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Policy Essay

Large Corporations Contributed to Our Political Polarization

Here's How They Can Fix It

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Key Takeaways

- The U.S. has faced many difficulties in the past century, and our political system generally has risen to the challenge of addressing the problems. Today, however, the U.S. seems unable to overcome its extremism and gridlock.
- One difference that has contributed to extremism on the right: a decline in leadership by American corporate elite.
- The past decades have seen a notable shift, as American corporations have gone from embracing moderate, bipartisan solutions to aligning themselves with the far right.
- Today's problems may seem more solvable if the corporate elite reject short-term solutions and return to the model of leadership shown in the past.

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Introduction

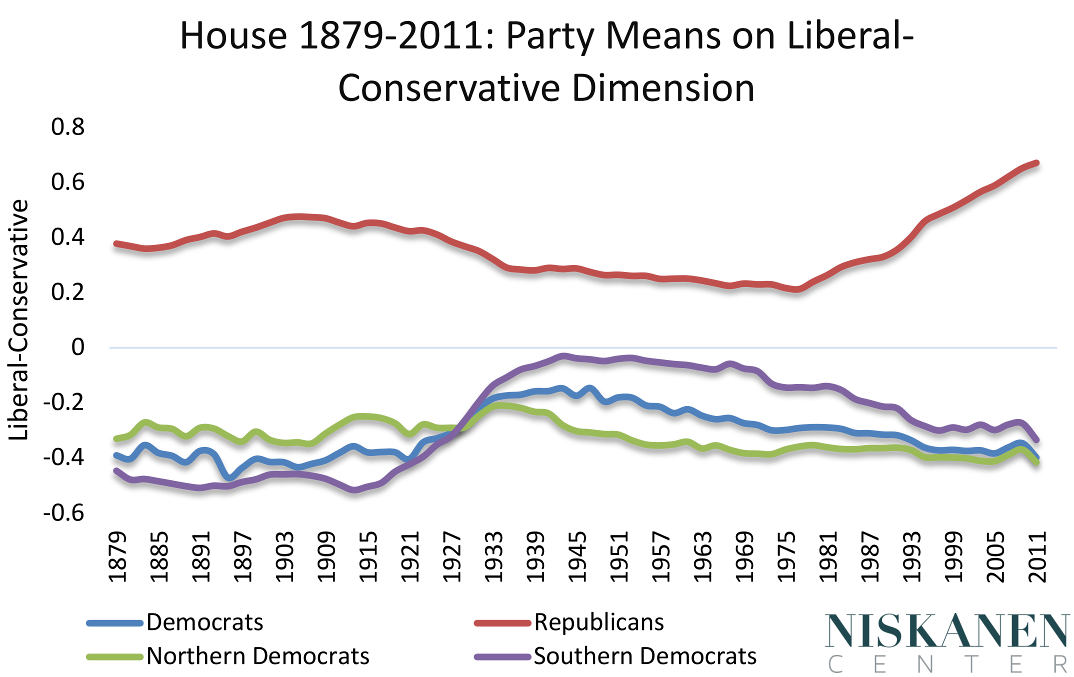
The American political system is broken. The fact that we have problems in our society is not new. Our seeming inability to fix, or even address, them is a distinctive feature of our age, however. We know what these problems are. They include, among others, an economy that, even when it is working, distributes rewards in an increasingly unequal manner; an educational system that fails to educate a significant portion of our population; an infrastructure in disrepair; widespread racial and cultural conflict; declining national power and prestige; and an environmental crisis that threatens human life on our planet.

The scale of these challenges is daunting, but far from unprecedented — and in fact, smaller than previous ones we have faced. In the past century we experienced the Great Depression, World War II, the threat of nuclear annihilation, and a devastating war accompanied by severe domestic turmoil. Yet regardless of the difficulties we faced, there was a sense among the public that our problems were solvable, and our political system performed in a way that justified this optimism. Today our politics are increasingly polarized, and our elected officials seem to be continually deadlocked. Meanwhile, our problems continue, nothing gets done, and there is little faith among the public that our elected officials can work together to find solutions.

Several explanations have been proposed to account for our polarization. Some observers have suggested that today's Americans tend to self-select into communities with like-minded people, which reduces our exposure to alternative perspectives. Others have argued that the proliferation of new technology has made it easier to tailor our newsfeeds exclusively to material that supports our existing positions. These accounts, accurate as they may be, fail to separate cause from consequence. The fact that we prefer like-minded people, and information that reinforces rather than challenges our views, is as likely the result of our polarization as the cause of it.

Any effort to account for our current predicament must recognize that polarization is typically accompanied by extremism. Politics by definition involves disagreement, and in a well-functioning system, those who disagree will hash out their differences and reach an accommodation. When the opponents are far apart, this agreement is difficult, and often impossible, to achieve. To explain our polarization, then, we will have to account for the sources of extremism. That is my goal in this essay.

Before approaching this question, we must clear up an important misconception: There is a widespread belief that both the Republican and Democratic parties have become more extreme in recent years. “Both sides are to blame,” we repeatedly hear. It is certainly true that neither of our two major parties is perfect, nor is either immune from responsibility for our current stalemate. To assume that they are equally extreme and intransigent is not true, however. The graph below, compiled by Professor Keith T. Poole at the University of Georgia, shows the average political positions on a conservatism-liberalism scale of Democratic and Republican members of the House of Representatives since 1879.[1]



[1] This graph is reproduced here with Professor Poole’s permission. The measures of conservatism and liberalism are based on the “DW-Nominate” procedure developed by Poole and Howard Rosenthal. Information about and references to the measure can be found at https://voteview.com/about. For a graph that updates the current data through 2018 (and shows virtually identical results using a slightly different method), see https://voteview.com/articles/party_polarization. I thank Professor Poole and Professor Jeffrey B. Lewis (at the University of California, Los Angeles) for directing me to these data.

Although Southern Democrats have become more liberal in recent decades (due to the disappearance of conservative white Southerners from the party), the degree of liberalism among non-Southern Democrats has remained virtually stable since the early 1960s. Republicans, on the other hand, began to move in an increasingly conservative direction in the late 1970s and have become sharply more conservative since that time. As the graph shows, the widening ideological gap between the two parties since 1980 can be accounted for almost entirely by the increasing conservatism of the Republicans.

The question is, what accounts for this increasing extremism of the Republican Party, and the polarization that has resulted from it? I argue that it stems from what many may view as an unlikely source: a decline in leadership by large American corporations, a group I refer to as the American corporate elite. There was a period, from the end of World War II into the 1970s, when the leaders of American big business were a source of moderation and pragmatism who exhibited a degree of concern for the larger population. Today's corporate elite — despite the many individuals and firms who have engaged in socially responsible activities — is a disorganized, atomized group, incapable not only of addressing larger societal needs but even its own collective interests. In the post-World War II period, from 1945 to the mid-1970s, the heads of large corporations not only contributed to the phenomenal economic success that we experienced, but they also played a major role in helping our political system work. They did this in part by keeping at bay, and delegitimizing, the extremist elements that were as present in our society then as they are now.

The Postwar Period

It might be useful at this point to remind ourselves what the politics of the postwar period were like. To do this, consider some of the actions of the three Republican presidents during that era. Dwight Eisenhower imposed an excess-profits tax on firms that were profiting from the Korean War. He increased Social Security payments, and expanded the program to include agricultural workers. Richard Nixon advanced a negative income tax for the poor, signed legislation creating the Environmental Protection Agency and the Occupational Safety and Health Administration, and proposed a health care plan that was considerably more extensive than the subsequent plans of Bill Clinton and Barack Obama. Gerald Ford proposed a plan to create 170,000 public service jobs, supplemental unemployment insurance for those who had exhausted their benefits, and a $1.6 billion tax cut exclusively for low- and middle-income Americans, to be financed by a windfall-profits tax on oil companies. When the bill creating Medicare came to a vote in 1965, Republicans in the Senate voted 13 in favor and 17 opposed, while those in the House voted 70 in favor and 68 opposed. In the 2010 vote on the Affordable Care Act, not a single Republican in either chamber voted in favor.

Why were the Republicans of that era, unlike those of today, willing to exhibit this level of moderation and cooperation? The answer, I argue, is that they were supported and encouraged in this role by the leaders of major American corporations. It was big business — the American corporate elite — that formed a foundation for the progress that characterized postwar American politics.[2]

The Postwar Moderate Consensus

Historically, most American businesspeople have held solidly conservative political positions. These views have included strong support for free markets with minimal regulation, support for low taxes, and a suspicion of organized labor and government social spending. From the 1940s into the mid-1970s, however, there was a relatively small segment of the business community, who sat atop our largest firms, who exhibited a more moderate, pragmatic approach to politics. The members of this group participated actively in policymaking organizations such as the Committee for Economic Development (CED) and the Council on Foreign Relations, and they played a significant role in formulating ideas that were later adopted as national policy. The CED, for example, was behind the Marshall Plan, the Employment Act of 1946, and the tenfold expansion of federal aid to education in the 1960s.[3]

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[2] For a detailed discussion of the role that large American corporations played from the postwar period to the present, see Mark S. Mizruchi, *The Fracturing of the American Corporate Elite* (Cambridge, MA: Harvard University Press, 2013). For an analysis of the rightward shift of the Republican Party, see Geoffrey Kabaservice, *Rule and Ruin: The Downfall of Moderation and the Destruction of the Republican Party, From Eisenhower to the Tea Party* (New York: Oxford University Press, 2012).

[3] The CED was formed in 1942 by Paul Hoffman, the president of Studebaker (an auto manufacturer), and William Benton, a former advertising executive who was then vice president of the University of Chicago. The group's original goal was to develop a plan for the postwar economy. Consisting of the leaders of several major corporations as well as a handful of academics, the group, during the postwar period, played a major role in developing ideas that were later adopted as federal policy. The group's influence began to decline during the 1970s, and it has played little role in national policy since the 1980s. The CED was absorbed by the Conference Board, a business research organization, in 2015.

A prominent characteristic of this group was that its members' attitudes were not the highly conservative ones traditionally attributed to the American business community. On the contrary, their perspective emphasized accommodation. This included acceptance of the right of labor unions to exist, a willingness to accept a degree of regulation, and an acceptance of the idea that government should play a significant role in ameliorating some of the most deleterious consequences of the market economy.

These people were not liberals, but they tended to adopt a pragmatic approach toward politics. Perhaps in their ideal world there would have been no labor unions and a less-activist government. It was necessary, they believed, to deal with the world as it was, however, not as they wished it to be. They also believed that it was in their own interest to have a well-functioning society. This included the view that the public should have a sufficiently high level of income to be able to purchase the goods that American corporations were so proficient at producing.

Illustrations of these views — and actions that backed them up — are plentiful. In 1971, for example, the CED published a position paper, *Social Responsibilities of the Business Corporation*, written by a committee led by Emilio G. Collado, executive vice president of Standard Oil of New Jersey (subsequently Exxon). The document called for, among other things, the elimination of poverty; the provision of improved health care; equal opportunity (regardless of race, sex, or creed); job opportunities for all; and improvements in housing, transportation, and the environment. Lest one think that this was mere rhetoric, the CED introduced specific proposals to address these issues, and the group explained that supporting such policies was to its members' own benefit, an approach that it termed "enlightened self-interest." Importantly, although the document acknowledged the value of "social voluntarism" (or what today is called corporate social responsibility), it also asserted that voluntarism was by itself insufficient to solve the problems facing society. Instead, it was necessary for government to play a central role. The group thus called for business-government partnership to address these issues.

One might argue that such a statement was merely a product of its times. After all, 1971 came on the heels of the widespread uprisings among anti-war and civil rights protestors. Similar views could be found much earlier, however. A 1956 article in *Time*, reproduced as a full-page advertisement in the *Wall Street Journal*, hailed what it called the "new conservatism," a term that referred to the willingness of the day's corporate leaders to accept an active role of government in the economy.[4] As the article stated:

> Though businessmen fought a long delaying action against the growth of labor unions, against Government intervention in economic affairs, against social legislation, the majority now realize that welfare programs help store up purchasing power in the hands of the consumer. Says Gaylord A. Freeman Jr., vice president of the First National Bank of Chicago: "I think social security is good. I think unions are good. Unemployment compensation is desirable. Social legislation can add to the totality of freedom, increase the dignity of the individual."
>
> This support of government activism extended to regulation as well:
>
> Businessmen who once decried Government meddling in the economy also recognize that most federal police powers, e.g. regulation of the stock market, benefit business as well as the consumer. Most businessmen today agree with Du Pont Chairman Walter S. Carpenter Jr. that the anti-trust laws … "are fair and should be vigorously enforced." Though some businessmen still argue publicly that the Federal Government should stop regulating business, the majority agree privately that Government intervention is preferable to the economy of the jungle.

The *Time* article drew on anecdotes rather than a representative sample of businessmen. Yet a systematic study by economist Herman Krooss indicated that the article's conclusions were largely accurate. In the postwar period, Krooss noted, "businessmen freely accepted [Keynesian economics] with its compensatory fiscal policy." Referring to President Eisenhower's moderate policies, Krooss stated that "the majority, having watched Ike's administration and having found it to their liking, resigned themselves to the

[4] The ad appeared in the *Wall Street Journal* on November 21, 1956. The article was titled "The New Conservatism: A Bold Creed for Modern Capitalism."

fact that big government was here to stay."[5] In a study conducted in 1971, sociologist Allen Barton found that 60 percent of the 95 leading corporate executives he interviewed agreed with the statement that "the federal government should support the creation of jobs in the public sector for those for whom the private sector does not provide employment."[6]

It is important to reiterate that not all corporate leaders shared these relatively moderate views. Small businesses, as well as some of the larger firms associated with the National Association of Manufacturers, took a more conservative approach, including more confrontational views toward organized labor. Still, the business leaders who adopted a more conciliatory position exercised significant influence, in both Republican and Democratic administrations.

Sources of the Moderate Postwar Consensus

The moderate and pragmatic approach to politics adopted by American business leaders during the postwar period stands in sharp contrast to the views of many of today's major businesspeople. Why did these earlier business figures exhibit these qualities? One possible explanation is that they were forced to by external pressures. There was a widely-held view among the public during that time — a consequence of the success of the New Deal — that government was a source for good. This level of trust meant that the government had a high degree of legitimacy. Under such conditions, business leaders might have had no choice but to cooperate with rather than oppose government efforts to manage the economy and provide for the larger population. Organized labor was also relatively strong during this period, which placed constraints on firms, compelling them to provide higher wages and benefits than they might otherwise have done. Businesses certainly were willing to challenge the demands that unions were making, but differences between the groups were generally resolved through a system of bargaining, much like in any other competitive arena. The parties fought one another, to be sure, but they did so within a set of rules that both acknowledged. The idea

[5] Herman E. Krooss, *Executive Opinion: What Business Leaders Said and Thought on Economic Issues, 1920-1960* (Garden City, NY: Doubleday, 1970), pp. 250-252.

[6] Allen H. Barton, "Determinants of Economic Attitudes in the American Business Elite," *American Journal of Sociology* 91, no. 1 (July 1985), p. 85. Based on their responses on economic policy, Barton classified 79 percent of these executives as at least partial supporters of Keynesian economics, and only 10 percent as what he termed "anti-Keynesian conservatives."

that businesses would try to abolish unions outright was inconceivable at the time. As a result, businesses worked to make the best of the situation they confronted. In doing so, they often found that unions could be a valuable ally in ensuring the smooth flow of production.

To say that American business leaders adopted a moderate perspective only because they were forced to would be inaccurate, however. The corporate officials of the postwar era felt a sense of responsibility for the well-being of the larger society. This was a generation that had experienced the Great Depression and World War II. Several business leaders had even served in the government during the war, and many of them emerged with a deeper understanding of the issues with which public officials were forced to grapple, and with a newfound respect for the difficulties of implementing policies to address them.[7] Many firms at the time were based in communities to which the companies' officers were attached, and to which they felt a responsibility. Perhaps equally important, there was a belief among business leaders of the era that they had an obligation not only to their communities but to the larger society. As with today's corporate elite, these officials were among the most privileged members of the society. They believed, however, that this privilege came with responsibilities. One of the most important of these responsibilities was to ensure that the society rested on a solid foundation — that members of the public were entitled to a decent-paying job, adequate housing, and protection from the ravages of economic downturns. Supporting such benefits, they believed, was necessary not only for the well-being of the society as a whole, but for the maintenance of their privileges as well — hence the CED's term, "enlightened self-interest."

And the system worked. It is true that American society experienced numerous problems at the time. Racism and sexism were widespread, and pressures toward social conformity predominated. The Cold War with the Soviet Union created an undercurrent of fear in which the threat of nuclear war was omnipresent. Our participation in a highly controversial war during the 1960s led to high levels of social unrest. And yet American society thrived during this period. The average real income of Americans more than doubled between 1946 and 1970, allowing large segments of the public to experience a

[7] As Marion B. Folsom, the treasurer of Eastman Kodak, put it in his memoirs, "many of the top business advisory people had government jobs during the war, ... and realized what a tough job it is to run a government. So the businessmen got to appreciate the government and not be so critical of it." See Sanford M. Jacoby, "Employers and the Welfare State: The Role of Marion B. Folsom," *Journal of American History* 80, no. 2 (Sept. 1993), p. 545.

middle-class lifestyle. Poverty was reduced by half during the 1960s. Unemployment and inflation were both low, while the economy boomed. And in politics, Democrats and Republicans worked together in ways that would be unrecognizable today (as in the vote on Medicare). There was also an optimism — a sense that our problems were solvable — that is sorely missing today. And behind all of this success was a corporate elite that played a constructive role in providing policy recommendations and facilitating the political process.

The Decline of the Postwar Consensus

This system, unfortunately, began to unravel during the 1970s. Several disruptive events occurred. First, after more than two decades of strong economic growth, with low unemployment and little inflation, the economy began to experience an inflationary spiral. This inflation resulted in part from the high government spending of the 1960s, a combination of the ambitious social programs of Lyndon Johnson's Great Society and the costs associated with the Vietnam War. Second, as countries in Europe and East Asia recovered from World War II — in many cases with American assistance — they began to produce goods that challenged those manufactured by American firms. American companies, having operated in highly concentrated industries that virtually guaranteed high profits, had failed to innovate, which left them ill-prepared to compete with these foreign companies. Third, the energy crisis of 1973, triggered by OPEC production cuts as a consequence of the Arab-Israeli war that year, plunged the economy into a recession, and resulted in an unprecedented combination of high inflation and unemployment. Fourth, the turmoil of the 1960s, followed by the Watergate scandal, created a crisis of legitimacy among major American institutions. Large corporations were not immune from this crisis, and a significant number of Americans began to raise questions about the viability of the market system itself. Finally, the emergence of the Environmental Protection Agency and the Occupational Safety and Health Administration raised increasing concerns among businesses. The establishment of the two agencies had provoked little opposition, and in some cases outright support, among the largest American firms. Once they were in operation, however, many firms began to view the agencies' enforcement as excessive, and they became increasingly critical of government regulation in general.

As a result of these crises, corporate elites saw themselves and their firms as embattled and vulnerable, and they began to question some of the relatively moderate positions they had taken. In response, they launched a political counteroffensive, which included a major strategic shift. During the postwar era, the corporate elite, as reflected in the policies promoted by the CED, had shunned any connection with traditional conservatives, who were seen as extremists, outside the bounds of acceptable political discourse.[8] Faced in the 1970s with what they saw as a threat to their existence, however, the corporate elite began to align itself with these traditional conservatives. Business organizations, including the newly-formed Business Roundtable (which had begun to replace the CED as the most influential representative of large corporations), began to attack government regulation. Teaming with existing foundations and both older and newly-formed think tanks (funded by far-right donors), they became increasingly aggressive in fighting unions, arguing that the latter, along with government regulatory agencies, were responsible for the decline in productivity growth. They also pushed for reductions in corporate tax rates, which they viewed as a drag on investment.

This counteroffensive, which reached its zenith with an intensive lobbying effort during the Carter administration, was extremely successful. By the time of Ronald Reagan's inauguration in 1981, organized labor had been significantly weakened, regulations had become more loosely enforced, corporate taxes had been reduced, and the idea of government as a solution to social problems had been thoroughly delegitimized. Big business had effectively accomplished all that it sought, virtually eliminating the forces that had constrained it in earlier years. The group continued to experience gains during Reagan's presidency, but much of its work had already been achieved in the Carter years.

The Decline of the Corporate Elite

A paradoxical outcome occurred as a result of this political victory, however. Having won the war against their adversaries, large corporations no longer had a need to present a unified front. In response, the group began to

[8] Although this did not necessarily characterize the conservative movement as a whole at the time, there is evidence that the National Association of Manufacturers was closely tied to the far-right John Birch Society in the late 1950s and early 1960s. See Peter A. Swenson, "Misrepresented Interests: Business, Medicare, and the Making of the American Health Care State," *Studies in American Political Development* 32, no. 1 (April 2018), p. 11.

fracture. Individual companies increasingly went their own ways, focusing on firm-specific issues while reducing their collective political action. This was especially evident in the period leading up to the 1986 tax reform program. Although numerous firms gained particular favors from the law, the final product was largely viewed as a defeat for big business.[9]

Meanwhile, a massive acquisition wave, which peaked in the late 1980s, decimated corporate management. Although this wave resulted in part from the fact that large firms had become heavy with bureaucratic inertia and increasingly unresponsive to their stockholders, it was facilitated by a loosening of regulations that encouraged corporate raiders to buy up firms, break them into parts, and sell them off. This wave resulted in thousands of management layoffs and the disappearance of nearly one-third of the Fortune 500 during the 1980s alone, the vast majority through hostile takeovers.

This corporate shakeup placed CEOs in a precarious position. Although their compensation began to rise, their autonomy declined. No longer did they have the luxury of considering the long-term implications of their actions, for their firms, the business community as a whole, or the larger society, as so many of them had in earlier years. Instead, CEOs were in peril, constantly in danger of being acquired by another firm and summarily dismissed. The average tenure of a Fortune 500 CEO declined by more than 25 percent between 1980 and 2002.[10] With CEOs under siege, large American corporations, by the early 1990s, were no longer capable of acting collectively to address the concerns of business, or society, as a whole. This inability to engage in the kind of collective action that had characterized big business in the postwar period was evident in several important policy issues. Consider, as two examples, the role of taxes and health care.

In the postwar period it was not unusual for corporate leaders to support tax increases, even on themselves, to address budget deficits. In 1950, the Chamber of Commerce proposed a 50 percent corporate income tax to help pay for the Korean War. The CED proposed a tax on all corporations, as well as

[9] As Richard Darman, a Reagan administration official, put it in describing the outcome of the bill for large corporations, "they were brought down by the narrowness of their vision. Precisely because they defined themselves as representatives of special interests, they failed to notice their collective power" (quoted in David Vogel, *Fluctuating Fortunes: The Political Power of Business in America* (New York: Basic Books, 1989), p. 282.

[10] Mizruchi, *The Fracturing of the American Corporate Elite*, pp. 215-216, 313n32.

a temporary increase in personal income taxes. In 1968, the CED proposed (and Congress enacted) a temporary tax increase to reduce inflation. Especially interesting is an episode from the early 1980s. In 1982, after President Reagan's tax cuts had resulted in a sharply increased deficit, both he and members of the Business Roundtable agreed that a tax increase was necessary. The president's preference was to increase corporate taxes while the BRT's preference was to delay further reductions in personal taxes. What is notable in this case is the sense of responsibility exhibited by the leaders of our largest corporations. Although it may have been in their self-interest as CEOs to avoid an increase in the corporate tax, these CEOs were also among the highest-paid individuals in American society, meaning that they stood to personally bear the brunt of any increase in individual income tax rates. Yet in the interest of reducing the deficit they were willing to support a policy that reduced their own after-tax income by thousands of dollars. Contrast this with the BRT's position two decades later, when George W. Bush's tax cuts, along with the wars in Afghanistan and Iraq, resulted in even larger deficits. Unlike during the Korean and Vietnam Wars, or in the early 1980s, there was virtually complete silence from the corporate community about the possible need for a tax increase, despite complaints from the BRT about the deficit. The organization even argued that the Bush tax cuts should be made permanent. The sense of responsibility that had characterized our largest corporations in the postwar period — their willingness to support a policy in the interest of the greater good — had, by the early 2000s, entirely disappeared.

Health care costs, meanwhile, have been a serious problem for American corporations since the 1980s, when the medical sector's share of GDP began to sharply rise. By the late 1980s, an increasing number of firms were clamoring for reform. The CEOs of firms such as Goodyear, Caterpillar, and Chrysler even advocated for a government-run system. By the time Bill Clinton assumed the presidency in 1993, health care had become a significant political issue, and Clinton quickly went to work crafting a plan. When he announced his plan later that year, the two large, conservative business organizations, the National Association of Manufacturers and the Chamber of Commerce, both expressed their support, while the Business Roundtable, whose members had a more difficult time reaching a consensus, was still largely on board as well. Then, just as the bill was about to go up for a vote in February 1994, all three organizations suddenly withdrew their support, succumbing to pressure from Republicans in Congress, who accused the companies of disloyalty for being willing to work with a Democratic president. Fifteen years later, most large corporations sat on the sidelines during the introduction and passage of the Affordable Care Act. Meanwhile, according to my calculations, the 500 largest American corporations are collectively spending approximately three-quarters of a trillion dollars per year on health care for their employees. This enormous cost, running to about $1.5 billion per firm, raises the question of why the companies continue to administer these programs. Why not consider a single-payer system, in which firms would be absolved of responsibility for something so costly? Federalizing health insurance (although not care) would not be cost-free for business, but the costs would almost certainly be far lower than they are now. There are, of course, differing views regarding whether such a plan might or might not be a good idea. One wonders, however, why the American business community is not having a discussion about the issue. The group's lack of organization, and its consequent inability to engage in collective action, have made it virtually impossible for business to address its broad-based needs — in sharp contrast to its postwar predecessors.

Where We Are, and Why

The cases of taxation and health care provide two examples of the ways in which today's corporate community, unlike that of earlier decades, is either unwilling to take a responsible position or unable to organize to address a problem of great urgency, even for its own members. But these are not the only issues in which today's large corporations have failed to achieve their goals. A complex and restrictive immigration system remains a serious problem for firms that have found it difficult to fill their employment needs with domestic labor. Despite the drag on our society's ability to function — consider the enormous travel delays due to our poor transportation system, or the power outages due to our outmoded electrical grid, or the lack of reliable internet service across regions, all issues that make it difficult for businesses to operate — we have been unable to muster the political will to repair our national infrastructure. Even our ability to freely engage in international trade, an issue on which the business community had experienced some political success in recent years, is now in jeopardy. Large American corporations, through their lobbying efforts, have had considerable success in gaining specific favors for themselves. But on issues that require collective action, such as those described above, big business has had considerably less success in recent years. Why has this happened, and what can be done about it?

In the postwar period, as we saw, the corporate elite, with its moderate and pragmatic character, occupied a position close to the center of American politics. It is true that the group faced constant criticism and opposition from liberals and organized labor. This criticism was within the bounds of the accepted political discourse of the period, however. As a result, big business played a significant role in American political life, in Democratic as well as Republican administrations. Moreover — and this is crucial — by adopting this moderate position, and working with government rather than trying to disparage it, the corporate elite helped marginalize those whose views were outside the political mainstream, especially those on the far right. These people, the forerunners of today's Freedom Caucus, wanted to return to an earlier time, when businesses were free to operate without any regard for protecting their employees, consumers, or communities; when government ignored the society's problems, allowing large segments of the public to live in poverty and despair; and when anyone who was not a native-born white Protestant was viewed with suspicion, if not active hatred. The CED, and other business leaders of the postwar period, wanted nothing to do with these extremists. As Dwight Eisenhower noted in a 1954 letter to his brother Edgar (who had asked why the president had chosen not to reverse the policies of Franklin Roosevelt's New Deal), "should any political party attempt to abolish social security, unemployment insurance, and eliminate labor laws and farm programs, you would not hear of that party again in our political history. There is a tiny splinter group, of course, who believes you can do these things… Their number is negligible and they are stupid."[11] When the members of this group managed to nominate one of their own, Barry Goldwater, for the presidency in 1964, significant segments of the business community supported his Democratic opponent, Lyndon Johnson, and Goldwater was trounced in a historic landslide.

Facing serious problems in the 1970s, the corporate elite made a fateful decision to align itself with these far-right elements. The alliance was initially successful, in that it allowed business to achieve a series of significant political gains. By the 1980s, having succeeded in achieving their

[11] The Presidential Papers of Dwight David Eisenhower, document #1147, November 8, 1954. As of this writing, the letter is available online at https://teachingamericanhistory.org/library/document/letter-to-edgar-newton-eisenhower/.

goals, the corporate elite found it less necessary to remain organized, and the group began to fragment. As we saw, the takeover wave of the late 1980s decimated corporate management, leaving the big business community fractured and weakened. Meanwhile, the far-right elements with whom the corporate elite had aligned itself in the 1970s had slowly gained control of the Republican Party. By the early 1990s, big business had in effect ceded its influence in the party to those the group had previously shunned. In recent years, story after story has appeared in the press with titles such as "How Big Business Lost Washington."[12] What had begun as an extremist fringe now has control of one of our major political parties. The election of Donald Trump, who was supported by virtually none of the top 100 American corporations,[13] represented the culmination of this process.

What Is to Be Done?

Given the story we have heard, it would be tempting to wax nostalgic about the postwar era: The three decades after World War II were a period in which our economy experienced consistent growth, when the average American's standard of living was continually improving, and when our two major political parties, despite their differences, managed to pass significant legislation. This economic and political success was facilitated by a corporate elite whose members were forward-thinking, politically moderate, and willing to take responsibility for the well-being of the larger society. This period was far from perfect, and there is no need to romanticize it. For all its problems, however, the system did function relatively well, and the large corporations of the era provided a source of leadership that is sorely lacking today.

Politics in the contemporary United States consists of a Democratic Party that is primarily centrist in orientation — with a liberal faction whose positions are no further to the left than those of Lyndon Johnson — and a Republican

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12 See, for example, Tory Newmyer, "The Inside Story of How Big Business Lost Washington," Fortune, February 20, 2015, https://fortune.com/2015/02/20/the-inside-story-of-how-big-business-lost-washington/; Steven Pearlstein, "How big business lost Washington," Washington Post, September 2, 2016, https://www.washingtonpost.com/news/wonk/wp/2016/09/02/how-big-business-lost-washington/.

13 Johan Chu and Jerry Davis, "Corporate America's old boys' club is dead—and that's why Big Business couldn't stop Trump," The Conversation, October 20, 2016, https://theconversation.com/corporate-americas-old-boys-club-is-dead-and-thats-why-big-business-couldnt-stop-trump-67035.

Party that is dominated by right-wing extremists who are a far cry from the relative centrism of Dwight Eisenhower, Richard Nixon, or Gerald Ford. There is, in effect, no significant center-right element in contemporary American politics.

That space is empty, and the corporate community has an opportunity, and perhaps an obligation, to fill it. In fact, the future of our democracy may depend on it. One possible tack — perhaps the most feasible one — is for big business to regain control of the Republican Party, and to move it back toward the center. Another might be to work with Democrats, or even to create a new centrist party. Regardless of which approach the corporate elite takes, it is essential for the group to exercise the kind of strong leadership that would free today's conservatives from the grip of the fringe elements that traffic in conspiracy theories, reject science, deny facts, and subvert the norms on which a democratic society depends.

To do this, the American corporate elite needs to organize itself the way its counterparts in the mid-20th century did, with a focus on the well-being of the entire society. Without such a thrust, the entire system, and the benefits that business draws from it, may be in jeopardy.

Yet organizing, and regaining a strong centrist presence, represent only part of the solution. The corporate elite needs to refocus its orientation toward its long-term viability rather than short-term gain. In a study of the fall of the Roman, Spanish, Dutch, and Russian empires, sociologist Richard Lachmann found that one factor, above all others, triggered their decline: At a certain point, each empire's elites began hoarding resources for themselves, thus depriving their treasuries of the funds necessary to maintain their societies.[14] We do not need to return to the 90 percent top marginal tax rates of the 1950s, nor would it be wise, or feasible, to place limits on income, even for those earning tens of millions of dollars per year. At the same time, our tax rates on ultra-high incomes are simply too low, and the consequent lack of revenue prevents us from addressing issues — such as a lack of purchasing power in our population — that are ultimately necessary for sustaining our society. The same holds for the reductions in corporate tax rates in the 2017 tax law. However justified a business tax cut may have been, one can question whether

[14] Richard Lachmann, "Greed and Contingency: State Fiscal Crises and Imperial Failure in Early Modern Europe," *American Journal of Sociology*, 115, no. 1 (July 2009), 39-73. See also Lachmann, *First Class Passengers on a Sinking Ship: Elite Politics and the Decline of Great Powers* (London: Verso, 2020).

it needed to be as generous as 40 percent. In effect, today's corporations and wealthy are hoarding the society's resources for themselves, while starving the treasury of funds that are badly needed for repairing and strengthening the society on which their wealth depends. More money cannot solve all of our problems, of course, and any government initiatives would require strong and careful monitoring. But the ability to fund such programs is a necessary, if not sufficient, condition.

There has, of course, been a recent surge in corporate social responsibility, and many observers believe that this is our best hope for addressing our problems. There is reason to praise the plethora of companies working to "do good" for the society, as well as individual leaders such as Bill Gates and Warren Buffett, who have collectively spent billions of dollars on a number of worthy causes. There is no shortage of efforts by American businesspeople to contribute to their communities, at the local, national, and even global level.

As important as these programs have been, they share two problems that render them insufficient for promoting the changes that our society needs. First, they are piecemeal. That is, although some initiatives involve corporations acting in groups, in most cases each firm is acting on its own. These efforts are certainly helpful as far as they go, but as the CED noted in its 1971 report, they simply lack the scope and magnitude necessary to accomplish improvements on a society wide level. Second, and relatedly, today's corporate social responsibility efforts are virtually entirely private. That is, they do not function at the level of public policy. Because they are not compulsory, they may encourage shirking. If one firm voluntarily spends additional funds to reduce its pollution footprint, for example, its competitor may benefit from neglecting to follow. Only if there is a rule with which both firms are required to comply will it be possible to achieve a fair outcome. This is the reason that the CED, in its 1971 report, advocated a business-government partnership to address the problems of the time. The leaders of the American business community, even those whose firms have exhibited the highest level of social responsibility, will benefit from turning their attention to societal-level solutions.

Conclusion

In a 2005 article, New York Times columnist Thomas Friedman called for American business leaders to address the problems of our society:

> As a nation, we have a mounting education deficit, energy deficit, budget deficit, health care deficit and ambition deficit. The administration is in denial on this, and Congress is off on Mars. And yet, when I look around for the group that has both the power and interest in seeing America remain globally focused and competitive — America's business leaders — they seem to be missing in action.[15]

Our society is faced with a series of long-term problems that our current political officials seem incapable of even addressing, let alone solving, and in the 15 years since Friedman's essay, our polarization has, if anything, worsened. Even if one side — due to its extremism — deserves more of the blame than the other, the lack of cooperation between our two major political parties seems to almost ensure that nothing constructive will be accomplished, and this, unfortunately, may continue to be the case regardless of the outcome of the 2020 election.

A recent front-page article in the New York Times blamed our nation's poor response to the COVID-19 crisis in part on our strongly individualistic culture.[16] There certainly is an element of truth to this claim. Yet our society, individualistic or not, banded together to win World War II, experiencing significant hardship in the process. We came together after the Challenger shuttle disaster, as well as after 9/11. Our problem today is not our individualistic culture, but our lack of leadership. It might be unfair, or even unwise, to expect the American business community to fill this gap. The corporate elite has played this role in the past, however. Our problems today require a similar commitment.

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[15] Thomas L. Friedman, "CEOs, MIA," New York Times, May 25, 2005, p. A25, https://www.nytimes.com/2005/05/25/opinion/ceos-mia.html.

[16] David Leonhardt, "The Unique U.S. Failure to Control the Virus," New York Times, August 6, 2020, https://www.nytimes.com/2020/08/06/us/coronavirus-us.html?searchResultPosition=4.

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