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Author(s): KIM PHILLIPS-FEIN

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Top-Down Revolution: Businessmen, Intellectuals, and Politicians Against the New Deal, 1945–1964

KIM PHILLIPS-FEIN

In 1954, President Dwight D. Eisenhower wrote a letter to his brother Edgar in response to Edgar's fears that Ike's insistence on developing a "modern Republicanism" meant a dangerous capitulation to the liberal ideals of the New Deal. Eisenhower tried to defend his record against these charges, insisting that his "modern Republicanism" was the only feasible politics for the Republican Party in the twentieth century. "Should any political party attempt to abolish social security, unemployment insurance, and eliminate labor laws and

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farm programs, you would not hear of that party again in our political history," he wrote to Edgar. "There is a tiny splinter group, of course, that believes you can do these things. Among them are H. L. Hunt . . . a few other Texas oil millionaires, and an occasional politician or businessman from other areas. Their number is negligible and they are stupid."[1]

My dissertation, "Top-Down Revolution," looks at the "splinter group" of businessmen that Eisenhower dismissed so cheerfully in 1954. I argue that the conservative opposition to the New Deal within the business community remained significant. The contributions that businessmen made to conservative institutions like think tanks, as well as their success in weakening labor unions, ultimately provided a basis for the development of the conservative political movement. On some critical level, Eisenhower was wrong: there was in fact substantial opposition to the New Deal order among businessmen throughout the 1950s, even at the moment when it seemed that liberal political economy was at its strongest and still gaining. And this opposition, far from being negligible, had real political legs.[2]

Historians frequently treat the conservative movement in the United States as a populist movement in its origins, which grew primarily in response to cultural conflicts over the civil rights, feminist, and gay rights movements in the 1960s and 1970s.[3] During the postwar period, business and labor are thought to have been unified on basic political and economic questions, the common cause of the Cold War overriding conflicts in an era of economic expansion. My dissertation suggests that this unity has been overestimated by historians and that in fact many businessmen remained sharply critical of the political economy inaugurated by the New Deal. Instead of looking at conservatism primarily as a populist revolt driven by the cultural

1. Dwight D. Eisenhower to Edgar Eisenhower, 8 Nov. 1954, doc. 1147, in *The Papers of Dwight David Eisenhower*, ed. L. Galambos and D. van Ee. World Wide Web facsimile by The Dwight D. Eisenhower Memorial Commission of the print edition (Baltimore, Md., 1996). URL: http://www.eisenhowermemorial.org/presidential-papers/first-term/documents/1147.cfm.

2. Howell John Harris, *The Right to Manage: Industrial Relations Policies of American Business in the 1940s* (Madison: University of Wisconsin Press, 1982) and Elizabeth Fones-Wolf, *Selling Free Enterprise: The Business Assualt on Labor and Liberalism, 1945-1960* (Urbana and Champaign: University of Illinois Press, 1994) are two excellent books that also chart continued criticism of New Deal liberalism in the business community.

3. For example, see Jonathan Rieder, *Canarsie: The Jews and Italians of Brooklyn against Liberalism* (Cambridge, Mass., 1995); Dan Carter, *The Politics of Rage: George Wallace, The Origins of the New Conservatism, and the Transformation of American Politics* (New York, 1995).

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conflicts of the 1970s, or as a social movement, historians need to be aware of the elite components to organizing against liberalism.

Why should business conservatives in the postwar period have been unhappy? One might have thought that in the early 1950s—the age of McCarthyism, with the first Republican in the White House since Hoover—businessmen would have been perfectly content with the state of the American polity. But in fact, the political economy of the postwar period—in particular in the regions of the country that had been most deeply reshaped by the New Deal, the industrial North and Midwest—challenged the power of business in the workplace and in the polity in unprecedented ways. Labor unions in America were stronger than they had ever been before. Personal income taxes during the 1950s went up to 90 percent top marginal rates; corporations as well paid high taxes.[4] The memories of the Depression—of being called "economic royalists" during a moment when capitalism seemed near collapse—haunted businessmen even after economic health had returned. Perhaps most of all, Keynesian political economy argued that labor needed to be seen not only as a cost of production but as a market for products—that high wages were critical to the economic health of the entire society. In a sense, this vision pitted the individual profit margins of a particular company against a vision of what might be best for society as a whole. The new philosophy of liberalism, shared, to some extent, by both political parties, argued that economic growth was inextricably tied to national security and that labor and the state had critical roles to play in terms of organizing and maintaining it. Private enterprise could not be trusted with the responsibility. It was one interest group among many; what was good for General Motors might not in fact be good for America.

The dissertation is organized in three parts. First, I look at the intellectual world of free-market conservative businessmen and their connections with intellectuals in the 1950s and early 1960s. The business conservatives of the 1950s came to believe that liberalism, more than Soviet espionage or open conflict with Communism, posed the greatest threat to capitalism. They saw unions as a special danger, in part because of the direct challenge embodied by unions but also because they believed that unions might mobilize voters to strengthen the welfare state. The second part of my dissertation considers the development of antiunion strategies. I focus on General Electric (GE), which pioneered new methods of opposing unions. I also look at the role that organizations such as National Association

4. See Samuel Rosenberg, *American Economic Development Since 1945: Growth, Decline and Rejuvenation* (New York, 2003).

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of Manufacturers played in disseminating techniques that companies could use to blunt organizing drives, and I use National Labor Relations Board archives to see how these strategies played out on the ground. I also consider the Kohler Strike, a major United Auto Workers strike in the Midwest against a family-owned plumbing manufacturer which became a central organizing point for business conservatives frightened of labor's power. Finally, I look at the right-to-work campaigns of the late 1950s and at the political career of Barry Goldwater, as examples of the entrance of the business right into political life.

The intellectual world of the free-market right was built with the enthusiastic support of some American businessmen. Politically aware businessmen at the end of World War II were eager for a new defense of capitalism in the wake of the Great Depression. As one of them, Jasper Crane, a former executive at the Du Pont Chemical Company, wrote to a friend early in 1945, "Christianity made little progress until in the Second Century it had the writings of the New Testament; Communism got nowhere until Marx wrote *Das Kapital* (read by very few people at first but gradually gaining enormous influence); National Socialism needed *Mein Kampf* to be effective."[5] Crane was looking, as he put it, for the "New Testament of capitalism," the " 'bible' of free enterprise."[6] Crane (like many others) found what he was looking for in the work of Austrian economists Friedrich Hayek and Ludvig von Mises. The vision of the market developed by thinkers such as Hayek and Mises differed sharply from prewar defenses of capitalism. The postwar free marketeers sought to present themselves as the representatives of individual freedom, creativity, and self-expression against the forces of totalitarianism, regimentation, and a drab socialist world. In this new vision of the world, almost any collective effort to regulate the market was a step down the slippery slope that would end in socialist tyranny. The market, by contrast, was a realm of freedom. Crane and Hayek actually got in touch when the economist was contemplating the foundation of a new intellectual organization, the Mont Pelerin Society, which he intended as a space where free-market economists, historians, and philosophers could come together and develop their ideas. Although Crane was wary about the Society at first, viewing it as dominated by European thinkers whose ideas he did not entirely trust, he became more deeply involved in the 1950s. His fundraising

5. Jasper Crane to Loren Miller, 14 Sept. 1945, Jasper Crane Papers, Box 51, Hagley Museum and Library, Delaware.

6. Jasper Crane to Loren Miller, 13 Nov. 1945, Jasper Crane Papers, Box 51, Hagley Museum and Library, Delaware.

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work made it possible for the Mont Pelerin Society to hold its first meeting in the United States in 1958.[7]

These ideas about the power of the market and the oppressive nature of collective action were never limited to the theoretical realm; they influenced labor policy at some of the most important corporations in the country. The company on the cutting edge of antilabor politics in the early 1950s was GE, then the nation's third-largest employer. The company had been hard-hit by the 1946 strike wave, when management had been stunned to find itself excluded from the factories by picket lines. In the wake of the strike, Charles Wilson, the CEO of GE, hired Lemuel Ricketts Boulware, a native of Kentucky, to remake labor relations at the company.[8] Boulware, whose background was in marketing, conceived of GE's labor problems largely in terms of an advertising campaign. To win against labor would involve a broad campaign to reshape public perceptions of unions and the company: "Management is in a sales campaign to determine who will run business and the country,—and to determine if business and the country will be run right. Union leaders and left wingers are out calling on the 'customers,' finding out what the customers want and doing something about it, meanwhile vigorously, courageously, imaginatively, brutally and effectively attacking management as incompetent and crooked."[9] Along these lines, he devised a program of extremely tough contract negotiations (basically refusing to bargain with the unions), along with a relentless stream of propaganda and communications directed at the workers, plus management training for supervisors ("job salesmen") who

7. See Phillips-Fein, "Top-Down Revolution," chap 2. George Nash, *The Conservative Intellectual Movement in America Since 1945* (New York, 1976) remains the classic account of the development of postwar intellectual conservatism. However, Nash says little about the role of business support in building conservative intellectual institutions. R. M. Hartwell, *A History of the Mont Pelerin Society* (Indianapolis, Ind., 1995), mentions Crane's support for Mont Pelerin but says little about the intellectual and political commitments that led to this support. Dieter Plehwe, Bernard Walpen, and Philip Mirowski are currently working on a collection of essays on the history of the Mont Pelerin Society that will place its intellectual work in a broader political context.

8. For accounts of the strike and Boulware's hire, see Herbert Northrup, *Boulwarism* (Ann Arbor, Mich., 1964), and James Matles and James Higgins, *Them and Us: Struggles of a Rank-and-File Union* (Engelwood Cliffs, N.J., 1974). Also see Ronald Schatz, *The Electrical Workers: A History of Labor at General Electric and Westinghouse, 1923-1960* (Urbana, Ill., 1983).

9. "Proposed Program of Industrial and Community Relations," 1 Aug. 1945. Atop the memo is a handwritten note from CEO Charles Wilson: "Mr. Boulware: A splendid contribution, I think. Give it wide distribution." Lemuel Boulware Papers, MS Coll. 52, Box 8, Folder 154, Van Pelt Library, University of Pennsylvania, Philadelphia.

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would sell employees on their jobs. A critical part of this salesmanship, however, involved an education in market economics, rather than touting the glories of GE. All of GE's 190,000 workers went through a course on company time on free-market ideology, using a text written by Boulware himself (he had tried to get the conservative economic thinker von Mises to write it, but Mises declined).[10] Managers and supervisors received recommended reading lists featuring the work of thinkers such as Hayek and Mises (whose books Boulware owned) as well as pointers toward the *National Review* and other conservative publications.[11] To run its public relations, the company hired outspoken political conservatives, such as Peter Steele, a man whose main claim to fame was authoring a pamphlet entitled "Blueprint for World Revolt," and Ronald Reagan, then an out of work movie star who went from one factory to the next at GE talking to workers about the company and the union.[12]

While GE and others sought to fight liberalism by fighting unions, other leading business conservatives tried to rally financial backing to support an intellectual agenda—to change the climate of political life. Early think tanks such as the American Enterprise Association (AEA) (whose name was later changed to the American Enterprise Institute for Public Policy Research) raised money primarily from corporations, promising that donations would be "a business investment in good legislation."[13] For William Baroody, the driven, grandiose president of the AEA and a former Chamber of Commerce employee, corporate executives were natural in the role of the Remnant. As he wrote to William McGrath of the Williamson Heater Company, "It strikes me that there must be literally scores of other

10. "Highlights of the General Electric Economic Education Program," Box 52, Archive Organization Files, Kheel Library for Labor-Management Co-operation, Catherwood Library, Cornell University, New York. Also see Lisa Ann Kannenberg, "The Product of GE's Progress: Labor, Management and Community Relations in Schenectady, 1930-1960" (Ph.D. diss., Rutgers University, 1999), 215.

11. Lemuel Boulware, *The Truth About Boulwarism: Trying to Do Right Voluntarily* (Washington, D.C., 1969), 30-38.

12. For Peter Steele, see Peter Steele Papers, Box 2, Correspondence D-G, Knight Libraries, University of Oregon, Eugene. For Ronald Reagan, see Garry Wills, *Reagan's America: Innocents at Home* (New York, 1987).

13. See AEA pamphlet in W. C. Mullendore Papers, Carton 2, Knight Library, University of Oregon. Also see James A. Smith, *The Idea Brokers: Think Thanks and the Rise of the New Policy Elite* (New York, 1991) and Sidney Blumenthal, *The Rise of the Counter-Establishment: From Conservative Ideology to Political Power* (New York, 1986) for discussions of the early history of AEA. Sam Rosenfeld, "From Lobbyists to Scholars: AEI and the Politics of Expertise, 1943–1964" (Senior Thesis, Columbia University, April 2004), is the best essay available on AEA's early development.

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companies who share your interest in the preservation of the competitive enterprise system and our form of government . . . . It is up to us 'remnants' to pull together in the common effort."[14] Executives from companies such as Mobil and U.S. Steel served on the AEA board of trustees during the decade.[15]

The AEA focused primarily on preparing analyses of bills and legislation. The group also published longer reports that found their way into the mainstream press. But business conservatives began to engage in political organizing as well. In the late 1950s, the U.S. Chamber of Commerce began to organize seminars for companies interested in training their employees in political action—or "public affairs," a more neutral-sounding phrase. F. Clifton White, who was one of the leading consultants going to firms such as Johnson & Johnson and Gulf Oil to help teach managers how to fundraise and do door-knocking, described his job thus: "One of my main concerns at the time was that businessmen, for the most part, did not understand politics and the mechanics of the political system, while the unions did. The lack of political activism in the business community created an imbalance in favor of the unions, and I decided to do something about it."[16]

With so much organizing going on beneath the surface, it was only a matter of time before business conservatives entered politics—which they did in earnest in the right-to work campaigns of 1958. (Right-to-work legislation means the prohibition of the union shop; it makes it illegal for union membership to be a condition of employment.)

For business conservatives, right-to-work seemed like the perfect issue: it defined unions as the oppressors of workers, trying to deny them the "right to work." As one small manufacturer wrote to the president of National Association of Manufacturers, "The right-to-work issue is by far the best battleground which management has been presented with, on which to fight out whether or not the country is going to fall all the way into the grasp of the unions."[17] Most of the right-to-work campaigns lost in 1958. But the business conservatives did not grow despondent. Hollywood producer Cecil B. DeMille, a major supporter of right to work, saw it as a chance for the right to

14. William Baroody to William McGrath, 17 Aug. 1954, Box 40, Folder 4, William Baroody Papers, Library of Congress, Washington, D.C.

15. Correspondence, 8 Jan. 1958 and 6 Jan. 1958, Box 42, Folder 8, William Baroody Papers.

16. F. Clifton White, *Politics as a Noble Calling* (Ottawa, Ill., 1994), 112.

17. L. B. Lane of the Lane Company in Altavista, Virginia, to Charles Sligh, 24 Feb. 1956. Folder labeled "February 1956 correspondence," Box 11, Sligh Family Papers, Bentley Library, University of Michigan at Ann Arbor.

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purify its ideological message: "There was very little glory for the Republican Party officials in 1856, when the party went into national politics, and was defeated. But four years later the party gave Lincoln to America."[18] And sure enough, the entire movement of business conservatives that had developed over the course of the 1950s came together in the presidential campaigns of Barry Goldwater.

What can we learn by looking at the business mobilization against New Deal economics during the 1950s and early 1960s? The first point is simply that we need to be open to seeing economic conflict as an important part of American political and economic history. During the mid-century economic boom, many liberals were willing to treat the economy as an apolitical space. They acted as though the minimum wage, labor rights, and low unemployment were simply matters on which everyone could agree. In part this was a product of a specific type of Cold War consensus: the idea that creating social peace was critical to unifying America against Communism. But it also meant a certain deep blindness regarding the political implications of their continued challenge to free-market ideology and their unwillingness to stake too much on a vigorous defense of an alternative vision. In contrast, business conservatives offered a deeply ideological and moral vision of the economy, arguing that matters of wages, benefits, and who determined work rules were central political questions and not just matters of technique to be resolved by experts. They saw economic policy as connected to very fundamental questions about who has power in society; they seized upon the idea of the economy as a space of meaning, passion, and freedom.

The second point has to do with how we think about business people as political actors. Business people in American politics are often seen as neutral and rational figures oriented toward profits in the short term, whose choices are limited to decisions about business strategy, marketing campaigns, and the implementation of new technologies, as opposed to political actors who are influenced by ideology as well as by their immediate interests. But examining the political mobilization of business people offers a different perspective of the social and cultural lives of the American elite. The economic conservatives were long-term activists. They had no illusions about winning quickly or easily; they were in politics for the long haul. And their efforts to organize politically did not, of course, stop with the Goldwater debacle. They regrouped during a period of defeat. I do not mean to argue that all businessmen were conservatives, nor

18. Cecil B. De Mille to Robert Finch, 31 July 1958, Box 119, William F. Knowland Papers, Bancroft Library, University of California at Berkeley.

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that the conservative movement can be reduced to the self-interested activities of business. But at the same time, it is important that we understand the role that business activists did play, both to understand the full complexity of the rise of conservatism and the decline of the New Deal order in the United States and to understand the nature of the political activities of business in modern American history.

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