.

67. J. Joseph Huthmacher, *Massachusetts People and Politics 1919-1933* (Cambridge, MA: Harvard University Press, 1959), 126-34, 146.

68. Senate Committee on Education and Labor, *To Create a National Labor Board*, 1, 267-70, 283.

69. Letter quoted in Gordon, *New Deals*, 215.

70. Curiously, only the testimony of the tobacco producers appeared to have been arranged. Gordon, *New Deals*, 216; Senate Committee on Education and Labor, *National Labor Relations Board*, 212-18.

71. Monthly Meeting, National Industry Conference Board, 14 April 1934, 90, NICB 1057/Box 7/Folder 35, Hagley.

72. Gordon, *New Deals*, 234.

73. Senate Committee on Finance, *Investigation of the National Recovery Administration: Hearings before the Senate Committee on Finance*, 74th Cong., 1st sess., 1935, 1431.

74. Carpenter, *Competition and Collective Bargaining*, 70-78, 113-34, 204-5, 330-61, 447, 551, 807-9, 831.

75. On the NAM/AFL alliance, see especially James Gross, *The Reshaping of the National Labor Relations Board: National Labor Policy in Transition 1937-1947* (Albany: State University of New York Press, 1981).

76. Harry A. Millis and Emily Clark Brown, *From the Wagner Act to Taft-Hartley: A Study of National Labor Policy and Labor Relations* (Chicago: University of Chicago Press, 1950), 289, 378-79. On internal NAM controversy regarding multiemployer bargaining, see "Clarifying Statement Adopted by the Industrial Relations Committee, April 12, 1949 . . .," NAM I/Box 104, Hagley; Earl Bunting (managing director, NAM) to Jack W. Schroeder (general director, Associated Industries of Minneapolis), 19 April 1950, and Schroeder to T. M. Brennan (executive director, National Industrial Council), 9 February 1950, NAM I/Box 202, Hagley; Minutes from Joint Meeting of 17 June 1953, Subcommittee on Labor Disputes & Collective Bargaining and Subcommittee on Manpower, NAM I/Box 291, Hagley; "Study Group on Monopolistic Aspects of Unions 1955," NAM I/Box 28, Hagley.

77. "Without Benefit of NRA," *Wall Street Journal*, 10 June 1935.

78. Vittoz, *New Deal Labor Policy*, 158-64.

79. Richard A. Lauderbaugh, "Business, Labor, and Foreign Policy: U.S. Steel, the International Steel Cartel, and Recognition of the Steel Workers Organizing Committee," *Politics & Society* 6, no. 4 (1976): 451.

80. Letter quoted in Gordon, *New Deals*, 227.

81. Sidney Fine, *Without Blare of Trumpets: Walter Drew, the National Erectors' Association, and the Open Shop Movement, 1903-57* (Ann Arbor: University of Michigan Press, 1995), 269-70; Drew quote from "Proceedings of the National Industrial Council," 22 April 1937, 13, imprints collection, Hagley. See also Lloyd Ulman, "Influences of the Economic Environment on the Structure of the Steel Workers' Union," *Proceedings of the Industrial Relations Research Association* (December 1961): 232-33.

82. Representative statements are in Theda Skocpol, "State Formation and Social Policy in the United States," *American Behavioral Scientist* 35, nos. 4/5 (March/June 1992): 559-84, and "A Brief Reply," *Politics & Society* 15, no. 3 (1986-87): 331-32; Theda Skocpol and John Ikenberry, "The Political Formation of the American Welfare State in Historical and Comparative Perspective," *Comparative Social Research* 6 (1983): 87-148; Theda Skocpol and Kenneth Finegold, "State Capacity and Economic Intervention in the Early New Deal," *Political Science Quarterly* 97, no. 2 (Summer 1982): 255-78; and Theda Skocpol and Edwin Amenta, "Did Capitalists Shape Social Security?" *American Sociological Review* 50, no. 4 (August 1985): 572-75.

83. Schlesinger, in *The Coming of the New Deal* (Boston: Houghton Mifflin, 1959), esp. 301-2, 311-13, 423-88 suggests exclusively antagonistic relations; in the context of social security legislation, he never mentions the supportive role of people like Swope, Folsom, and Teagle. Cf. Kim McQuaid, *Big Business and Presidential Power: From FDR to Reagan* (New York: William Morrow, 1982), 18-61. In *Franklin D. Roosevelt and the New Deal* (New York: Harper & Row, 1963), 165, William Leuchtenburg is almost as one dimensional in his presentation but notes once in passing, without elaboration, that "Even the most precedent-breaking New Deal projects reflected capitalist thinking and deferred to business sensibilities."

84. Walter Dean Burnham, *Critical Elections and the Mainsprings of American Politics* (New York: W. W. Norton, 1970), 55-58; Ronald Rogowski, *Commerce and Coalitions: How Trade Affects Domestic Political Alignments* (Princeton, NJ: Princeton University Press, 1989), 71-72.

85. Labor power at the expense of capital helps explain the relative comprehensiveness of Scandinavian welfare states, according to Skocpol, "State Formation and Social Policy," 567.

86. Skocpol and Amenta, "Did Capitalists Shape Social Security?" 572; Edwin Amenta and Sunita Parikh, "Capitalists Did Not Want the Social Security Act: A Critique of the 'Capitalist Dominance' Thesis," *American Sociological Review* 56, no. 1 (February 1991): 125-26.

87. Skocpol and Amenta, "Did Capitalists Shape Social Security?" 572.

88. Skocpol, "State Formation and Social Policy," 566.

89. "President Rebuffs Business Leaders; Open Break Looms," *New York Times*, 2 May 1935.

90. "Chamber Denounces Plans of New Deal" and "Van Horn Says 'Minority' Uses Chamber as 'Catspaw,'" *New York Times*, 3 May 1935.

91. "The Big Fight," *Business Week*, 11 May 1935, 8-9; "Chamber Denounces Plans of New Deal," *New York Times*, 3 May 1935.

92. "A 'New' C. of C.," 19; "Two Trade Groups Balk," *New York Times*, 15 November 1935. See also *New York Times* stories from 6 and 22 November 1935.

93. Gable, "A Political Analysis of an Employers' Association," 191.

94. "Chamber Distorts Voice of Business," *New York Times*, 4 May 1935.

95. Senate Committee on Finance, *Economic Security Act*, 797; Raymond Moley, "Misrepresenting American Business," *Today*, 11 May 1935, 12-13.

96. "Two Trade Groups Balk." The survey of 1,500 local chambers found them against (1) extension of federal jurisdiction into matters of state and local concern, (2) federal spending without relation to revenues, (3) government competition with private enterprise, and (4) unclear grants of authority to the executive branch, by a ratio of 35 to 1. Not one of the four questions asked concerned the details of social security. "Business Is Voting Against the New Deal," *New York Times*, 11 November 1935; Kroos, *Executive Opinion*, 183-85; Amenta and Parikh, "Capitalists Did Not Want the Social Security Act," 126. On the later survey, see page 67, note 4 here.

97. "Interview with Folsom," 11.

98. I. M. Rubinow, "The Movement toward Unemployment Insurance in Ohio," *Social Service Review* 7, no. 2 (June 1933): 213. According to Folsom, Roosevelt was "lucky to get five to go on a committee" connected to the CES. "Interview with Folsom," 11.

99. Skocpol and Amenta, "Did Capitalists Shape Social Security?" 572-73.

100. "Supplemental Statement by M. A. Folsom, Assistant Treasurer Eastman Kodak Co.," in Senate Committee on Finance, *Economic Security Act*, 585.

101. Lincoln Filene, "Unemployment Reserves," in Senate Committee on Finance, *Economic Security Act*, 823. Filene had served on the interstate commission on unemployment insurance appointed by FDR when he was governor of New York, and had been in "very close contact with the studies made by the King commission on stabilization of employment in Massachusetts." "Statement of Lincoln Filene," in *ibid.*, 821. Arthur Altmeyer's recollections suggest, but do not explicitly assert, that all of the CES advisory committee businessmen were unanimous about worker contributions. Altmeyer, "Reminiscences," 151.

102. Skocpol and Ikenberry, "The Political Formation of the American Welfare State," 128-29, 143 n. 15; John Ikenberry and Theda Skocpol, "Expanding Social Benefits: The Role of Social Security," *Political Science Quarterly* 102, no. 3 (Fall 1987): 408-9.

103. Folsom, Leeds, Lewisohn, Moley, Swope, and Teagle to Frances Perkins, 15 December 1934, in Senate Committee on Finance, *Economic Security Act*, 324-25.

104. "Supplemental Statement by M. A. Folsom, Assistant Treasurer Eastman Kodak Co.," in Senate Committee on Finance, *Economic Security Act*, 582; this statement conforms well with a September 1934 BAC report drawn up by Swope and others, as described in Nelson, *Unemployment Insurance*, 208.

105. Testimony of Folsom, in Senate Committee on Finance, *Economic Security Act*, 561-68; Schlabach, *Edwin E. Witte*, 144. On cross-class collusion in the use of unemployment insurance funds in the needle trades, see "Interview with Folsom," 105-6.

106. In general, according to Murray Latimer (from Rockefeller's IRC outfit), Folsom was profoundly influential in getting legislators to believe "that a social insurance program was practicable." Schlabach, *Edwin E. Witte*, 144.

107. Because the Skocpol and Ikenberry view has become fairly widely accepted, a little further clarification is necessary. Jill Quadagno repeats that the corporate liberals favored uniformity above all but then, curiously, suggests that they dropped their insistence on a uniform federal system, voted on in a 14 December meeting, because the possibility for irregular reserves or merit rating was incorporated into the Wagner-Lewis "tax-offset plan" the following week. Quadagno, "Welfare Capitalism," 641-42. A *New York Times* article reporting on the 14 December meeting makes it clear, however, that their strong preference for the federal subsidy plan was not based on a desire for uniformity but rather for the better chances it left open for experimentation with Swope-style industry-wide plans, complete with reserves and merit rating. "Job Insurance by States, with a Federal Subsidy, Roosevelt Council's Plan," *New York Times*, 15 December 1934. Their advocacy of uniformity of minimum standards—not real uniformity—was probably calculated to forge an alliance with the AFL's William Green, who was also on the advisory committee, and CES reform expert Epstein. Ironically, Epstein, who is usually associated with fervent advocacy of strict pooling systems, drew up the federal subsidy plan favored by Folsom, Swope, and the other business liberals. On Epstein, see Schlabach, *Edwin E. Witte*, 140; Lubove, *The Struggle*, 174-78; Nelson, *Unemployment Insurance*, 196; see also Arthur Altmeyer, *The Formative Years of Social Security* (Madison: University of Wisconsin Press, 1966), 24. Note also that the business liberals wrote to Frances Perkins extolling the virtues of the prevention idea and criticizing pooling only one day after they met to vote for Epstein's subsidy plan. Folsom, Leeds, Lewisohn, Moley, Swope, and Teagle to Frances Perkins, 15 December 1934, in Senate Committee on Finance, *Economic Security Act*, 324-25. This meeting, as reported in the *New York Times* article above, took place 14 December, not the 6th or 7th as indicated by Witte and Quadagno. Witte, *Development of the Social Security Act*, 59.

108. Ikenberry and Skocpol, "Expanding Social Benefits," 410, 408. For a critique of the argument about preexisting state programs and institutional constraints on the shape of federal old-age insurance, see Quadagno, "Welfare Capitalism," 635-36.

109. Skocpol, "A Brief Response," 332.

110. Witte, "The Government and Unemployment," 8; Witte, *Development of the Social Security Act*, 141; Schlabach, *Edwin E. Witte*, 92, 123, 150, 194; Altmeyer, *The Formative Years*, 24; Nelson, *Unemployment Insurance*, 207.

111. *Protecting Soldiers and Mothers*, 300-1; "A Brief Response," 332.

112. John R. Commons, *Myself* (New York: Macmillan, 1934), 153-54.

113. John R. Commons, "Unemployment Compensation and Prevention," *Survey* (1 October 1921): 8.

114. Commons, "Constructive Investigation," 441, 443-44, 448.

115. Commons, *Myself*, 123-24, 143, 198-200; and *Institutional Economics: Its Place in Political Economy* (Madison: University of Wisconsin, 1959 [1934]), 3, 852-53. "It was, indeed, through the aid of these ten-year discussions [about unemployment insurance legislation in Wisconsin] and my participation in them that I finally reached the formulation of the more abstract theory of 'institutional economics' which I now learned to define as collective action in control, liberation, and expansion of individual action." *Ibid.*, 841-42. For a short statement of the abstract theory see Commons, "Institutional Economics," *American Economic Review* 21, no. 4 (December 1931): 648-57. Disregarding businessmen's noncompensated work for the WIC, Amenta and Parikh, "Capitalists Did Not Want the Social Security Act," 127, claim it "received no financial support from capitalists."

116. Commons, *Myself*, 110-11.

117. Instead, he wrote flippantly, "I guess I am an opportunist." *Ibid.*, 133, 145, 164-65. See also Domhoff, *The Power Elite and the State*, 48-51.

118. Becker, *Shared Government*, 69; Schlabach, *Edwin E. Witte*, 206.

119. Becker, *Shared Government*, 363-64 (my emphasis).

120. According to the executive vice president of the Wisconsin Manufacturers' Association, in 1965 thirty-five of the thirty-seven most industrialized states of the union had advisory councils in which "the views of management and unions [were] well represented"; in twenty-six of those, the councils constructively "assist[ed] the legislature in developing revisions in the law." NAM, *National Conference on Unemployment Compensation*, 15. On various state practices, see Becker, *Shared Government*. Cf. Robert H. Salisbury, "Why No Corporatism in America?" in Phillippe Schmitter and Gerhard Lehbruch, eds., *Trends toward Corporatist Intermediation* (London: Sage, 1979), 213-30, and Graham Wilson, "Why Is There No Corporatism in the United States?" in Gerhard Lehbruch and Phillippe Schmitter, eds., *Patterns of Corporatist Policy-Making* (London: Sage, 1982), 219-36.

121. Edwin Amenta, Elisabeth Clemens, Jefren Olsen, Sunita Parikh, and Theda Skocpol, "The Political Origins of Unemployment Insurance in Five American States," *Studies in American Political Development* 2 (1987): esp. 158-61.

122. Quadagno suggests a similar, yet distinct, argument in which "monopoly capitalists" do better in dealing with "national state managers," while "companies in the competitive sector of the economy" do better in Congress. Quadagno, "Welfare Capitalism," 633, 643.

123. "Paying the Bills for Social Insurance," *Today*, 9 February 1935, 3-4.

124. Becker, *Shared Government*, 120, 124-25, 186-88, 203-4, 279-93, 296-301, 310-11, 353, 429-31.

125. Robinson, *Collective Bargaining and Market Control*, 100. Despite Lehman's position, fellow New Yorker Gerard Swope of G.E., who rejected pooling, supported Lehman's reelection to the governorship in 1936, after having rejected an offer of the same job, complete with promises of support from the American Labor Party and the CIO. Loth, *Swope of G.E.*, 270. Democratic governor Averell Harriman, solicitous of the garment industry, also vetoed merit rating three times in the mid-1950s. Becker, *Shared Government*, 190, 200. Kodak's Folsom spent years on New York's advisory committee fighting the collusive exploitation of the law's advantages by capital and labor in the needle trades and ultimately succeeded in getting an element of experience rating introduced. In 1965, however, he complained that "we're still being drained by the seasonal industries." "Interview with Folsom," 105.

126. Carpenter, *Competition and Collective Bargaining*, 233-451, 478-80, 492-93, 525; Fraser, *Labor Will Rule*, 168.
127. Becker, *Shared Government*, 205.
128. Fraser, *Labor Will Rule*, 120, 239-41.
129. See the statement by NAM Secretary Noel Sargent, "Should States Enact Unemployment Insurance Legislation Conforming to the Federal Social Security Act?" 19, NAM I/Box 209, Hagley.
130. U.S. Department of Labor, Bureau of Employment Security, *Comparison of State Unemployment Insurance Laws as of August 1954* (Washington, DC: Department of Labor, 1954), 17.
131. Becker, *Shared Government*, 186-88, 203-4.
132. Fred Block, "The Ruling Class Does Not Rule: Notes on the Marxist Theory of the State," *Socialist Revolution* 33 (May-June 1977): 6-28.
133. Skocpol challenges Block on this point in "Political Response to Capitalist Crisis: Neo-Marxist Theories of the State and the Case of the New Deal," *Politics & Society* 10, no. 2 (1980): 155-201. See also Goldfield's enlightening responses in "Worker Insurgency, Radical Organization, and New Deal Labor Legislation," and the Skocpol-Goldfield debate in "Explaining New Deal Labor Policy," *American Political Science Review* 84, no. 4 (December 1990): 1297-1315.
134. For a similar argument, see Charles E. Lindblom, "The Market as Prison," *Journal of Politics* 44, no. 2 (May 1982): 324-36.
135. Block, "The Ruling Class Does Not Rule," 25-26.
136. Millis and Brown, *From the Wagner Act to Taft-Hartley*, 655-64.
137. A problem also in Domhoff, *The Power Elite and the State*, esp. 29-64, and J. Craig Jenkins and Barbara G. Brents, "Social Protest, Hegemonic Competition, and Social Reform," *American Sociological Review* 54, no. 6 (1989): 891-909.
138. Thomas Ferguson, "From Normalcy to New Deal: Industrial Structure, Party Competition, and American Public Policy in the Great Depression," *International Organization* 38, no. 1 (Winter 1984): 52 n. 26. See also his *Golden Rule*. Peter Gourevitch embraces Ferguson's depiction of the New Deal cross-class alliance in *Politics in Hard Times: Comparative Responses to International Economic Crises* (Ithaca, NY: Cornell University Press, 1986), 151.
139. See Overacker, "Campaign Funds," and Webber, "Business, the Democratic Party, and the New Deal"; Raymond Moley, *After Seven Years* (New York: Harper & Brothers, 1939), 337.
140. Domhoff, in *The Power Elite and the State*, 38, 86, 98-99, similarly identifies internationalists as the most important shapers of the New Deal in his analysis.
141. The Associated General Contractors supported much of the New Deal, especially of course public works and financial regulation. They sided of course with Harold Ickes, head of the Public Works Administration (PWA), who wanted to work through private contractors, against the Works Progress Administration (WPA), whose officials "seemed determined to push the general contractor completely out of the public works picture." Moony, *Builders for Progress*, 82. See also "Comparison of Eight Economic Stabilization Plans," insert in Swope, *The Swope Plan*.
142. Ferguson, "From Normalcy to New Deal," 69 n. 53; H. S. Person, "Unemployment Compensation—A Positive Force for Regularization," *American Labor Legislation Review* 21, no. 2 (June 1931): 216. Ferguson does argue once in passing that some, mostly Northeastern, textile and shoe firms supported the Wagner Act, "hoping to stop the flow of jobs to the South." "From Normalcy to New Deal," 88.
143. Gordon, *New Deals*, 2, 4, 241.

144. *Ibid.*, 4, 31, 287-88.

145. *Ibid.*, 278. At the time, Medicare reform was on the agenda, and Folsom expected the same to happen after passage. "Interview with Folsom," 73, 77.

146. Gordon, *New Deals*, 2, 4, 215, and numerous times on 257- 281. It should be noted that Gordon's formulations clash somewhat with an isolated assertion that although social security was "in essence a business bill," the legislation was "spurred in large part by reform and class pressures in the trough of a general depression." *Ibid.*, 278-79.

147. *Ibid.*, 279.

148. Michael Katz, *In the Shadow of the Poorhouse: A Social History of Welfare in America* (New York: Basic, 1986), 36, 43, 52-53, 55-56.

149. Commons, *Institutional Economics*, 854.

150. NAM leader Robert L. Lund, executive vice president of Lambert Pharmacals, interpreted the support for unemployment legislation of practically all liberal businessmen on the Commerce Department's BAC this way. "Monthly Meeting, National Industrial Conference Board, October 25, 1934," 54-5, Series 1057/Box 7/NICB Transcripts, Hagley.

151. Often, Rubinow said, "opponents would rather shame-facedly deny both their opposition and their arguments" after the fact. "Public and Private Interests in Social Insurance," *American Labor Legislation Review* 21, no. 2 (June 1931): 184, 191.

152. "Interview with Folsom," 77.

153. "Roosevelt on Unemployment Insurance," *American Labor Legislation Review* 21, no. 2 (June 1931): 219.

154. On policy feedback, see Paul Pierson, "When Effect Becomes Cause: Policy Feedback and Political Change," *World Politics* 45 (1993): 595-628; on political entrepreneurship in the creation of regulatory alliances, see James Q. Wilson, "The Politics of Regulation," in Thomas Ferguson and Joel Rogers, eds., *The Political Economy* (Armonk, NY: M. E. Sharpe, 1984); and on the role of presidents in particular in mobilizing alliances with business in the realm of tax and other policy, see Cathie Jo Martin, *Shifting the Burden: The Struggle over Growth and Corporate Taxation* (Chicago: University of Chicago Press, 1991) and "Business and the New Economic Activism: The Growth of Corporate Lobbies in the Sixties," *Polity* 27, no. 1 (Fall 1994): 49-76.

155. Skocpol and Ikenberry, "Political Formation of the American Welfare State," 90.

156. "Many coalitional arguments mistakenly identify a given social configuration as the source of policy when in fact the configuration may be only weakly related to or even a *consequence*, rather than the cause, of policy choice." Stephan Haggard, *Pathways from the Periphery: The Politics of Growth in the Newly Industrializing Countries* (Ithaca, NY: Cornell University Press, 1990), 34. On intentionality and functionalism, see Jon Elster, "Marxism, Functionalism, and Game Theory," *Theory and Society* 11, no. 4 (July 1982): 453-82.

157. On preferences, anticipated reactions, and power, see Jack Nagel, *The Descriptive Analysis of Power* (New Haven, CT: Yale University Press, 1975), 3-34.