

# **“Keynesian Economics, Class Hegemony, and the History of the US since the Great Depression”**

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Abstract: We address explanations of the rise and fall of New Deal social democracy and the politics and ideology that supported it. One set of explanations focuses on cultural factors such as race, religion, and American individualism. A second emphasizes the internal contradictions of the New Deal political coalition, which by the end of World War II had abandoned class rhetoric and focused on pro-consumption Keynesianism policies. Especially in the interaction of race and consumerism these explanations tell us a lot about the class history of the US over the past half-century. We add a third factor, the exceptionalism of the American capital class. We demonstrate that capitalist class organizing and agency, from the mid-1930s on, was continuous and aggressive, coalescing into a hegemonic bloc in the 1970s. Two conclusions are considered: (1) that in a different cultural environment a sustainable political base for social democracy might have been built; (2) that the longstanding exceptionalism of the American capital class precludes any kind of sustainable social democracy in the US.

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In the US the apparent crisis of neo-liberalism has called forth nostalgia for the regulated capitalism of the post World War II era. Liberals and progressives take it as almost a matter of faith that the appropriate response to this crisis is changes in law and its enforcement that will restore something like the New Deal regulatory regime. Almost any of Paul Krugman's *New York Times* essays can be taken as evidence. But this New Deal nostalgia predates the crisis and extends beyond orthodox liberalism. For example David Harvey concludes *The New Imperialism* (2003) with a call for a "new New Deal" that he says is "surely enough to fight for in the present conjuncture" (Harvey, 2003, p.210). The vagueness of such prescriptions at the end of often-exemplary heterodox analyses points to the limits of contemporary utopian imagination, but it also oversimplifies and flattens the history of the New Deal era.

We have argued that the prevailing view of New Deal Era labor relations amongst Heterodox economists, the "limited post-war capital-labor accord," is dangerously wrong (2008). Because they believed that an accord existed, left economists and other social scientists sought to restore an "accord" between management and labor in the 1990s, pursuing "cooperation" in the workplace rather than organizing a militant anti-capitalist movement (Bluestone and Bluestone, 1994). Elsewhere (2009) we propose that radical economists consider "American employer exceptionalism" - the virulent history of specifically U.S. repression of the American labor movement - as critical to understanding the recent history of labor relations.

This essay takes this work further, looking broadly at U.S. class politics from the "New Deal order" (Klein, 2008) (1930s-1970s) to the "Neoliberal" period (1970s-present). We argue that the embrace of Keynesian economics during the "third New Deal" marked a conscious move away from class politics and toward consumerism. When combined with particular contradictions around racial and individualist identity and politics in the United States this move made the New

Deal political coalition unstable and vulnerable to an attack mounted by organized capital beginning in the 1940s, escalating through the post war years, and reaching critical mass in the 1970s and early 1980s.

The lessons to be drawn from this history depend on which set of causes - cultural factors such as race and individualism, political factors such as the internal contradictions of the New Deal coalition, or the class based organizing of American capitalists - one thinks are most important. In the conclusion we will consider whether a stronger basis for social democracy in the US might have been built in the New Deal era, an issue that we believe has some significance for understanding the political economic options open for us today and in the future.

### **Three Factors Shaping U.S. Labor/Class Since the Great Depression**

Recent labor history and political economy scholarship identifies three factors explaining the shift from the New Deal system to Neo-liberalism:

(1) **Cultural factors** within the working class that made sustained support of social democratic “liberalism” hard to maintain over the long term. These include especially racism, but also religion and individualism.

(2) **The internal dynamics of New Deal liberalism.** The liberal politics that emerged by the end of Roosevelt’s presidency (i.e between 1938 and 1945) abandoned class populism, became inherently secular, and combined a Keynesian pro-consumption economics with a growing individual rights’ consciousness, particularly concerning race. Such a liberalism was on a collision course with the cultural factors mentioned above and also critically dependent on high employment macroeconomic growth.

(3) **Capitalist class agency, particularly organized ideological campaigns to achieve cultural hegemony.** U.S. capitalists have consistently used a wide variety of tools to repress workers’

collective organizing. More important than direct repression though has been well organized ideological and political campaigns, effective alliances with conservative journalists and ideologues, and a consistent attempt to undermine the collective impulses of organized workers or an economically progressive state. The goal of this agency since the late 19<sup>th</sup> century has been to either prevent or deconstruct any institutional or ideological force that infringes on capitalists' perceived rights to operate union-free and without encumbrance by the state.

Recent scholarship provides strong reason to believe that Factors 1 and 2 (cultural factors and internal dynamics of liberalism) were critical to the unraveling of the New Deal system. But especially when these cultural factors are thought to be permanent, i.e. they determine but are not determined by politics and class relations, we arrive at a profoundly pessimistic view of the possibilities for social transformation in the US. In our view, articulated more fully below, these cultural factors should be seen as endogenous and influenced in important ways by both the capitalist class drive for hegemony and the particular Keynesian form that New Deal liberalism took. Though there is much to be pessimistic about in the current moment, we think that such a perspective opens new possibilities.

### **The New Deal “System”**

Historians generally distinguish the “first” New Deal, which took an industrial approach to economic stabilization, from the second New Deal, which was broader and in some ways more radical. In the first phase, 1933-34, specific legislation concerning banking, agriculture, transportation and manufacturing was passed and fought over in the courts. The second phase, from 1935-38, saw the state creating and enforcing workers' collective bargaining rights, financing public works both to meet public needs and to create employment, providing for social security, and setting standards for wages and working hours.

If the first new deal was about industrial management and organization, the second was a class populist de-commodification of vast areas of social life.<sup>1</sup> The state limited social dependence on large corporate institutions to the benefit of *both* workers and small employers.

Many factors conditioned this radical shift in America's political economy but we would like to emphasize just one here: the disarray of organized capital in the early Roosevelt years. While there is a lively debate among political scientists about the extent to which business has supported certain welfare state initiatives, the preponderance of evidence indicates that in the mid 1930s large capitalist firms in the US lost both their ability to directly intervene in legislation and their structural power to prevent progressive legislation through the threat of capital flight. In the case of the Wagner Act, which essentially legalized trade unions, even those who believe that some New Deal legislation was crafted in the interests of capitalists agree that this key part of the New Deal system was passed by Congress and found constitutional by the Supreme Court against the essentially undivided opposition of American capitalists (Hacker and Pierson, 2004, Swenson, 2004).

There was not much that was "Keynesian" about any of this, if by this term we mean the theory of fiscal policy to stabilize the economy. Roosevelt's aim, especially in the second new deal, was to provide immediate relief to the unemployed and to build a lasting and progressive political coalition. While the federal government ran fiscal deficits very few people around Roosevelt were happy about this or saw it as the primary goal (Brinkley, 1995).

This changed in the later Roosevelt years, what has sometimes been called the "third new deal" (Jeffries, 1996). The loss of a progressive majority in Congress in the 1938 elections stripped the Roosevelt Administration of its appeal to class populism. The war increased Washington's need for business support, and corporate involvement in the war effort helped to restore capitalist

legitimacy. The administration's economic strategy narrowed to an emphasis on the state supporting working and middle-class consumption through expansionary fiscal policy. Rather than challenging and reshaping corporate institutional structures, the new policies left these structures intact (Brinkley, 1995).

The revival of the economy during World War II reinforced the new liberal economic policy framework of full employment and high consumption. Class populism receded further and what was left was the new conclusion that fiscal policy worked well pretty much by itself. The final blow to class populist politics was a growing accommodation with and respect for business leaders who took "responsible" positions as wartime bureaucratic functionaries. The rhetoric of class populism faded, increasingly replaced by a discourse of freedom.

The war, in short, was a significant moment in the shift of American liberalism from a preoccupation with "reform" (with a set of essentially class-based issues centered around confronting the problem of monopoly and economic disorder) and toward a preoccupation with "rights" (a commitment to the liberties and entitlements of individuals and thus to the liberation of oppressed people and groups)... Above all, it led to the postwar identification of liberalism with the effort to secure civil rights for African Americans and, later, many other groups - and to the many triumphs and travails that identification would ultimately produce. (Brinkley 1995: 170)

Certainly the failure of organized labor to expand its influence on corporate decision making, represented by the iconic General Motors strike of 1945-1946, and the decimation of the labor left after the passage of Taft Hartley (1947) contributed to the narrow and largely classless vision that came to characterize postwar American liberalism. But in our view the class transformation project had largely been abandoned years earlier and Keynesian economics was part of the Roosevelt administration's push to the right after 1938.

Not only did the narrowing of the New Deal agenda put Democratic Party liberals on a collision course with the white working class over race, discussed more fully in the next section, it

left liberalism without a class project for social transformation, opening the way to Reagan conservatism as a popular solution to the economic ills of the 1970s. Because corporate control of the economic surplus was left untouched, capitalists and their ideological allies were free to use that surplus to rebuild their cultural hegemony.

### **Contradictions of the New Deal System**

Second generation “new immigrants,” persons of color, and branches of the “old stock” working class all came together in the 1930s to embrace the class populist vision of the second New Deal. The Great Depression had deeply discredited U.S. capital and laissez-faire capitalism in the eyes of most Americans, a sharp reversal from decades of conservative ideological dominance (Lichtenstein 2002: 48-52; Finegold and Skocpol 1984.) This shift in the state and the explosion of working class organizing and militancy from 1933 through the mid-1950s resulted in new state support for workers’ unionization, social security and the various measures comprising the new “welfare state,” tax and macroeconomic policies supporting greater income equality, and an eventual commitment to Keynesian high (not quite full) employment policies. These institutions endured until the 1970s’ economic crisis, and important elements such as social security and unemployment insurance remain with us today. For a large swath of workers – a plurality if not a majority of male (and many female) blue-collar workers in the North, Midwest, and West Coast, with pockets in other regions – the institutionalization of a union-based industrial relations system was the core of the “New Deal era.” Spillover effects likely broadened these benefits to a majority of workers in these regions (Freeman and Medoff 1984; Jacoby 1997).

Why didn’t the New Deal political coalition last longer? Three broad categories of explanation have been put forward. First, the collective aspects of even the watered down third New Deal are thought to conflict with inherent aspects of American culture, especially

individualism, racism, and religion. Second, the later New Deal contained contradictions that could be managed for a time but could not be overcome once the macro economy slowed in the 1970s. Third, labor was not strong enough to secure its collective power over the long run. We find parts of each of these arguments convincing but differ in ways that we will briefly explain.

There is no doubt that religion, race, and individualism play key roles in American culture. When these are presented as the essence of what it means to be American however they miss other features that exist in contradiction with these roles. For instance, Jefferson Cowie and Nick Salvatore (2008) have argued that the New Deal was an exceptional departure from the “deeper impulses” of American history. They propose that U.S culture’s set point is the individualistic, anti-statist, and anti-class solidarity shared broadly (in their view) by most of the white working class. For them, the “great [class solidarity] breakthrough” of the 1930s was thus exceptional, fragile and hard to replicate now.

The interaction of culture and economy is, we believe, important, but significantly more complex. The Great Depression had discredited conservative thinking, encouraging a social response to social problems. This resonated with important aspects of American culture. For instance, a big part of the white working class in the New Deal coalition was Catholic. Many Catholics embraced communitarian economics though they held beliefs antithetical to the individual and secular rights’ consciousness that later came to characterize liberal politics. Fundamentalist Christianity was always at least somewhat antagonistic to the New Deal but many evangelicals were initially supportive of the Democratic Party. The movement of white evangelical Christians out of the New Deal coalition was not inevitable. For instance Darren Dochuk has shown that fundamentalist workers in California were initially supportive of New Deal class

populism in the 1930s and 1940s until forced to choose between “God and the CIO” in the late 1940s (Dochuk, 2008).

The key development in attacking the New Deal system was the expansion of conservative business activism beyond its economic libertarianism base. Joseph Lowndes has documented the inter-regional alliance of white supremacists and capitalists opposed to the New Deal that began to appeal to working class whites long before the 1960s (Lowndes, 2008).

The vitality of religion and individualism at certain moments of U.S. history is indisputable, but without the context of the contingent and historically specific exercise of class power, and a more dynamic and institutionally rooted discussion of the forces purveying, cultivating, and reinforcing individualism, or tying religion to conservative rather than communitarian economics, it is specious as argued. Many religious impulses in American life are communitarian or mutualist rather than individualizing. What impact that they have depends on other forces, in particular, in our view, the degree to which capitalists are able to create cultural hegemony.

The role of race in fracturing the New Deal coalition has been widely analyzed and is beyond dispute. At best, the New Deal coalition in general and the CIO in particular contained a fragile alliance – black and white might unite at work and the ballot box (for national offices), but they also engaged in a fierce war over jobs and housing (Honey 1993; Sugrue 1995, Perlstein, 2008). Racial conflict within the northern New Deal political coalition simmered at a local level throughout the 1940s and 1950s before exploding in the 1960s.

The global politics of fighting fascism in World War II had pushed the New Dealers to take at least partial steps towards protecting individual civil liberties. The complex political circumstances of World War II created what Nelson Lichtenstein has called “rights consciousness” – that is to say, an emphasis on individual citizenship rights to the exclusion of collective rights

Lichtenstein (2002: 178-211). Societal reaction to “totalitarianism” during World War II chastened and weakened class based populism. The leading role of the state in Germany, Italy, and Japan began – in the eyes of a broad swath of the American public – to discredit state institutions that structure/restructure the economy. The success of Hayek’s *Road to Serfdom* (1944) crystallized a burgeoning anti-statist ideology that put class populists on the defensive; it forced them to look for ways to downplay the importance of an activist and strong state vis-à-vis the capitalist private sector.

The explosion of race as an issue at the same time instigated a reformulation of liberal thinking:

The specter of totalitarianism was encouraging liberals to reassess their earlier faith in a managerial state. The intensifying defense of democracy was encouraging them to think less about issues of class and economic power and more about issues of racial and cultural injustice. (Brinkley 1995: 170-171)

The war effort and Capital’s elevated position in it created a new discourse of tolerance across racial but also class lines. Circumscribing class conflict rhetoric was a precursor to the contemporary right’s stigmatization of redistributionist state policy as “class warfare” (Gerstle, 1991).

While implementation of rights consciousness was initially limited mainly to the military it provided a rhetoric that the civil rights movement could draw on in the 1950s and 60s to push for voting rights and anti-discrimination measures in public accommodations, employment and housing. This put the southern white middle and working classes, and the northern white working class in particular, on a head-on collision with New Deal liberalism. Housing in the North and civil rights in the South became the pivotal issues.

One product of the Civil Rights movement was a society in which women and minorities could sometimes use the courts to correct and get redress for individual discrimination. We do not

deny the historic social justice this achievement represented. Both in the churches and the streets, as well as the courts, ‘rights’ became a slogan that could unite people across racial lines (Cowie, 2000, Honey, 2007, Minchin, 2001). But post-1970, workers’ rights to associate and collectively bargain could also be violated with impunity – permitting employer repression of collective worker entities, while putting the power of the state increasingly behind individuals with “protected status” under the Equal Rights Act, rather than workers per se (McIntyre, 2008). By emphasizing the individual rights of non-whites, and by ignoring class, liberalism’s rights consciousness put it on a collision course with increasing numbers of white workers.

Brinkley (1995) contends that a powerful faction of FDR’s earlier administration fostered a progressive class populist economic policy framework. He implies that if American liberalism had retained this stance, it might have had a more robust and durable politics capable of addressing structural economic issues affecting the working class in the 1970s and after. But this faction was marginalized after 1938 as recession, erosion of Congressional support for progressive policy, and war mobilization took precedence. In its place, FDR and the Democratic Party came to stress Keynesian high employment policy, and a social security state that Capital effectively circumscribed from expansion to areas like health care (Klein 2003). Democrats put their emphasis on maintaining full employment, abandoned any state-led challenge to corporate power and stressed individual consumerism for all, reinforcing individualism and embracing “rights consciousness”. This made the New Deal alliance fragile when in the 1960s and 1970s the party appeared to stand more for civil rights rather than the white working class’s economic concerns.

### **Capitalist Class Agency: Hemming in the New Deal**

In American culture, individualistic impulses exist in contradiction to mutualism. Some religious groups incline to individualism while others do not. To see American culture as

monolithically and permanently individualistic is to miss important opportunities for progressive social change.

Certainly the racial divide and the decision to sacrifice class populism for Keynesian stimulus and consumerism played a role in the collapse of the New Deal system. A certain kind of individualism (individual rights consciousness) did characterize the later New Deal. This existed in contradiction to the class based rights guaranteed especially by the Wagner Act. Conservative capitalists allied with racist reactionaries to break a nascent alliance between working class evangelicals and class populism. Certain American notions of individualism and Protestant doctrine meant that those workers were open to anti-New Deal rhetoric, but for us it is the exceptionalism of its capitalist class and not its culture that is most remarkable about the United States.

To neglect this is to de-situate culture and the internal contradictions of the New Deal coalition. In the late 19<sup>th</sup> and 20<sup>th</sup> centuries, the U.S. working class at times embraced both populist (anti-monopoly) and various left (anti-capitalist) movements. From the 1930s through the 1970s, this included belief in the necessity for unions and the state to provide a counter-balance to corporations in providing for economic security and civil rights for (some) workers. Cultural individualism is neither timeless nor all there is. There is an ample strain of mutualism in everyday working class life and in the labor movement.<sup>ii</sup>

Capitalist agency has opposed the mutualist impulse and provided economic and political resources and institutional power for free market individualism. The persistence and recent prevalence of an anti-statist and anti-social ideology of “free enterprise,” opposed to the mutualism of the labor movement and social democratic impulses more generally, is the product of a uniquely powerful and vigorous capitalist class agency. This has been true throughout the 20<sup>th</sup> century, *every*

*step of the way*, with perhaps only the mid 1930s being a period in which that agency was singularly ineffective (Lichtenstein, Finegold and Skocpol). Employer power had much to do with thwarting the class populist impulse that characterized the second New Deal. Also, the divisions that were created in the post-war period between unionized, male, northern workers (and non-union male breadwinners in “spillover” vanguard non-union employers) and southern, African-American, and female workers came out of the defeats of the CIO and the anti-communist politics stoked and abetted by right wing capitalists (Honey, 1993, Klein, 2003).

As Jennifer Klein puts it: “[t]he New Deal did not simply crumble under the weight of its own contradictions. It was brought down through deliberate, sustained, legal, economic, political and ideological assaults.” She goes on to note the importance of “significant business mobilization through the Business Roundtable, a revived US Chamber of Commerce, and other industry trade associations ... new foundations and think tanks” that accompanied the political-cultural shifts that formed a modern conservatism with a degree of working class support. (Klein 2008: 47-48).

The exceptionalism of the U.S. capitalist class – and not the cultural individualism or political fragmentation of the working class alone – is a critical part of the explanation of the rise and fall of the New Deal order. A complete treatment of capitalist class agency would cover the formative pre-Great Depression era (1880s-1920s), the New Deal era, and the Neoliberal era. We focus on the New Deal era partly for reasons of space but also because we think the scholarship on this period adequately sustains two of our arguments.

First, there is now a wealth of evidence that the stability that Heterodox economists have attributed to this period – the capital-labor “accord” – cannot be sustained. Secondly, close analysis

of capitalist class agency during the New Deal period reinforces our argument that the adoption of Keynesian economics pushed the New Deal to the right.

American employer exceptionalism originated in the 1880-1920 period. The U.S. had the largest market and largest capitalists (i.e. very big employers with tens of thousands of employees), with no parallel at the time in Germany and Japan (Jacoby 1997). The U.S. state played less of a role in industrialization that did those in continental Western Europe and Japan and U.S. Capital had a comparatively more visceral and extreme anti-statist ideology. They were abetted by an equally extremist court system.

Early defeats of the U.S. labor movement – uniquely violent and large in scale – helped produce a very careful and largely non-radical labor movement (Jacoby, 1997, Wilentz (1984), Friedman (1998) and Laurie (1989). The labor movement’s weakness in the wake of these violent defeats had a self-reinforcing quality. For instance, because wages were never effectively taken out of competition on a national level, individual employers had a greater incentive to vigorously and violently repress organizing initiatives. Without a traditional aristocracy that put a premium on social stability, the US labor movement had no opportunity to make alliances over the heads of the bourgeoisie, as was possible in some European countries.

While in some European countries collective-bargaining based unionization was seen as non-radical alternative to the Left and a source of industrial and social stability, by the 1920s in the U.S. well organized large and independent corporations faced a weak and moderate labor movement. The pattern of virulent capitalist agency against social welfare and unions of all forms is about as close as one gets to a “deeper and timeless impulse” in U.S. history.

New developments in capitalist agency mark the period from the 1920s through the 1940s. Large capitalists constructed “vanguard welfare capitalism” – a more progressive approach than

simple repression to advancing U.S. capital's anti-statist and labor movement goals (Jacoby, 1997). Corporations such as Thomson Products, Sears, and Kodak led the way in creating an alternative to unionism based on "humane" management methods, company unions or works councils, and modest benefits for long-term workers. While only a minority of American corporations adopted the full package of welfare capitalism the existence of an alternative model provided a base from which to critique the New Deal system as unnecessary and eventually produced a set of leaders in a national movement to repeal the Wagner Act.

Insurance companies were key early advocates and specialists in developing welfare capitalism in the 1910s and 1920s (Klein, 2003). With the coming of the New Deal, insurance companies and large corporations worked together to hem in social security and compete with unions for employees' loyalty. The first step was an embrace of social security by insurance companies and some other capitalists in 1936 and 1937. Key employer associations opposed efforts to repeal social security, preferring instead to make peace with it while hemming it in. The approach was to keep it as a basic "safety net" to be supplemented by additional "security" provided by employer pensions. The next step in the early 1940s was to compete with emerging community health models supported by unions. To do so, insurance companies sold the idea of providing group health insurance benefits to employees. This costly investment paid several dividends for employers in their struggle to regain hegemony over employees. It bound employee's loyalty to their "good employers" and it also forestalled a move towards national health insurance, which would have reduced workers' dependence on their employers.

### **Capitalist Class Agency: Winning Hearts and Minds for Capital**

Organized capital waged a political and ideological effort to "sell free enterprise" and undermine political support for labor and the state over the course of the New Deal era. This

effort began as early in the 1940s.<sup>iii</sup> In the postwar period a top-down conservative movement was constructed, utilizing ideology provided by right-wing thinkers who had or attracted strong business support, such as the economist F. Von Hayek and his circle in the Mont Pelerin society (Van Horn and Mirowski, 2009, Phillips-Fein, 2009.) A counter-momentum to the New Deal state and labor movement was institutionalized, emanating from both non-union welfare capitalists and unionized companies like General Electric (GE) beginning in the late 1940s. This business-financed conservative movement combined anti-communism with an absolutist intolerance of any interference by unions or the state in the supposed free market or the labor process. Unions and the state were targeted specifically as socialist and totalitarian. Lemuel Boulware, the infamous labor relations' director of GE and a chief propagandist and organizer for the capitalist reaction could, with credulity, claim that unions and the welfare state were greater threats to American employers than the Soviet Union itself. (Phillips-Fein 2006)

The success of labor and its allies in 1934-1937 set into motion the class forces that would undermine that success. Recent scholarship sees the New Deal era as characterized by class struggle and ideological warfare rather than the stability implied by the concept of a "limited capital labor accord" (Gordon, Edwards and Reich, 1982). For instance, Nelson Lichtenstein challenges two fundamental assumptions of the accord: that during the 1948-1973 period, a broad sector of U.S. capitalists "accepted" the institutional existence of unions, and that this mutual *quid pro quo*/pact produced industrial relations stability. A system of institutionalized collective bargaining existed in the New Deal era because in the 1930s and 1940s the U.S. labor movement had exerted itself economically, politically, and ideologically, and was therefore not easily dislodged when capital sought to do so as early as the 1940s. However, the terms of unionized labor relations were tested throughout its existence, including by the largest strike in U.S. history (1959 Steel Strike) and the

strike-ridden decades of the 1950s and 1960s. The language of “social contracts” or “compacts” often used by liberals and the Left in the 1980s and 90s to mourn the loss of unionism’s legitimacy was absent from public labor relations discourse in the supposed accord era. Capital was doing more than biding its time during these supposedly stable years; it was campaigning against labor, and creating pro-capitalist ideological narratives in and outside of the workplace. Lichtenstein’s survey is supported by a number of recent case studies, most especially David Anderson’s essay on the “Perfect Circle” 1955 strike, which directly rebukes the idea of a labor-management accord covering northern industrial workers of the era.

Perfect Circle’s owners sought to forge labor-management unity by promoting a quaint vision of “heartland consensus,” a conservative civic identity that management was convinced would render unions unnecessary. As with many business conservatives, Perfect Circle owners tried to rid their plants of unions by tapping into an interlocking network of right-wing policy groups to mount an extensive employee educational program and public relations campaign in defense of “free-enterprise.” (Anderson 2008: 101)

As early as 1937 and 1938 the predominant response of even those sections of capital initially sympathetic to some elements of the New Deal was to develop a determined long-range strategy to literally destroy it (Gordon 1994). There was a rapid and specific expansion of this effort in the early 1970s that, along with new political conditions, allowed U.S. capital to begin a concerted “disembedding” of the U.S. capitalist political economy – i.e. a breaking of the institutional arrangements that defined the New Deal era. However, this 1970s development was not a break or spontaneous *new* strategy on the part of organized capital.

Hardly a relic of a bygone age, Perfect Circle and other aggressively antiunion firms of the 1950s, provide the critical link that connects employers’ reaction against the labor upsurge of the 1930s and 1940s with the rise of the New Right in the 1960s and the subsequent broader offensive against organized labor by larger firms at the economy’s core. (Anderson, p.104)

In this “broader offensive” organized capital sought to govern culture and politics in ways that constitute and reproduce a “common sense” that effects capitalist hegemony, i.e. gives capital the upper hand in a Gramscian war of position. The goal of this war of position was and is to delegitimize labor and the regulatory state, and to reassert an uncompromising notion of free enterprise as common sense. Armed with the ample profits of the prosperous war and post-war periods, American capitalists set out to do that. Key leaders from across the American employer class organized politically and poured resources into fostering a “free enterprise” sensibility; this was woven together with existing strains of individualism and anti-statism and piggy-backed onto the racial and cultural strains that simmered in the 1950s and erupted in the 1960s. This claim is well supported by recent labor history scholarship.

Elizabeth Fones-Wolf describes in detail the attack on the respectability and legitimacy of collective bargaining and state regulation of the employment relationship that emerged in the 1940s. In propaganda campaigns waged in the workplace (controlled by employers), communities, and the halls of state capitals and Congress, individual employers and their associations (especially the National Association of Manufacturers and the Campaign for Economic Development) aimed squarely at changing societal understandings about labor and the state. Union legitimacy was especially targeted. Says Fones-Wolf:

... unions, business leaders complained, had drenched the minds of workers in a “reckless propaganda of distortion, deceit, and phoney [sic] economics.” ... [B]usiness not only sought victory at the bargaining table and in the halls of Congress but also sought to win the hearts and minds of American workers. To accomplish this task ... employers [sought] to send a message that business had solved the fundamental ethical and political problems of industrial society, the basic, “harmony between the self-interest of our economic institutions and the social interests of society.”<sup>iv</sup> (Fones-Wolf 1995: 67)

The point of this business ideology was that workers could and should trust their employers, and distrust unions and the state.

Fones-Wolf explicitly argues that capital had fully formulated and begun to implement this ideological campaign in the late 1940s. She says bluntly: “It is tempting to draw broader generalizations from the willingness of some corporations to concede higher wages and benefits. However, it neither signaled the formation of a ‘social contract’ between capital and labor nor ended genuine conflict...”(Fones-Wolf 1995: 68). Similarly, Lichtenstein writes

the terminology of social peace [associated with the term ‘accord’] and cooperation ... was actually absent from the language of either labor or management during the 1950s and 1960s... The 1940s and 1950s were years of historically high strike levels and of corporate-sponsored ideological warfare... in the twenty years after 1947 ... strikes were ... ten times more prevalent than in the years after 1980. (Lichtenstein 2002:99)

David Witner (2008) describes a concerted campaign by employers and supportive ideologues in the press that constructed a fictitious image of corrupt labor bosses, beginning in the early 1940s and taking full root in the wake of the notorious McClellan hearings of the late 1950s (Witner, 2008). He shows how organized Capital began to win the ideological war against labor long before the 1970s. The objective of purveyors of the “racketeering menace” was to concretize capital’s long held view of unions as an illegitimate “third party” rather than as an expression of workers’ own interests and desires. Witner shows how successful this ideological campaign was, manufacturing a widely held belief that became shared broadly by the broad public *and* workers in the space of two short decades. The alleged reality: labor officials are on the whole corrupt and criminal “bosses” or *racketeers*, without overlapping interests with their members whose sole goal is to exploit workers. Constructing labor leaders as corrupt bosses who appropriate a surplus from union members while portraying corporations as the honest friend of the worker, against all

available evidence, was a bold ideological triumph. It has been the standard line of corporate spokesmen from the late 1940s to the present.<sup>v</sup>

As Witner points out, in the 1950s this ideological campaign had the advantage of largely echoing the anti-communist rhetoric. “Both pictured an internal threat to the nation’s security and warnings about both threats came from the same voices on the political right, who frequently pointed out the parallel nature of these conspiracies.” (2008: 124-125) While anti-communism was an effective means of attacking the CIO, it was of little use in attacking the now larger American Federation of Labor. Racketeering proved the perfect weapon for more conservative unions rooted historically in the trades. Such an ideological attack on the conservative AF of L was crucial in that the AF of L had regained its numerical and political dominance by the late 1940s via its “occupational” approach, organizing vast numbers of semi- and un-skilled workers it once eschewed in trucking and other industries (Lichtenstein).

Capitalist class agency (in alliance with conservative journalists and politicians) thus made unions themselves a “wedge issue,” in this case dividing working class union members from their own unions and from the Democratic Party that protected them. As Witner puts it:

For the Eisenhower administration this campaign against labor racketeering offered a chance to peel the working-class vote away from the Democratic Party by politically dividing union members from their leadership. The culmination of this trend came at the end of the 1950s during the McClellan Committee hearings, which was the largest congressional investigation up to that time. Those hearings transformed Teamsters President James R. Hoffa into a potent symbol of the danger posed by labor racketeering. The committee’s revelations and the publicity they received undercut the labor movement. Polls showed growing public skepticism toward unions, and especially union leaders. Such attitudes helped conservatives win a new round of legislative restrictions on organized labor in the form of Landrum-Griffin Act (1959). (Witner 2008:124)

Finally, Kim Phillips-Fein (2006) describes both the ideology-making and capitalist political organizing of the man who may be the most important innovator and leader of the

capitalist reaction of this era: Lemuel Boulware. GE hired Boulware, a sales and marketing maven, after workers won a nationwide strike against GE in 1946. Concerned that solidarity included not just workers but virtually all local community leaders extending to clergy, police, and courts, GE sought to regain a firm hand in relations with the militant and leftist United Electrical Workers. Boulware immediately brought two approaches to relations with the UE. The first was to implement a rigid and ultimately illegal “bargaining” strategy with the union in subsequent negotiations. The company would not bargain until the last day, presenting a contract “publicly” to the entire workforce, appearing to bypass the union and refusing to alter the contract further. GE management claimed that contracts had to be based on impersonal market forces beyond the powerful company’s reach. “The primary theory behind Boulwarism as a contract strategy was that the union should never be shown to win anything for the employees” (255). Boulware’s vision was that the “union was an interloper; real industrial democracy lay in the connection between the employer and the employees.” (256)

His second approach was to create a structure parallel to the union from the top down, under the banner of “job marketing” to workers, in which the company built a dense web of relationships with its employees through front-line supervisors combined with the bombardment of a constant stream of propaganda. This included a weekly publication distributed to all workers and managers that contained Boulware’s vision of a libertarian free market economy in which employers like GE were powerless in the face of national and global competition, while stressing the threat of creeping socialism. Boulware even went so far as to write his own economics textbook summarizing his views, published under a pseudonym and distributed widely to GE managers and workers. Boulware also saw to it that all 190,000 GE workers and managers took an economics course to “learn” the GE vision of the economy and society. Boulware and

other corporate propagandists sponsored meetings of Hayek's Mont Pelerin society and helped to found the American Enterprise Institute in order to bring their broad political views, and not just their immediate interests, before the general public (Phillips-Fein, 2009).

Boulware made a lasting contribution to the new Right by taking GE's propaganda campaign to the national business community. A Boulware speech entitled "Politics: Businessmen's Biggest Job in 1958" was distributed to all GE supervisors, GE community leaders (clergy, teachers, women's civic organizations, and other groups of "thought leaders") and to all members of Congress. The speech prompted *Fortune* to publish an editorial arguing that corporations were "re-discovering politics." Boulware and GE were prominent supporters of Goldwater's 1964 presidential bid. And of course, Boulware's GE was the crucible where Ronald Reagan completed his journey from New Dealer and failed actor to politician and the nation's leading conservative political figure.

By revitalizing and financing a reactionary class politics during the postwar era Boulware and other corporate propagandists provided a basis for the rise of the conservative movement that expanded and took advantage of broad reaction to civil rights and civil unrest in the 1960s. Wallace, Nixon and later Reagan played on racial reaction, liberal disarray, the rise of the religious right and single-issue organizations (e.g. NRA and gun rights). Because the New Dealers had abandoned class populism for Keynesian economics, corporations were able to use their control of the economic surplus to distribute funds to these organic intellectuals of the capitalist class who in turn successfully and fairly easily created a common sense vision of society in which neither unions nor "big government" were necessary.

## **Conclusion**

We are not nostalgic for the New Deal. Unfortunately even the outline of a potentially successful Left strategy for our time is beyond the scope of this essay. But we do think there are two conclusions that flow from our analysis that may inform such a strategy.

If individualism is the “deep impulse” of the American working class then the period of the mid-1930s is an exception, however interesting. This is the perspective that two important labor historians have recently taken and it leads them to be quite pessimistic about the prospects for progressive social change in the US (Cowie and Salvatore, 2008). If, however, individualism co-exists with tendencies towards mutualism, then its effects depend on other cultural processes as well as political and economic tendencies in American life. This is our position. As we argued above, the New Deal produced a particular kind of individualism (rights consciousness) because of the internal dynamics of the New Deal coalition and the effects of the war. It is at least arguable that individualism has mutated again since the 1960s, as capitalist ideology absorbed its artistic critics and lean production replaced hierarchical Fordism (Boltanski and Chiapello, 2006). It is beyond our scope to treat this here, but while we think it is important to examine how culture influences the potential for political economic change, we think it a mistake to assume that culture determines political economy.

The 2006 and 2008 national elections as well as attitudes about race, and party orientation of younger voters offer ample suggestion that racism and the endogenous cultural factors shaping a conservative working class electorate that have dominated US politics in the Neoliberal era have lessened. We are less sanguine about capitalist class hegemony. The economic crisis of 2007 to the present has raised serious questions about the neo-liberal economic model. What has not changed though is capitalists’ ideological hegemony, and the thick institutional and political infrastructure

that has been created and deepened for over sixty years. This is evident, for example, in how financial industry reform and health care reform have been handled.<sup>vi</sup>

The Obama administration has had the opportunity to articulate a different vision of how our society might work and what progress consists of but so far it has not done so. For his economic team the President has chosen advisors who may be more socially progressive than their predecessors, but whose orientation is utterly orthodox. Although the African-American experience is the most obvious critique of the notion that success is based on individual effort, our first African-American President has chosen to be silent on this.

If there is to be an upsurge to challenge the hegemony of neo-liberal thought and practice it is unlikely to come from crisis ridden Washington in any case. Second-generation immigrants led the labor upsurge of the 1930s and it only really took off after the economy had begun to recover. African-Americans whose parents had emigrated from the South led the Northern civil rights movement during the boom years of the 1960s. First generation immigrants tend to favorably compare their status to those in the old country, but for the second generation the comparison group is native born citizens.

Today the children of the latest wave of immigration are reaching the age when they will enter the labor market. They will not be content with the economic and social status of their parents. A key question then is the possibility of a political alliance between second-generation immigrants, the half of the African American population that remains impoverished, and downwardly mobile native-born workers (Piore, 2009). While such a movement awaits its King or Chavez, once economic activity resumes in earnest it would not be surprising to see it develop.

Of course we do not make history in circumstances of our own choosing. That the third new deal moved away from class populism and towards Keynesian economics and individual rights

consciousness had as much to do with changing circumstances as it did with choice. But that move had serious costs, as it ended the rhetoric of class populism which, in interaction with racism and the shortcomings of Keynesian economics, eventually fractured the New Deal coalition when growth slowed in the 1970s. Without a serious anti-capitalist ideological challenge to neo-liberalism it is hard to see how even the moderate social democratic politics of the New Deal era could be possible in the US today.

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<sup>i</sup> By class populism we mean a form of political rhetoric that assumes that classes exist in society and that policies do not benefit all classes. We do not mean that the Roosevelt administration deployed a Marxian notion of class, i.e. that capitalists appropriated the surplus value produced by workers.

<sup>ii</sup> In his study of late 19<sup>th</sup> century working class fiction Michael Denning finds tension between an ethic of solidarity and mutualism and one of individualism and self-advancement (Denning 1998). In our reading of 20<sup>th</sup> century American labor history this is a continuous and still existing tension. Space constraints prevent fuller elaboration here.

<sup>iii</sup> See Lichtenstein (2002), Gordon (1994), Fones-Wolf (1995), Phillips-Fein (2006) and Witner (2008). Howell John Harris (1982) was the first study to point out the fallacy of the notion of an “accord” between labor and capital, given this opposition. In his book *The Right to Manage* (1982 “Harris showed that, as a group, employers never accepted unions, but instead adopted a practical, ‘realist’ approach to collective bargaining that successfully stymied organized labor’s growth by the late 1940s. Harris also noted that management mounted a vigorous public relations campaign in defense of capitalism that successfully rehabilitated business’s image, which had been severely tarnished by the Great Depression.” (Anderson 2008: 103)

<sup>iv</sup> The two quotes she cites here are from –  
John W. Hill, “Industry’s Iron Curtain,” *Public Relations Journal* 2 (Nov. 1946):3  
“Basic Elements of a Free, Dynamic Society,” *Harvard Business Review* 29 (1951):57.

<sup>v</sup> This is a masterpiece: unions, not capitalists, exploit workers. Witner shows there to be little evidence of such “racketeering” as a widespread phenomena in the 1950s. Freeman and Medoff (1984: 213-217) made a similar case in the 1980s. They note a statement by Benjamin Civiletti, attorney general under President Carter, that only about 300 of 65,000 union locals nationally were corrupt, and comparative surveys that showed that 3 percent of union locals were corrupt versus 11 percent of U.S. corporations. Racketeering is still an important anti-union trope. In 2008 and 2009, the advertising campaign against the current Employee Free Choice Act featured

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former Sopranos' actors (i.e. fictional Mafia characters) running union card-check campaigns. Empirical research of card-check campaigns (Eaton and Kriesky 2006) again shows this to be a fiction.

<sup>vi</sup> The nearly \$1 billion spent by the two affected industries on direct lobbying in 2009 is the tip of a larger iceberg: the web of institutes, political organizations, industry associations and more that has been built over since the early 1940s to lay siege to any affront to “free enterprise” policies.

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