

The Business-Government Alliance

by Murray N. Rothbard

Up until the 1960s, the morality play purporting to explain the enormous rise of state power in twentieth-century America was a simple one. Liberals and leftists hailed the growth of government intervention as the result of a drive by workers, farmers, and altruistic intellectuals overriding opposition by selfish big-business interests. Conservatives portrayed the mirror image of this saga: unions, egalitarians, leftists and other *lumpen* rising up to cripple big business. As Ayn Rand put it in one of her more egregious *pronunciamentos*: Big business was "America's persecuted minority" par excellence.

There were always grave anomalies in this picture. For what does one do with the legion of pro-New Deal, -Fair Deal, -Great Society big businessmen: the Paul Hoffmans, the Averell Harrimans, the Rockefeller brothers? Neither the liberal explanation that these were unusually "enlightened" or "intelligent" sports, nor the conservative psycho-smear that they were brainwashed into feeling guilty about their wealth by liberal prep-school teachers, was particularly compelling. Especially when everyone knew that such government intervention as tariffs or import quotas on steel, for instance, were lobbied for, neither by altruists nor by the brainwashed guilt-ridden, but by steel manufacturers anxious to secure their profits from more efficient foreign competition. But if that was the motive for business enthusiasm for this particular kind of government intervention, why not for others?

The faulty conventional paradigm was successfully broken in the 1960s, when New Left historians, joined in an unusual historiographical coalition by free-market economists and historians, turned the picture around. They showed that various big-business groups had become, as early as the turn of the twentieth century, "corporatists" or "corporate liberals," anxious to replace quasi-laissez-faire capitalism by a cartelized corporatist system, directed or even planned by Big Government in intimate partnership with Big Business, and creating Big Unions to participate as junior partners in this new "mixed" economy. The push for the new corporate state was generated by an alliance between corporatist big-business groups and

technocratic intellectuals, eager to help run and to apologize for the new system, which promised them a far plusher niche than did a freely competitive economy.

Much of this historiographical battle has now been won. The Progressive Era is now generally seen as a period dominated by just such a coalition, engineered by big-business groups like the National Civic Federation; the "war collectivism" of World War I is now seen as the culmination of the Progressive dream instead of its destruction, as previously believed; and Herbert Hoover is now widely and correctly perceived as one of the first corporatist New Dealers instead of the last champion of laissez-faire.

But less has been done on the New Deal and later eras, and G. William Domhoff's excellent and path-breaking work, *The Higher Circles* (1970), is one of the few from this "revisionist" perspective. Chapter Six in that work still provides an unrivaled study of the big-business support behind the Social Security Act and the pro-union Wagner Act of the 1930s.

Professor Kim McQuaid is an able young "New Left" historian and his book attempts to tell the story of big-business influence on federal politics since the 1930s. It is certainly an ambitious attempt, and the book provides much useful information to students of the business-government alliance. But it is in the end a disappointing work, falling far short of constituting the definitive study of this crucial question.

In his preface, McQuaid gives generous acknowledgment to Professor Domhoff, but unfortunately fails to cite *The Higher Circles* in his footnotes or bibliography. McQuaid would have benefited greatly from Domhoff's keen and acidulous insights.

For his major problem is excessive caution and moderation. McQuaid's revisionism is wishy-washy, and his treatment of such corporate liberal businessmen as Gerard Swope and Averell Harriman is highly ambivalent. He can't seem to make up his mind whether these big businessmen were New Dealers for economic gain or out of "intelligence" and "realism." Too often McQuaid is seduced by the latter solution. But falling back on their alleged intelligence and realism prevents him from penetrating surface appearances and investigating their economic and financial ties to the corporate welfare-warfare state they collaborated in creating.

McQuaid's unfortunate moderation leads him into the conventional historical trap of treating every one of his big-business figures as an isolated individual, who sounds off on or advances his own particular views from time to time. A reading of Domhoff or of the sparkling, encyclopedic work of Philip H. Burch, Jr., *Elites in American History*¹, would have reminded him that these businessmen were often part of clear-cut financial groupings, each with its own interest and ideology. Gerard Swope of General Electric was not a maverick corporatist in the 1920s and 1930s; he shared his perspective with

numerous other business leaders in the J. P. Morgan ambit.

Take, as another example, McQuaid's discussion of the candidacy of Wendell Willkie in 1940. All he says is that Willkie was a big-businessman, a utilities magnate in Tennessee and a friend of Gerard Swope. What he omits is the crucial information that Willkie had long been associated with the House of Morgan, that he sat on the board of the Morgan-dominated First National Bank of New York, and that the two young men who did the most to promote the remarkable and unprecedented Willkie candidacy were both Morgan-oriented Republicans: Oren Root, Jr., of the Morgan-associated Wall Street law firm of Davis, Polk, Wardwell; and Charlton MacVeagh, of J.P. Morgan & Co.

McQuaid's blindness to the role of direct economic interest in these matters is demonstrated by his discussion of the crucial role of business leaders in drafting and pushing through the Marshall Plan in 1948. There is no mention of the fact that most of the Marshall Plan's strongest business supporters were export manufacturers or their bankers, who would of course become the principal beneficiaries of foreign aid. Moreover, in his discussion of the role of the powerful William L. Clayton, undersecretary of state and principal architect of the Marshall Plan, McQuaid confines himself to Clayton's anticommunism, his conservatism, and to the fact that he was personally liked by John Kenneth Galbraith. Totally omitted is the surely pertinent fact that, after Clayton succeeded in pushing the Marshall Plan through a Republican Congress, his own firm of Anderson, Clayton & Co., one of the world's largest cotton brokers, received a huge contract from Marshall Plan funds. Whether out of ignorance or excessive decorum, McQuaid has systematically omitted crucial strands of the business-government partnership he tries to explain.

Finally, McQuaid unduly narrows the picture by restricting his study to the members of the Business Council of the Department of Commerce. This is a highly important and largely neglected body, and McQuaid performs a useful service in telling the story from its inception in the early days of the New Deal. But a comprehensive picture of business-government collaboration would have to include other major groups and figures. There is, for example, not a single mention in the book of John Foster Dulles, the powerful secretary of state under Eisenhower. The fact that Dulles was, for most of his life, a Standard Oil-Rockefeller lawyer, and that his wife was a first cousin of John D. Rockefeller, Jr., might, after all, have played a role in Dulles's political and economic foreign policies.

Unfortunately, McQuaid's studied moderation, and his refusal to venture beyond the very narrow bounds he has set himself, or to ask the deeper questions, not only limit the value of his work but in the end make this a boring book as well. Like too many academic historians, Professor McQuaid has succeeded in taking an

inherently fascinating subject and made reading about it something of a chore.

Note

1. 3 vols., Holmes and Meier, 1980. The huge Burch work, sorely neglected by historians and studded with footnotes as long as the text, serves as a fascinating reference work, rather than a *book* that can be read through.