FROM CONSENSUS TO PARALYSIS IN THE UNITED STATES, 1960–2010

Richard Lachmann

ABSTRACT

I trace and explain how the ratcheting of corporate mergers and deregulation transformed the structure of elite relations in the United States from 1960 to 2010. Prior to the 1970s there was a high degree of elite unity and consensus, enforced by Federal regulation and molded by structure of U.S. government, around a set of policies and practices: interventionism abroad, progressive tax rates, heavy state investment in infrastructure and education, and a rising level of social spending. I find that economic decline, the loss of geopolitical hegemony, and mobilization from the left and right are unable to account for the specific policies that both Democratic and Republican Administrations furthered since the 1970s or for the uneven decline in state capacity that were intended and unintended consequences of the post-1960s political realignment and policy changes. Instead, the realignment and restructuring of elites and classes that first transformed politics and degraded government in the 1970s in turn made possible further shifts in the capacities of American political actors in both the state and civil society. I explain how that process operated and how it produced specific policy outcomes and created

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new limits on mass political mobilization while creating opportunities for autarkic elites to appropriate state powers and resources for themselves.

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> Most of us are conditioned for many years to have a political viewpoint, Republican or Democrat, liberal, conservative, moderate. The fact of the matter is that most of the problems, or at least many of them that we now face, are technical problems, are administrative problems. They are very sophisticated judgments which do not lend themselves to the great sort of "passionate movements" which have stirred this country so often in the past. Now they deal with questions which are beyond the comprehension of most men.[1]
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> — President John F. Kennedy, 1962
> (quoted in Rousseas & Farganis, 1963, pp. 358–359)

From our vantage point a half-century later, President Kennedy's confidence in experts' capacity to solve problems with their technical knowledge seems both touching and misplaced. Yet what appears most unrealistic, to those of us who spent the first decade of the twenty-first century in the United States, is his belief that elites or citizens more broadly could be convinced by expert judgment to abandon their ideological positions or to subordinate their particular interests to policies that would advance general prosperity and the common good.

Yet, at the time Kennedy spoke there were good reasons for his confidence that ideological convictions were giving way to expert consensus. What Kennedy described in another speech as "the practical management of a modern economy" (quoted in Rousseas & Farganis, 1963, p. 359) enjoyed bipartisan support. Leaders of both parties in Congress endorsed Keynesian strategies of tax cuts and government spending.[2] The consensus extended to foreign policy in the early 1960s, with agreement on an aggressive approach to armament and to counter-insurgency in the Third World. Leaders of both parties agreed not only on the broad goals of economic growth, reduction of poverty, and the containment of Communism; they also believed in the efficacy of the strategies formulated by experts in government.

At the same time, there was little effective opposition to these policies from outside government in the United States. On the left, the peace movement was weak and focused mainly on ending nuclear tests, while slighting

U.S. military intervention around the world (Wittner, 1993–2003). Unions endorsed the government's macro-economic policies and limited their demands to wage and benefit increases that tracked the rise in productivity and corporate profits. The influence, in national politics, of what was then labeled "the lunatic fringe" was becoming marginalized as the Republican Party led by Eisenhower and Nixon embraced an internationalist foreign policy, government management of macro-economic growth, and modest efforts to gradually ameliorate poverty. Outside the South, both parties supported the gradual extension of civil rights to blacks.

Capitalists, at least those who headed the largest industrial and financial firms, were in some cases supportive of, and more often resigned to government social programs, economic regulation, and the role of unions in representing their workers, even as they tried to block or slow new governmental initiatives. Capitalists did hope that the death of Franklin Roosevelt, the negative public reaction to the strike wave that followed the end of World War II, and the election of a Republican Congressional majority in 1946 would provide an opening to reverse New Deal social welfare and regulatory policies. However, continued Democratic control of the executive branch (and Truman's unexpected allegiance to, and desire to expand, the New Deal), a return of a Democratic majority to Congress in 1948, and then Eisenhower's unwillingness to challenge most of the New Deal and his continuation of Truman's basic foreign policy, demonstrates the narrow limits within which even the most concerted challenges by groups of capitalists or other elites to the postwar consensus had to maneuver. Thus, capitalists' most significant challenge to New Deal legislation, the Taft–Hartley Act of 1947, did not seek to decertify or reduce the membership of existing unions. While Taft–Hartley had profound long-term consequences for unions' political power, the Act's authors did not anticipate those effects.

Businessmen's support for U.S. foreign policy was greased by the U.S. government's diplomatic, financial, and military protection of their foreign investments, and by the outsized profits they earned from contracts for weapons which flowed not only to large firms but to subcontractors that were located in virtually every Congressional district. Unions, treasuring the well-paying and stable jobs their members held at defense firms, supported the foreign policy that made the weapons their members built necessary.

Bipartisan agreement on the goals of foreign and much domestic policy, and on the methods for achieving those goals through governmental management, was built upon a high degree of cohesion among elites. Firms

were linked together by director interlocks, centered on the largest banks. The ability of corporate managers to pursue their own interests, rather than act as fiduciaries of their shareholders and workers, was hemmed in by their dependence on banks for financing and by a web of government regulations that stymied their capacities to alter the shares of income that went to owners, managers and workers. Firms also were constrained by unions' ability and willingness to strike. Nonunion industrial firms outside the South faced the threat of unionization if their wages and benefits fell significantly behind those won by unionized workers. The government's share of national income grew significantly in the 1950s and increased again in the 1960s in the absence of effective opposition to military spending, and as both political parties were committed to maintaining New Deal social programs and differed mainly on which of those programs should be expanded and at what cost.

Conflict, along ideological, class, or other lines, was limited, above all, by the United States' commanding position in the world economy and geopolitics, which provided the resources to accommodate multiple interests and priorities. Tax revenues made new social programs affordable at the state and local as well as national levels. Public sector construction, which had expanded drastically with New Deal programs, continued in the quarter century after World War II with the main focus on schools, universities, hospitals, and roads. University enrollment, which had risen gradually in the first half of the twentieth century, immediately doubled after the end of World War II and more than quadrupled by the end of the twentieth century (U.S. Census Bureau, 2010, table HS-21; National Center for Educational Statistics, 1993, figure 2). U.S. military dominance was financed by a Pentagon budget that consumed 7–10% of Gross Domestic Product (GDP) in the two decades from the end of the Korean War to the end of the Vietnam War (Office of Management and Budget [OMB], 2009, pp. 46–54), and supplemented by foreign aid, which totaled 1–2% of GDP (http://www.fas.org/sgp/crs/row/98-916.pdf). Productivity, wages, corporate profits, and GDP all grew rapidly and in tandem in the 1950s and 1960s, and the S&P stock index increased 527% from 1945 to its peak in 1969 (U.S. Census Bureau, 2010, table HS-38).

The elite consensus around foreign and domestic policy was reflected in bipartisan support for Presidents Kennedy and Johnson's commitment of troops in Vietnam, and in the heavy bipartisan majorities in favor of many of Johnson's Great Society and civil rights bills. The Eighty-Ninth Congress of 1965–1966, in which the Democrats had their largest majorities in both the House and Senate since 1937–1938, enacted a wave of

legislation in civil rights, the Hart–Celler Immigration and Nationality Act which abolished national quotas favoring Europeans, antipoverty programs, environmental protection, including the Endangered Species Act, public broadcasting, created the National Endowments for the Arts and Humanities, and established Medicare and Medicaid, which were the largest social programs since Social Security. Many of these programs enjoyed support from significant blocs of Republicans in Congress.

THE GREAT U-TURN

The American economy and public policy changed abruptly after the 1960s. Individual wages, family incomes, labor productivity, corporate profits, and government revenues, which all had risen rapidly since the end of World War II, stagnated in the 1970s. As bad as the 1970s were in comparison to the boom of the 1950s and 1960s, the rate of growth in GDP (both in total and per capita), labor productivity, and real compensation per employee fell off in each subsequent decade, reversed only by the 1995–2000 expansion that was sparked and sustained mainly by a financial bubble that was punctured with the 2000 stock market crash (Brenner, 2003). Real wages, which rose at 10% per annum in the 1960s, increased only 2.7% per year in the 1970s, which itself was more than double the rate in any subsequent decade (*ibid*., p. 47).

Income inequality, which fell under every president from FDR to LBJ, except Eisenhower under whom it remained stable, has risen under every president from Nixon through Bush, including Clinton. Wealth inequality has widened even more rapidly since the 1970s, reaching a peak under Bush in 2007 that exceeded the peak previously set in 1929 (Piketty and Saez, 2007–2012, table A1; this shift was first documented by Bluestone & Harrison, 1988, who coined the term The Great U-Turn in the title of their book). Union membership in 2009 was down to 12.3% of the labor force, and only 7.2% of workers in private industry. Those levels are a drastic decline from the postwar peak of one-third of the labor force, a level which was sustained until the 1960s and which dropped gradually until the sharp fall off which occurred in the 1980s and 1990s (Bain & Price, 1980, pp. 88–89; U.S. Bureau of Labor Statistics, 2010).

Government policy also made a dramatic turn in the 1970s. The only significant expansion of the Federal government's regulatory or social welfare role came in the early years of the Nixon Administration with the

establishment of the Environmental Protection Agency in 1970, enactment of the Clean Air Act of 1970 and the Clean Water Act of 1972, and passage of the Occupational Safety and Health Act of 1970.[3] Since then no significant environmental laws have been passed in the United States.

Efforts to further expand social benefits were defeated again and again in the four decades since the Great Society. Most famously, plans to guarantee health care to all Americans were defeated in the Nixon, Carter, and Clinton Administrations. All three defeats occurred when the Democrats controlled Congress, in the case of Carter with majorities in 1977–1978 that were almost as large as those Johnson enjoyed in 1965–1966. The plans proposed by those three presidents were each more comprehensive than the one that became law under Obama in 2010.

The only civil rights legislation to pass since the Johnson years was the Americans with Disabilities Act of 1990, and a series of modest bills designed to reverse Supreme Court decisions that undercut existing laws protecting African-Americans and women from discrimination. Even when groups won court cases that expanded their civil rights, they failed to gain enhanced social benefits. American women won legal equality in many realms since the 1960s while failing to achieve the government-funded maternity leave and childcare benefits that are the right of women in other wealthy nations (Cohen, 2001 details the repeated defeat in the 1970s of legislation guaranteeing childcare). Black poverty rates, like the overall poverty rate, have not declined since the end of the Johnson administration (U.S. Census Bureau, 2009). The most consequential governmental initiative toward African-Americans since the 1970s, joined by officials at the Federal, state and local levels and during both Democratic and Republican administrations, has been the extraordinary increase in black imprisonment, which rose from 3% of all black men aged 18–65 in 1980 to 7.9% in 2000 (Western, 2006, p. 17). This has affected more African-Americans, with far more profound consequences, than have tepid Affirmative Action programs by employers or universities.[4]

The history of U.S. governmental policy since 1968 is not only a story of the total absence of significant new programs until Obama's Patient Protection and Affordable Care Act in 2010, but also of a government taking affirmative steps to weaken protections for workers and consumers, while altering regulations and tax policies in ways that increased inequality and left citizens far more vulnerable to the depredations of large corporations. All the strides of the New Deal and Great Society in reducing inequality were reversed in the three decades from Reagan's election to Obama's as the United States returned in the first decade of the twenty-first

century to 1920s levels of inequality in wealth. The United States also returned to the 1920s in terms of state control of capitalism. New Deal laws regulating banking and finance were almost entirely repealed in the 1990s.

We already noted the drastic increase in income and wealth inequality from 1970 to 2008. That increase was due in part to changes in the tax code. The top income tax rate fell from 77% at the end of the Johnson Administration to 28% under Reagan. In 2009–2010, Congress debated whether to leave the top rate at the 35% it was under Bush or return it to the 39.6% of the Clinton years, a debate that was settled in 2013 when rates returned to the Clinton levels. Along with the rate cuts, the Federal government has acquiesced in wealthy Americans' use of an increasing array of techniques for sheltering income. Aided by lawyers, accountants, and offshore bankers from what Jeffrey Winters (2011) calls the "income defense industry," the 400 Americans with the highest incomes paid only half of the nominal 35% top rate in 2007, down from 85% of the nominal rate of 31% in 1992. Such tax avoidance schemes reduce Federal tax revenues by $70 billion a year. President Obama, in 2009, proposed measures to crack down on "tax cheats" and "shut down overseas tax havens." Those measures, which would have recovered only $8.7 billion of the $700 billion that will be lost to tax avoidance by high-income taxpayers over the next decade, were rejected by the Democratic Congress (Winters, 2010).

Corporate income tax receipts also have declined dramatically, from 23% of Federal revenues in 1967 to 12% in 2008, mainly because Congress has voted into law a growing array of tax credits and deductions, and Administrations from both parties have ignored firms' use of corporate tax shelters that are similar to those used by rich individuals to hide money in foreign tax havens. The share of Federal revenues from estate and gift taxes, paid only by the richest 2% of Americans, and mainly by the wealthiest tenth of one percent, dropped in half between 1967 and 2008 (OMB, 2009, tables 2.2 and 2.5).

The two main pillars of governmental support for the poor have been carved away over the past four decades. The minimum wage, which raises incomes not only for those paid at that rate, but for the entire lower half of the work force, whose wages are set in relation to that minimum, has been eroded by inflation. The minimum wage, controlling for inflation, peaked in 1968 when a fulltime worker at that wage earned 90% of the poverty level income for a family of four. That declined to little more than half the poverty level by the late 1980s, and even less in the mid-2000s. The three-part increase in the minimum wage in 2007–2009 brought it up to

two-thirds of the poverty level (U.S. Census Bureau, 2010, table 636). Aid to Families with Dependent Children (AFDC), the Federal welfare program created in the New Deal and drastically expanded under the Great Society, was also undermined by a lack of benefit increases to make-up for inflation in the 1970s and 1980s. The program was abolished in 1996 and replaced with Temporary Assistance for Needy Families (TANF). TANF fulfilled Clinton's campaign pledge "to end welfare as we know it." The effects of the end of AFDC and the decline in the minimum wage were masked in the 1990s by a general expansion in the availability of low wage jobs and partly cushioned by an increase in the Earned Income Tax Credit. The recession that began in 2008 produced levels of hunger, homelessness, and extreme poverty not seen since the years before the Great Society.

Finally, the Federal government has retreated in the extent to which it regulates corporations on behalf of workers and consumers. Deregulation in most sectors has been accomplished by rule changes or lack of enforcement of existing regulations rather than through outright abolition of regulatory agencies. Antitrust laws remain on the books, but Federal authorities have approved virtually every merger since the Nixon era. Television and radio stations, which are given free licenses to profit from bands of publicly-owned airwaves, had their obligations to provide public service programming and to offer equitable coverage to political candidates and controversial issues eliminated by the Federal Communications Commission in 1987 when it revoked the Fairness Doctrine. The National Labor Relations Board has become increasingly lax since the 1970s in preventing firms from using intimidation and other illegal tactics to undermine unionization efforts (Gross, 1995). Various agencies, such as the Environmental Protection Administration and the Occupational Safety and Health Administration have become far less effective as they fall ever further behind in developing new regulations to limit or ban unsafe chemicals, machines, and work practices that have been developed since the initial spate of environmental and work safety regulations those agencies promulgated in the 1970s when they were founded.

Most fatefully, the banking and financial sector was deregulated in a series of administrative decisions and legislative acts, culminating in the Gramm–Leach–Bliley Act of 1999, a collaborative effort of a Republican Congress and the Clinton Administration which repealed the 1933 Glass–Steagall Act. The deregulation of the financial sector allowed the sorts of speculative practices and outright fraud that produced the 2008 financial crisis.

WHAT KILLED THE POSTWAR ELITE CONSENSUS IN AMERICA?

How can we explain the post-1960s shift in public policy, whose contours we have just outlined? Why did the narrow range of political debate, and more importantly of the structural opportunities to challenge the balance of power among state and civil society, capitalists and workers, military and civilians, elites and masses, open in varied and dramatic ways in the decades after Kennedy's speech. Today, we still are debating the reasons why the stasis of the early 1960s was disrupted, and who benefited from the political flux that opened. Five main culprits appear, alone or in combination, in almost all explanations for the disorganization of American politics and the weakening of the U.S. state. The five are not contemporaneous, and so in some explanations they build upon, or undermine, one another.

The five factors are: (1) U.S. economic decline since the 1970s, caused by the rise of economic competitors and/or general globalization, which rendered the state unable to finance further expansion of social programs and heightened social conflict as groups fought over a shrinking or stagnant economic pie; (2) America's loss of geopolitical hegemony, variously timed from the 1960s to the 2000s, which caused a crisis in the world capitalist system, and forced firms and the state to adopt neoliberal strategies, i.e. to reduce social expenditures to meet international competition and the demands of world financial markets; (3) the end of the Cold War, which meant, in Margaret Thatcher's words, "there is no alternative" and therefore corporations and capitalists no longer had to restrain their pursuit of profit to avoid making American capitalism appear less desirable than the socialist alternative; (4) mobilization from the left in the 1960s and after by African-Americans, women, students, and other "New Social Movements"; and (5) mobilization, beginning in a few accounts in the late 1960s or 70s and more commonly in the 1980s, from the right by business interests or populist forces, reacting to liberal state policies, leftist movements, and/or a crisis of falling profits.

These five explanations are helpful in identifying forces that disrupted the balance of power, and undermined the bases for progressive social reform. They are not so useful in accounting for the specific policies that both Democratic and Republican Administrations furthered since the 1970s and for the uneven decline in state capacity that were intended and unintended consequences of the post-60s political realignment and policy changes.

Let us examine each of the five sorts of explanations in turn, and identify the strengths and limits of each. We then will see that the forces and interests identified in these explanations had their greatest impact indirectly. Elite and popular forces did not achieve most of the policy objectives for which they fought. Nor can we understand the changes in the U.S. state from 1970 to 2010 just as a successful adaptation to new geopolitical or global capitalist conditions. Rather, the actions of social movements on the left and right, and of self-interested elites, had the effect of weakening the Federal government's capacities and occurred at the same time as deregulation set in train processes of intra- and inter-firm restructuring that disorganized economic elites in the United States. Once we understand the new structure of elite relations that emerged at the end of the twentieth century, we will have the basis to be able to explain the geopolitical, economic and social policies adopted by the U.S. state in recent decades, and the strategies of profit-seeking and wealth accumulation adopted by firms and wealthy Americans in those years.

America, International Competition, and the Crisis of Profits

Perhaps U.S. decline and a resulting pullback in social spending were unavoidable. The overwhelming advantage the United States enjoyed as the only major power whose homeland and industrial capacity emerged unscathed (indeed vastly strengthened) by World War II, narrowed as other countries rebuilt their economies (in part with U.S. aid). Competition, facilitated by the widening of world trade and the globalization of finance, led to a falling rate of profit. When that happened the postwar practices of sharing productivity gains with unionized workers and expanding social benefits became untenable. American firms responded by demanding givebacks from their workers, and tax cuts from the Federal and state governments.

Robert Brenner (2003), who offers the most sophisticated and empirically grounded version of this argument, accurately points out that the U.S. government managed to cushion and postpone the crisis for decades, beginning with Nixon's policies of economic stimulus and de facto dollar devaluation, thereby shielding U.S. workers and firms from the consequences of their declining competitive position at the expense of their Japanese and German rivals. Ultimately, those interventions deepened the crisis since they allowed firms to maintain production in sectors that never could be competitive absent government manipulations and subsidies.

Brenner doesn't identify the interests that led firms to cling to declining sectors, nor the political forces that enabled workers and firms to extract benefits from the state in the 1970s. Brenner has even less to say about the political shifts that led supposedly hidebound firms of the 1970s to restructure themselves in the 80s and 90s, nor does he attempt to explain why the Reagan Administration and its successors were able to favor financial firms at the expense of industrial firms as well as workers. The shifts from a low to a high dollar and back to a low dollar under Reagan, and then a renewed high dollar under Clinton are described but the political forces that pushed through each shift are not identified. Nor does Brenner explain why the actors with power to lower the dollar lost to those in favor of raising the dollar, and vice versa. Brenner's is a Marxist analysis with virtually no politics.

Brenner's inattention to politics, and his focus upon competition among capitalists rather than conflict with workers (Arrighi, 2003), means he is unable to account for changes in policy that do not match the temporal rhythms he identifies in the overall U.S. or world capitalist economy. Most seriously, he is unable to account for intra-class differences: Why did some capitalists gain state subsidies and protections while others did not? Why did some workers and mass groups make extraordinary gains in the 1960s or 70s while others did not?

There are two problems with Brenner's sort of argument. First, it assumes that U.S. capitalists in the quarter century after 1945, were willing to leave potential profits in the hands of workers and the state as long as their rate of profit and share of national income remained steady, and only confronted workers and demanded tax cuts and regulatory rollbacks when profits fell below some unspecified level. In David Harvey's words (2005, p. 15), "when growth collapsed in the 1970s … the upper classes had to move decisively if they were to protect themselves from political and economic annihilation." In fact, capitalists always seek to increase profits; this is one of Marx's fundamental claims. If workers or the state are able to take a steady or increasing share of productivity gains, it is because they have the power to make those demands of capitalists. Capitalists' success after 1970 in forcing wage and benefit cuts on their workers and tax cuts and regulatory rollbacks on the state reflects a shift in the balance of power, not new desires or fears on the part of capitalists.

Second, this interpretation of history assumes that all capitalists everywhere react to a crisis of profits by squeezing workers and the state. Harvey, the most prominent sociologist writing on neoliberalism, contends that capitalists throughout the world advance four strategies to boost their

income and assets at the expense of everyone else: (1) privatization of state-owned assets and commodification of public goods, including intellectual property, (2) deregulation of the financial sector which serves to shift profits from industrial to financial firms, albeit at the risk of speculative bubbles, (3) manipulation of the resulting crises to compel governments to abolish protections for domestic firms, privatize government agencies, and abolish social benefits, often as part of "structural adjustment programs" mandated by the International Monetary Fund (IMF) or World Bank in return for loans that will mitigate the effects of crises that were made possible in the first place by deregulation and financialization, and (4) redistribution of the tax burden from the wealthy to the rest of the population and increases in subsidies to capitalist firms.

Harvey is vague on how capitalists, whom one could presume were weakened by falling profits and periodic crises, were able to increase their control over states and workers to extract greater benefits.[5] Nor does Harvey have anyway to account for differences in which neoliberal policies have been implemented in each country. In reality, capitalists in each country, and in different industries and firms within countries, have pursued particular strategies of advantage. Some seek to drive down costs to undercut competitors; others are willing to pay relatively high wages to produce better quality goods and services that can then be sold at a premium. Capitalists and their firms do not make these decisions on their own: governments and other institutions offer incentives and impose costs that create path-dependent "varieties of capitalism," directing investments along channels that sustain "liberal" or "coordinated market economies" (Hall & Soskice, 2001 offer the best overview of this approach; see Block, 2007, footnote 2 for other key works from this perspective).

Generalizations about varieties of capitalism, or Esping-Andersen's (1990) typology of the "worlds of welfare capitalism," are most useful in showing that capitalists and countries vary in their capacity to insulate themselves from competition and from the pressures of globalization. They are a powerful antidote to policy prescriptions, such as those of Thomas Friedman (2005) who believes it is not just the United States but all countries that must respond to the heightened global competition unleashed by technologies that facilitate the flow of goods, people, and capital in ways all states are incapable of controlling, and to the assumptions that undergird the demands the International Monetary Fund has imposed upon debt-ridden countries to open their economies to foreign competition in return for loans. For the United States, the IMF's prescriptions remain purely rhetorical, since America remains able to attract all the funds it

needs to finance its deficits at low interest rates, even after the 2011 downgrade of the Federal government's credit rating by Standard and Poor's. Hall and Soskice and Esping-Andersen's path-dependent explanations of national differences in welfare states or capitalist strategies are less helpful in accounting for reversals of policy within countries, whether in specific areas where neoliberalism was implemented, or the broad u-turn U.S. policy took in the 1970s. Such models also ignore the ways in which U.S. firms still draw subsidies from the state and rely upon governmental coordination to provide benefits for their employees (Block, 2007, pp. 13–14). We also need to understand these firm-state interactions if we hope to explain the uneven changes in state policies and capacities over the decades since the 1960s.

The End of American Capitalist Hegemony and Neoliberalism

The United States is different from other capitalist countries, and was affected by and responded to the global crisis of capitalism differently, because it still is the hegemon of the world capitalist system. Similarly, as the hegemon, the United States experienced neoliberalism differently from other countries, a possibility not addressed by Harvey, Klein or other authors who see neoliberalism as a strategy adopted by all capitalists everywhere against states and other classes. World dominance in any realm (economic, technological, military, or geopolitical) confers vast benefits on its holder, and dominant powers therefore respond to crises differently from other polities when they adopt strategies designed to maintain their hegemony. This is the great insight of world systems theory (Arrighi, 1994, 2007; Arrighi & Silver, 1999; Wallerstein, 1974–2011). Hegemony, in Arrighi's analysis, means that the United States is more than just another, albeit especially large and rich, competitor in the world economy. Hegemons are able to respond to crises caused by "the accumulation of capital over and above what can be reinvested in the purchase and sale of commodities without drastically reducing profit margins" (2007, p. 232) with what Arrighi, citing David Harvey, calls a "spatial fix."[6]

Geographic expansion, of the hegemon's home polity and also in imperialist control over trade routes, colonies, and dependent nations, opens new spaces for profitable investment. However, the expanding scope of capitalist investment and production spurs "uneven development" (this is the process at the center of Brenner's analysis of the profits crisis) as backward territories take advantage of lower labor costs and newer facilities to

undercut and out-compete the hegemon. "At this point, capitalist agencies tend to invade one another's spheres of operation; the division of labor that previously defined the terms of their mutual cooperation breaks down; and competition becomes increasingly vicious" (Arrighi, 2007, p. 232). Capitalists respond by keeping their resources liquid, loaning their capital to governments, firms, and individuals in financial crisis. For a few decades, financialization seems to create a new boom, as it did during Britain's Belle Époque of 1896–1914 and for the United States from the 1980s to 2008. But the relief is temporary and the prosperity highly concentrated as "the underlying over-accumulation crisis" intensifies and "exacerbates economic competition, social conflicts, and interstate rivalries to levels that it was beyond the incumbent centers' power to control" (p. 232).

While the crises are inevitable, the responses by capitalists, states, and popular forces are highly variable across space and between each historical epoch. Here is where Arrighi moves well beyond Brenner's economistic argument or the path-dependent analysis of varieties of capitalism and types of welfare states. His focus on the interactions among classes and states, which he uses to explain hegemons' foreign policy decisions, above all the extent to which they go to war to stymie rising rivals' ambitions, can be employed as well to explain internal policy decisions. Arrighi reminds us that elites and classes within polities derive resources, and have goals that extend, beyond their home countries. Their interactions with the world beyond can only be understood in terms of the world system as a whole, one whose dynamics can't be reduced to the competition among leading economies traced by Brenner, or described in terms of unfettered markets as claimed by Friedman (Thomas or Milton), or assumed in IMF prescriptions.

Arrighi's model needs to be twinned with an analysis of political dynamics internal to hegemons such as that offered by Prasad (2006) in her comparison of the diverse forms of neoliberalism. She finds that the United States, British, French, and German governments differed in the neoliberal policies they actually were able to implement. Firms were privatized in France under Chirac and in Britain under Thatcher, as were the government-owned Council Houses where 30% of Britons lived, but there was virtually no privatization in Germany or the United States. The main neoliberal policy in the United States was tax cuts, of which there were some in Britain and almost none in Germany and France. Social benefits were cut for the poor in the United States under Reagan but not for the middle class, and social programs remained largely intact in the other three. Deregulation was confined mainly to the United States and to the financial sector in Britain.

For Prasad, this variability points to the necessity of analyzing the specific policy-making processes in each country. To do that, we must pay attention to changes in political dynamics internal to each country as well as to global capitalist cycles. These diverse policies may all be justified in terms of market fundamentalism, an "ideology [that] insists that the private sector is efficient and dynamic while the state is wasteful and unproductive" (Block, 2008, p. 15), but they are implemented by actors constrained by domestic as well as international politics. Neoliberalism's particular and variable successes can only be explained if we combine world system analysis with an understanding of domestic political dynamics within hegemons. That is our task in this chapter because while elites and classes are disciplined by, and derive resources from, a global economy and engage in geopolitics, they are organized and act through institutions that still remain national, above all the nation state.

The End of the Cold War and the Socialist Alternative

One force that compelled capitalists to forgo profits, and to give their workers better treatment than the balance of class or market forces might have indicated, was fear of the Soviet Union. However preposterous it now seems in retrospect to imagine Soviet Communism as a viable alternative to U.S. capitalism, American elites did fear the appeal of communism or at least of socialism to their workers as the Soviet Union matched and in some years exceeded the U.S. growth rate in the first two decades after 1945 (Ofer, 1987) and demonstrated technological prowess with Sputnik in 1957. Beyond the United States, "there were many intelligent and idealistic people outside the Soviet Union in the 1950s, and even 1960s, to whom [Khrushchev's] faith [in socialism's superiority to capitalism] did not seem incredible" (Lieven, 2000, p. 67).

Capitalists did not on their own decide to forgo profits or to treat their workers with dignity in order to score propaganda victories against the Soviet Union. Indeed, a significant minority of U.S. capitalists thought even the most modest demands for and governmental concessions on civil rights and social benefits were signs of existing communist power in the United States rather than antidotes to its appeal. (The John Birch Society was the most extreme manifestation of this view). Rather, geopolitical competition affected domestic policy through the efforts of presidents and Members of Congress whose offices spanned the foreign and domestic policy realms. The cohesive elites that set U.S. foreign policy in the postwar

decades definitely did see the U.S. and Soviet systems in competition for the loyalties of publics in Europe and the Third World. In large part the U.S. government fought for the support of foreign peoples with economic aid, most notably in the Marshall Plan, but also sought to portray the United States in a favorable light. Fear of what Soviet propagandists could do with the dark side of American reality prompted reform measures. Supreme Court Justices and Members of Congress alike discussed civil rights as a way to counter (accurate) Soviet depictions of American racism (Kluger, 1976). President Kennedy as well, in his first and only major speech about civil rights on June 11, 1963, stated:

> We preach freedom around the world, and we mean it, and we cherish our freedom here at home, but are we to say to the world, and much more importantly, to each other that this is the land of the free except for the Negroes; that we have no second-class citizens except Negroes; that we have no class or caste system, no ghettoes, no master race except with respect to Negroes?

Similarly, U.S. labor unions and their rights and their members' benefits were held up as a contrast to the state controlled unions and low living standards of the Soviet bloc. American social benefits, from Social Security old age pensions to the high levels of college attendance were justified by their political sponsors in comparison to those offered by socialist governments, and antipoverty programs were seen as a way to eliminate yet another source of anti-American Soviet propaganda.

The collapse of the Soviet Union removed the need to present an egalitarian or socially progressive American reality, or at least image, to the rest of the world. The end of ideological competition on a world scale allowed Margaret Thatcher to contend "There Is No Alternative." Yet, it is not clear how that ideological shift has affected public policy in the United States. The end of new social legislation, and the U-turn away from the redistribution of wealth and income and the alleviation of poverty that began with the New Deal, can be dated, as we noted above, to the early 1970s, almost two decades before the collapse of the Soviet Union. While the rhetorical rejection of social legislation and egalitarianism intensified, and encountered very little challenge, only after 1989, elites developed their capacities to institute policies that achieved those ends earlier, even while an ideological alternative existed.

The collapse of communism mattered little for U.S. ideological debates, since, despite the paranoid fears of a right-wing fringe that spanned the twentieth century from A. Mitchell Palmer to Joseph McCarthy to Robert Welch to Phyllis Schlafly, American ideological arguments, on both the left

and right, drew almost exclusively upon domestic cultural traditions and engaged hardly at all with ideas and actors from the rest of the world. The fall of the Soviet Union affected domestic U.S. debates indirectly. No longer did American domestic or foreign policy need to be restrained by the concern that prejudice and inequality at home or rapacious capitalism abroad would make the United States appear less appealing in comparison to a rival power. Under those conditions of American ideological hegemony, foreign policy elites could and did withdraw from championing liberal social and economic policies.

At the same time, the end of communism allowed the U.S. government and firms to press for market fundamentalism in international agencies and in third world countries whose own governments could no longer play two superpowers against each other. The United States' capacity to impose the "Washington Consensus" restructured United States as well as world capitalism, reorganizing elites within the United States in ways that we examine below, and that facilitated those elites' efforts to block domestic social legislation while furthering measures that redistributed wealth and power in their favor.

Challenge From the Left

C. Wright Mills, in *The Power Elite* (1956), identified the bases of elite hegemony and then in his later writings identified sources of challenge to elite rule. Mills argued that the quiet of the 1950s and early 1960s was bought with the exclusion of most Americans from the sites where actual decisions to allocate resources and set policies were made. Mills identified the top officers of major corporations, Federal agencies, and the military as the only men (and they all were men then) with true power to set domestic and foreign policy and to make the investments that determined the future of the national economy. The men of those elites, in Mills view, had two advantages over all other Americans: First, the organizations they headed had so many more resources, including technical expertise, than every other public and private entity. Second, those elites used personal and organizational ties to harmonize their interests, allowing them to make decisions in private without having to submit them to public view or approval.

Elite power and consensus, Mills argued, could survive only because of the demise after the New Deal of "voluntary associations … the working class … parties and unions" as effective agents of historical change. Yet, in 1960, only four years after he analyzed the decline of the American public

into an apathetic and demobilized mass, Mills heralded the emergence "all over the world" of the "young intelligentsia … even in our own pleasant Southland, Negro and white students are – but let us keep that quiet: it really *is* disgraceful" (Mills, 1960, pp. 22–23). Mills, who died two years later in 1962 (the same year in which Kennedy gave his speeches on the end of ideology), did not get the chance to evaluate the efficacy of the mobilizations whose beginnings he recognized.

Later authors[7] celebrated an array of "new social movements," and asserted that African-Americans, women, gays, immigrants, students, environmentalists, and others would be able to replace the working class as effective challengers to elected officials.[8] (These authors are much more modest, if not silent, about the capacity of new social movements to challenge capitalists and other private interests.) In the realm of personal rights, those movements achieved notable successes, as citizens who identified themselves in terms of race, gender, and sexual orientation, achieved real advances in civil rights and moved toward formal legal equality. Those gains were achieved largely through a combination of mass mobilization and court challenges.

The movements have been far more limited in their abilities to make material demands on economic elites or on government at any level, achieving success in those realms only in brief periods. The Civil Rights movement in the 1960s enjoyed support from labor unions and became engaged in electoral politics, providing crucial political support for the antipoverty programs of the Great Society. Yet, almost all that legislation was enacted during a single two-year period, the Eighty-Ninth Congress of 1965–1966. Since then, virtually no social legislation has been enacted in the United States even as minority groups and women have gained enhanced legal rights.

The environmental movement stands out as the only progressive force that was able to enact significant legislation after the Great Society, if only for a few years, adding to the environmental laws passed under Johnson with landmark legislative acts and the establishment of the Environmental Protection Agency (EPA) under Nixon (discussed above). It is especially notable in that environmentalists succeeded in forcing legislation that imposed regulations on private firms as well as creating new governmental programs. Since then no significant environmental laws have been passed in the United States.

Why did the long-lasting civil rights and environmental social movements produce only concentrated bursts of legislation? How can we explain the sudden, and decades-long, inability of any U.S. social movement to

extract benefits from government? Social movement theories, which were formulated to explain how those movements recruit supporters and sustain their commitment, are not so helpful in explaining when and how activists succeed in winning enduring concessions from government. Social movement scholars have yet to produce the equivalent for the 1960s and 70s of Theda Skocpol's (1992) *Protecting Soldiers and Mothers*, which shows how movements, in her cases of veterans and mothers, found openings within the, then, patronage-based two-party political system that allowed them to win significant benefits, and also how changes in U.S. politics (partly caused by those movements) blocked further expansions of social benefits.[9]

Similarly, we have a far better understanding of how activists came together to oppose nuclear weapons and the Vietnam War and other U.S. interventions abroad than we do of the short- or long-term effects of their mobilization. It is difficult to disentangle the effectiveness of the peace and antiwar movements from the brute fact of U.S. defeat in Vietnam at the hands of Vietnamese willing to endure massive casualties over many years. To do so requires considering two counterfactuals: If there had been no antiwar movement could the United States have continued to maintain the war for years longer, and if the United States had "won" the Vietnam War would the draft have been abolished and would the United States have been more willing to fight other wars in the years after Vietnam?

Even if we never will be able to answer those questions, we can identify the combined consequences of opposition to and defeat in the Vietnam War. The draft was ended, never to be revived. Military spending fell drastically under Nixon, from 45% of Federal outlays in 1969 to 26% in 1975 (OMB, 2009, table 3.1), and the nuclear arms race with the Soviet Union was restricted by a series of treaties. The United States switched to a strategy of foreign intervention that relied upon proxies.

In contrast, the peace movement and America's defeat in Vietnam left only a limited legacy at home. The "peace dividends" that followed both the end of the Vietnam War and the disintegration of the Soviet Union were not used to pay for any new social programs. Vietnam mainly affected American politics by weakening and discrediting Presidents Johnson and Nixon and isolating the liberal wings of both parties, preventing them from building political coalitions that could have provided support for further social programs and governmental investments in economic restructuring. Block (2007), as we will see in the next section, argues that Johnson and Nixon's policy failures in Vietnam and on the economy, and their inability to contain dissent, undermined business support for liberal policies. The failure to manage dissent also weakened mass electoral support

for the Great Society and for the Democratic Party. Support for Johnson, the Democratic Party, and the Great Society fell dramatically following the 1965 Watts and 1967 Newark and Detroit riots, and steadily in reaction to antiwar protests (Altschuler, 1990, pp. 38–60; Edsall, 1991, pp. 47–64; Gallup, 2011; Mueller, 1985). As Johnson put it in his inimitable way: "that bitch of a war" took money and attention away from "the woman I really loved," the Great Society (quoted in Mann, 1996, p. 487). Johnson was correct; in the absence of the war and the splits it opened in the Democratic coalition, he certainly could have further expanded the Great Society and better financed the myriad programs that were established.

We cannot study leftist social movements in isolation. Indeed, the dominant explanation for the now four-decade long drought of legislative achievements for progressive social movements is the rise of countervailing pressures from populist and/or corporate groups on the right.

The Rise of the Right

The postwar liberal consensus was challenged from the right as well as the left, by the privileged as well as the impoverished and disenfranchised. Recent historical research has uncovered the ways in which backlash politics was framed, organized and legitimated by well-funded organizations that became, by the end of the 1970s, the dominant shapers of Republican Party politics and designers of the Reagan Administration's policies (Lassiter, 2005; McGirr, 2001; Perlstein, 2001, 2008; Phillips-Fein, 2009, pp. 321–31 offers the best overview of scholarly literature about the right). Those organizations, in turn, were financed by and embodied the concerted interests of much of the economic elite, which had decisively broken from their acceptance of government regulation, labor unions, and social reform.

The literature on conservative movements presents the Republican Party's, and the nation's, move to the right as mainly a matter of desire and resources. Conservative businessmen, in some tellings aided by social conservatives, decided they wanted to reverse the New Deal and later reforms. They then invested the resources necessary to sustain a long-term strategy of creating foundations and media outlets to develop and propagate conservative ideas. The problem with this analysis is that right-wing opposition to the New Deal existed since FDR's election, just as businessmen had opposed the reforms of the Progressive era. We cannot explain the post-60s triumph of the right in terms of the desires or far-sightedness

of rich businessmen, just as we can't explain the upward redistribution of income by capitalists' desire to compensate for stagnant profits. There have always been enough businessmen who opposed redistributive and social welfare programs to fund politicians and organizations capable of mounting a challenge to progressive government. What needs explanation is how businessmen's desires, and the efforts those desires produced, yielded success since the 1970s that they failed to produce in previous decades.

One possible explanation can be found in Fred Block's (2007) contention that business elites turned against expansive government programs because the Johnson and Nixon Administrations failed to win or end the Vietnam War, manage political dissent, and formulate policies that could address economic decline. "It is difficult to exaggerate the cumulative impact on business of the political missteps by Johnson and Nixon between 1964 and 1974. The fact that neither of these two highly skilled and centrist politicians was able to make headway against the multiple problems that the United States faced led to an agonizing reassessment of their assumptions about U.S. politics. They decided, in short, that the 'vital center' could not hold and that they needed to move away from their support for big-government politicians of both parties" (p. 18).

Block argues that up through the 1960s a large faction of big business supported Keynesian policies and social programs. This faction, in alliance with unions and self-aggrandizing state officials, was enough to defeat right-wing objections to new social programs. Block's description of the 1960s tracks the picture of elite consensus we drew above. However, his explanation for the shift away from "corporate liberalism" is mainly focused on elite perceptions and ideology: big business was disillusioned by dissension and governmental failures in the 1960s and 70s, and therefore fell for the blandishments of market fundamentalism.

We should be careful not to exaggerate the policy shortcomings of the 1960s. Civil rights legislation, court decisions, and Great Society social programs did succeed in their stated aims of eliminating legal segregation and reducing poverty, which fell from 22% of the U.S. population in 1960 to 12% in 1969 (U.S. Census Bureau, 2009). In actuality, dissatisfaction with governmental domestic policy during the Johnson and Nixon Administrations came mainly from popular forces on the left and right rather than from elites. Significant sectors of the population, but not corporate elites, regarded those Administrations' egalitarian and reformist measures as ideological choices rather than objective applications of legal rules or expert knowledge and, when so framed by political opportunists on the right, including Nixon himself despite his Administration's efforts to

desegregate schools in the South and establish Affirmative Action (Wicker, 1991), aroused broader and more sustained, if less intense opposition on the right than did the Vietnam War on the left.

Backlash politics combined various elements, and different authors have highlighted particular aspects. To some, including Martin Luther King, Jr., the backlash was a sign "that the roots of racism are very deep in America," in the North as well as South (quoted in Branch 2006, p. 554). Others view it as a spontaneous reaction to student radicals' arrogance and cultural obtuseness (Edsall, 1991; Gitlin, 2007), or a challenge to what Warren (1976) believes were the radicals' liberal allies in government. Others focus on its antifeminist (Ehrenreich, 1983; Faludi, 1991) or religious fundamentalist (Williams, 2010) elements.[10] In any case, regardless of their sources, the social conflicts that emerged in the wake of the Civil Rights and other 1960s social movements, and from the Vietnam War, themselves undermined confidence in the capacity of governmental leaders to mobilize mass support and elite consensus behind their objectives.

The limits of Block's political analysis are similar to those of other accounts of right-wing political success. None explain why a strengthened right wing produced the uneven accomplishments of neoliberalism that we noted above. Block accurately (2007, 2008) describes the continuing role of the U.S. state in regulating and subsidizing business, and offering benefits to the middle class, but he offers no mechanism to explain how government drew back in some realms but not others.

THE TRANSFORMATION OF AMERICAN POLITICS

If we want to understand what changed and what did not, we must trace the decline of support for progressive government. That decline can be found in a combination of three sources: (1) the movement of business interests that had supported or acquiesced in liberal policies from the 1930s through the 1960s to alliance with their counterparts who had always been in opposition, (2) the decline of mass organizations capable of mobilizing supporters of existing and proposed progressive governmental policies, and (3) a loss of capacity by the government to implement public investment and social welfare programs still supported by the majority of voters. In other words, the right-wing victories from the 1970s into the twenty-first century were not the fruition of strategies set in motion in earlier decades, or the product of a sudden and complete disillusionment on the part of

corporate liberals, but consequences of a realignment and restructuring of elites and classes that first transformed politics and degraded government in the 1970s and, in turn, made possible further shifts in the capacities of American political actors in both the state and civil society.

Political actors are motivated by ideas and interests, but political accomplishments arrive at particular moments because opponents have been weakened, alliances strengthened, and structural impediments cleared away. If we can trace the sources and course of political transformation in the United States since the 1960s we will be able to understand why the right has been able to block further expansion of the state. We also will be able to specify why certain governmental programs have been vulnerable to efforts to roll them back while others have been maintained or even expanded in the decades since the Great Society.

The Structure of Elite Political Action

The United States was characterized during the postwar decades of consensus by a dual elite structure, which ensured that local and national elites could limit each other's attempts to appropriate state powers and offices. National firms, linked together by director interlocks centered on the biggest commercial banks, coexisted with regional and local banks and firms that were shielded from competition with bigger rivals thanks to Federal and state regulations that local elites had the political muscle to sustain through influence on their Congressional delegations and in their state governments (Davis & Mizruchi, 1999; Prechel, 2000).

That structure of elite relations has been transformed in recent decades by waves of mergers in sectors such as banking, telecommunications, media, utilities, retail sales, and agriculture (Andrade, Mitchell, & Stafford, 2001; Calomiris & Karceski, 2000) and by the declining capacity of national banks to control firms. U.S. antitrust policy first shifted under Nixon, but the overall process needs to be seen as having a ratcheting effect. Each merger eliminated a firm that had an interest, and a degree of political sway, to block further mergers or regulatory changes that would allow national firms to encroach on local firms' privileges and markets. As smaller and locally based firms disappeared, intra-industry differences in various sectors over government policy were reduced, creating unified voices that pushed legislative changes to enactment. The banking and telecommunications "reform" acts of the 1990's had failed to pass Congress in earlier decades due to counter-lobbying by sectors of those industries with

opposed interests. Mergers resolved those disagreements as secondary sectors were brought within larger firms (or merged themselves to form new large firms) and so came to share the most general interest of their industries. Deregulation then opened the way to further waves of mergers and acquisitions (Andrade et al., 2001), intensifying elite consolidation within major industries.

Just as banks were the central actors in the director interlocks that set corporate and governmental policy toward business practices in the 1945–1968 era, so their consolidation and the interacting changes in U.S. financial regulation and legislation epitomized and guided the overall changes in the structure of U.S. capitalism. Bank mergers were not just, or even primarily, a process of national banks buying out smaller local banks. Rather, the Nixon and Reagan Administrations catered to their business supporters, who were for the most part outside the New York and Chicago banking centers, by allowing regional banks to merge and buyout rivals. Reagan's base in the southern and western states easily explains this tilt. For Nixon, who began this shift, the orientation was somewhat contingent, created by his rival in presidential politics, Nelson Rockefeller's stranglehold over support from New York bankers, and by the political opportunities in the South opened by the Democrats' decisive shift toward civil rights in the 1960s.

The formerly dominant national banks faced increasing competition in the 1980s and 1990s from the rise of new regional behemoths created by the merger of smaller competitors. That competition and the relaxation of Federal regulations, which both the national and large regional banks demanded, led national banks to focus their resources on more lucrative investment banking, further removing them from active involvement in the management of industrial firms (Davis & Mizruchi, 1999). Nonbanking firms had a widening range of financial firms to which they could turn for financing, epitomized by the rise of "junk bonds" in the 1980s and hedge funds in the 1990s. Bankers thus lost the capacity to manage firms in other sectors, just as Federal deregulation gave bankers the interest and capacity to focus on more lucrative financial engineering and speculation instead.

Consolidation within sectors facilitated the capture of government agencies and powers by those elites, narrowing the room for state actors to exercise autonomy, which further reduced "the limited institutionally available means of political mobilization and communication open to a U.S. president or allied policy promoters in the 1990s" (Skocpol, 1996, p. 83). A weakened state, combined with the decline of labor unions, undermined "two of the key forces that had disciplined the business community … The

consequence of [the commercial banks' decline] was a paradoxical situation in which business appeared to lack any kind of unifying institution that would be the source of long-term perspective, while at the same time its power seemed virtually unchallenged. This unchecked power, combined with the absence of disciplinary forces, either internal (the banks) or external (labor or the state), may have contributed to the excesses of the late 1990s and early 2000s" (Mizruchi, 2004, pp. 607–608).

To sum up, the coordination capacity of elites or capitalists as a class declined. However, the decline in the state's capacity was greater. This has allowed individual firms and industries or small groups of capitalists to exercise more autonomy and pursue their interests with less interference from the state or from rival elites than had been the case in the decades before the 1970s. Enron, the Texas-based energy firm that collapsed into bankruptcy in 2001 after its accounting fraud was revealed, is emblematic of individual firms' autonomy. Enron, in addition to lying about its revenues and profits, took advantage of the deregulation of California's electricity market to manipulate supplies, allowing it to charge spot prices of up to twenty times its cost. Enron did not just cheat ordinary consumers, but bilked large firms as well, of amounts that totaled more than 10 billion dollars.[11] These other capitalists were unable to discipline Enron and stop the fraud because that firm had ties to newly-elected President George W. Bush and to key members of Congress that were strong enough to allow the firm to block investigations or regulatory relief at both the Federal and state levels. Only Enron's bankruptcy ended its manipulation of the California energy market. (Eichenwald, 2005 is the best account of Enron).

Elites' autonomy, which verges on autarky, is felt in their capacity to block new social programs that threaten their hold over existing budget items or their ability to profit by providing equivalent products in the private sector. President Obama recognized this reality when he designed his health care legislation. His plan protects the interests and profit opportunities of every private industry involved in selling health insurance and medical services and supplies. Indeed, his recognition of insurance firms' power led Obama to include the mandate that all Americans buy private health insurance (except those who qualify for government programs). In essence, Obama accepted a mandate that quickly aroused popular revulsion in return for the insurance firms' support. Without that deal, Congress never would have enacted the legislation.

United States fiscal policy and budget priorities are increasingly set by such deals, which reflect the power of consolidated corporate elites over politics and policy. This is different from the unified national elites of

the 1945–1968 period, described by Mills, Domhoff, and others. The contemporary elites do not coordinate policy across industries. Rather, they use their leverage over legislators and regulators to win privileges that can best be described as autarkic. Their goal is not to shape the overall economy or to formulate programs and policies with national reach. Instead, they seek to appropriate resources from the Federal, and state and local, governments, and to secure laws and regulations that protect their particular interests and profit opportunities from competitors, both foreign and domestic, and to undermine the rights of their customers, clients, and employees.

As a result, a continually growing portion of the Federal budget is allocated to the long-standing claims of existing elites that also enjoy the right to shelter portions of their incomes and assets from taxation. Current examples include: (1) subsidies, water rights, and access to Federal lands for the overproduction of agricultural commodities whose prices then are propped up with government grants and loans, (2) the commitment of a sector of the Federal budget to a Medicare drug plan that pays prices significantly higher than anywhere else in the world for drugs developed mainly in Federal or university labs or for copycat drugs designed to extend patents with no medical advantage over older generic drugs (Cockburn & Henderson, 1999; Drake & Uhlman, 1993; Skocpol, 1996), (3) free access to Federal lands for mining, ranching, and logging with no obligation to pay for environmental effects which are then borne by public funds and health, and (4) Federal tax and direct subsidies for the export of technology and capital to foreign subsidiaries and customers (Silver & Arrighi, 2003, pp. 347–349).

Together these claims and immunities ensure either growing deficits or, even in times of fiscal stability as in the late 1990s, an inability to finance new public projects for either infrastructure or the development of human capital. The particular combination of unity within each corporate sector at the same time as national banks have lost the coordinating role across regions and sectors through director interlocks explains the lack of corporate tax cuts in the Federal legislation of 2001–2003, and the relatively low level of corporate tax cuts in the 1981 legislation passed earlier in this process of elite transformation. Lobbying for the 2001 tax cuts was spearheaded by organizations in which large businesses did not dominate, and larger businesses increasingly focus their efforts on regulatory provisions and budget items specific to their sectors rather than on general tax provisions (Graetz & Shapiro, 2005).

The new structure of elite autarky also allows individuals to loot their own firms as well as the state. Managers took some of their firms private

and increased their share of publicly traded firms through stock options, which amounted to "one fifth of nonfinancial corporate profits (net of interest) [in 1999] … Whereas in 1992, corporate Chief Executive Officers (CEOs) held 2 percent of all equity outstanding of U.S. corporations, by 2002 they owned 12 percent" (Brenner, 2003, p. 299). The financial crisis of 2008 was due, in large part, to decisions by bankers and other financial sector executives to take risks with their firms' funds that served to multiply the executives' incomes at the cost (realized in 2008) of their firms', and the entire financial systems' viability. The reforms since the crisis, most notably the 2010 Dodd–Frank Wall Street Reform and Consumer Protection Act, have only slightly limited executives' ability to engage in such self-serving behavior.

Mass Organizations

Mass membership organizations in the United States underwent a transformation that was almost the structural inverse of the one that made American elites decentralized and autarkic. In contrast, mass membership organizations and unions lost efficacy as they became highly centralized and their local chapters lost autonomy.

Skocpol (2003, 2007) finds that, prior to World War II, the largest U.S. membership organizations were cross-class in membership and had local chapters from which leaders were elected and could rise in a national hierarchy. At the local level the organizations "combined social or ritual activities with community service, mutual aid, and involvement in national affairs. National patriotism was a leitmotif" (1999, p. 465).

Such organizations were highly effective at mobilizing members across the nation to lobby for government programs that addressed concerns that members raised at the local level. A prime example is the Servicemen's Readjustment Act of 1944 or G. I. Bill, which provided subsidized home mortgages, unemployment benefits, and free university educations for returning veterans. This bill was the first significant piece of social legislation since 1937 and came long after the New Deal coalition lost control of Congress. It was pushed primarily by the American Legion, a veterans group that became notorious during the Vietnam War for its ultra-reactionary political positions. The plans that Congress proposed to address the millions of soldiers who would be demobilized, and thrown onto the housing and job markets, with the end of the war were regarded as inadequate by the veterans who had suffered the consequences of a similarly

weak program at the end of World War I. Those veterans, who met at American Legion halls to socialize, discussed the issues and formulated a stronger program. Veterans' organized presence in every Congressional district allowed them to pressure Congress to approve the Bill. This was legislation from the bottom-up.

The mass membership organizations lost potency in the second half of the twentieth century as women went to work, sex-segregated social activities lost favor, and the number of veterans declined. They were supplanted by new sorts of organizations staffed by professionals and reliant upon contributions solicited through the mail (and today on the Internet). Those organizations do not call on members for anything but money and so their proposals have little resonance with their members. Since the members are not mobilized, elected officials feel free to ignore them and instead cater to the desires of their largest financial contributors who in the United States are mainly investors and officers of large corporations.

A similar process occurred in labor unions. Locals, which were the site of organizing drives, strikes, slowdowns, and other actions against employers, and mobilizations for political campaigns, increasingly lost autonomy to the national unions into which they were amalgamated. Locals lost power for a number of reasons. Some were the same that affected mass membership organizations: the professionalization of leadership, the decline of ties among members based on race, ethnicity, and residency in homogeneous neighborhoods and communities, and the weakening of sex segregation and male solidarity. A shift in governmental policy was as important. The Taft–Hartley Act of 1947 made it possible for firms to sue unions for damages from losses during wildcat strikes. This gave national unions a powerful incentive to discipline and control locals, which over decades sapped locals' autonomy and weakening militancy among members (Roediger & Foner, 1989, pp. 266–267).

All this matters, not because we pine for a lost world in which cohesive ethnic groups could practice bigotry and women were confined to the role of helpmate, but because U.S. politics is constitutionally structured to reward localized power. Members of Congress are elected from districts or states, and they respond to those who hold power within a state or district or to entities that have a significant economic or organizational presence across a number of districts. From Henry Jackson of Washington State who served in the 1950s and 1960s as the "Senator from Boeing," to Lloyd Bentsen of Texas who ran against George H. W. Bush for the Senate in 1970 in a race to become "errand boy for the oil companies," to Charles Schumer of New York who ran interference for banks and hedge funds

from the moment he arrived in the Senate in 1999 (and for two decades before that as a Representative), industries based in locales have had their Congressional champions and lackeys. When and where unions were strong they had their particular advocates, such as the Michigan delegation's advocacy for auto unions or New York's for garment workers' unions. As unions and membership organizations lost the capacity to mobilize supporters in localities, they lost their leverage over Representatives and Senators (as well as over state legislators).

Elites, whether organized through banks and interlocking directorships, or in autarkic firms, have leverage at the local level, and that leverage is magnified as they face ever-weaker worker and popular organizations. Business always has contributed far more money to congressional campaigns than have unions and liberal organizations. The advantage that liberal groups, and especially unions, have is in providing campaign workers. As local organizations lose resources and surrender initiative to national headquarters, they are ever less able to pressure legislators between elections when laws and regulations affecting them are under consideration even as unions retain the resources and organization capacity to mobilize members to work on campaigns.[12] It is in the ongoing work of lobbying that elites, which can marshal contributions, and who pay attention on a continuing basis, have the advantage.

When elites and popular forces were more evenly balanced in the attention they brought to government and in their ability to mobilize supporters, Members of Congress also had to balance their votes and the pressures they placed on executive agencies to satisfy both elite and popular constituents. As popular organizations have lost the capacity to educate and mobilize their members, elites have achieved close to a monopoly of influence in Congress and within the executive branch.

Governmental Capacity

Citizens who turnout to vote once every two years at best, and whose votes for one party or the other are open to myriad interpretations, have ever less influence over governmental policy in the absence of popular mobilization or continuing organizational presence and pressure on their Members of Congress at the local level.

Larry Bartels (2008) argues that elections still are decisive because the Democratic and Republican parties have diverged ever more sharply on key economic issues such as the minimum wage and the inheritance tax.

Bartels makes two major arguments. First, voters focus on the incumbent party's economic record in the year before a presidential election rather than over the whole four-year term. This favors Republicans because they attempt to concentrate growth in the pre-election year. (Bartels is unable to determine if this represents a higher capacity on the part of Republicans at economic manipulation for electoral ends, or if this is a natural outgrowth of the two parties' divergent policy preferences, which leads Democrats to push for growth from the start to provide jobs and rising incomes for their mass base, but is hard to sustain at a high level for four years, vs. the Republican's interest in curbing inflation which leads to recession early in their term and then recovery at the end.) Regardless, this favors Republicans and allows them to win more presidential elections than they would if voters focused on the whole four years, a time frame over which Democrats have consistently produced better results. Bartels second argument is about the policy consequences of voters' (mistaken) preference for Republicans. He argues that inequality, which he measures as "the ratio of incomes at the 80th percentile of the income distribution to those at the 20th percentile" (p. 35) has gone up under each Republican president since 1945, but has remained stable under each Democrat except for Carter.

If Bartels is correct, then the decline of unions and membership organizations and the transformation of the structure of elite relations in the United States matter little to the outcomes of elections. Nor do those structural changes explain policy outcomes, which for Bartels reflected deep-seated and increasingly polarized preferences by professional politicians in the two parties. A similar logic propels Thomas Frank's (2004) argument in *What's the Matter with Kansas? How Conservatives Won the Heart of America*. Frank contends that Republicans win elections, not because voters misperceive the two parties' economic performance, but because religiously addled fundamentalist Christians vote against their self-interest in an effort to ban abortion or to strike back at "elites" whom they define as graduates of prestigious universities or practioners of decadent lifestyles rather than the economic elites who are looting Kansas and the rest of the United States. Block (2007) sees religious conservatives as playing a secondary role in the Republican's rise to power since 1980, but argues that the religious right plays an increasingly decisive role in setting policy, although Block's only examples are Supreme Court appointments and support for Bush's decision to invade Iraq, neither of which are incompatible with the economic elite's interests and agenda that we highlighted above.

The Great U-Turn then appears in Bartels' (and Frank's) analyses as a result of voter misperceptions that turned elections. However, Bartels'

argument is unable to explain other data that he presents. He shows that incomes in all percentiles rose almost equally (except for the top 5%, whose incomes rose more slowly) from 1947 to 1974, a period which includes Republican Presidents Eisenhower and Nixon. After 1974, incomes were stagnant for the bottom half of the population, and only grew substantially for the very top percentiles (Bartels, 2008, p. 9). These data align closely with the path-breaking work of Piketty and Saez (2007–2012, figure 2), who find that the share of national income received by the top 0.1% was stable from 1960 to 1980, and rose continuously since then, with the sharpest increases under Clinton. That top group's tax rate declined mainly under Carter and Reagan (Piketty & Saez, 2007, table 2). These data allow us to conclude that even if the Democrats had won more presidential elections after 1974, it would not have had a substantial effect on the dramatic increase of income and wealth inequality since then. Nor does Bartels offer any evidence that Democratic victories would have produced significant advances in social benefits, since the years when Democrats did control the presidency and Congress, 1977–1980 and 1993–1994, yielded no new social programs, not a single one.

Any explanation that focuses on elections and differences between the two parties masks the dramatic shift of both parties after the early 1970s away from policies designed to maintain each stratum's share of national income, which included high tax rates on the rich, and a commitment to expanding social programs. Only the sort of structural analysis we offered above can account for (1) the capacity of elites to appropriate resources from publically-held corporations as well as from the state, (2) the dramatic decrease in regulation of firms, (3) declining investment of public funds in education and infrastructure, and (4) the inability to legislate new social programs on any terms but ones that allow private firms to maintain or increase their claims on public resources (as demonstrated in both Bush's Medicare Part D for pharmaceuticals and in Obama's health reform).

CONCLUSIONS

We now are in a position to reach some conclusions about what changed and why in U.S. politics from 1960 to the present, and to draw out the implications of those changes for U.S. global dominance. The ways in which the U.S. state and elites and classes in civil society were transformed, in their capacities and in their relations with one another, cannot be

explained as a direct result of the workings of the global capitalist system or as successful responses by a coherent capitalist class to the various crises that afflicted the United States since the 1960s. The variations we saw in the sorts of neoliberal policies adopted by states does not correlate with those countries' positions' in the world system. In the United States, neoliberal polices were adopted after the capitalist class or business elite became divided and fragmented.

We saw that capitalists' rivals – the state, unions, and other popular organizations of the left – became weaker in the decades following the 1960s. The ability of any of those actors to push through and institutionalize their desired policy initiatives declined dramatically. This is seen in the almost total lack of any new governmental programs since the 1960s. Yet, what elites achieved in the face of decisively weakened popular rivals was not a coherent neoliberal program.

How then can we explain the demise of the liberal consensus expressed by President Kennedy, which was institutionalized in a structure of state regulation, relations among business firms and with government and unions, and commitments to maintaining the power of the national government to sustain global geopolitical dominance and to foster economic growth and social progress at home within circumscribed limits? What accounts for elites' ability to appropriate a dramatically rising share of wealth and income in the United States in the forty years since 1972, and to block the establishment of any new social programs, if during those decades those elites became divided and incapable of collective action?

This chapter answered those questions by looking at the interaction among three changes: (1) the fragmentation of elites, (2) the disorganization of mass groups, and (3) the decline in state capacity. In other words, we cannot explain the shift in policies, or the upward transfer of resources to the elite, in terms of successful collective action on the part of one class or elite in the face of a lack of collective capacity by another class or nonelites. Instead, if we look at the long sweep of U.S. history from 1945 to 2008 we see a transition from one era of political stasis to another. Liberal consensus was replaced by autarky. The growing wealth of the top 1% (or top 0.01%) came from the capacity of those few actors to elude or manipulate the atrophying regulatory power of the state and loot the firms they ran, often at the expense of the legal shareholders as well as of the firms' workers and customers. The elite's political action in recent decades has been largely negative: not only have they blocked progressive reforms, they have been able to win tax breaks, regulatory exemptions and subsidies specific to themselves rather than for any collective class or institutional interest.

This chapter does not offer a full-fledged analysis of U.S. hegemonic decline.[13] Rather, this is a first step in that larger project. By tracing the transformation of internal U.S. politics and state capacity, we are in a position to then construct an explanation for the policies, and absence of policies, that have hampered U.S. geopolitical and economic competitiveness in recent decades. Hegemons must be able to mobilize resources to meet challenges from rivals abroad and to make investments necessary to maintain technological, productive and financial dominance in the world economy. American elites' ability to appropriate resources from the Federal government (in tax reductions and subsidies) has drastically reduced the funds available for international and domestic investment on the part of the state. Elites' capacity to dominate the sectors of state regulatory power of concern to them has fragmented policy-making, preventing the U.S. government from adopting new policies that can offer a coherent response to trade deficits, the rise of foreign competitors in one industry after another, the relative decline of educational and training levels among U.S. workers, the accelerating degradation of U.S. infrastructure, global warming, and other challenges to U.S. hegemony.

Elite autarky also undermines the United States' state ability to reshape the architecture of the global economy to ensure continued U.S. hegemony. We discussed above the U.S. government's efforts to raise and lower the value of the dollar. Increasingly, those decisions are being made, not to further general American dominance of international trade and production, but in the service of the specific interests of narrow elites, drawn mainly from the financial sector, that have leverage over the particular Federal agencies that set monetary policy. U.S. trade policy, which over multiple rounds of General Agreement on Tariffs and Trade (GATT) negotiations from the 1940s to the 1980s was designed to increase access broadly for firms from all the competitive sectors of the U.S. economy (and to protect, at least in part, the domestic markets for firms from noncompetitive U.S. industries), has since the 1990s increasingly focused on winning privileges for the financial, pharmaceutical, and entertainment sectors at the expense of other industries. Successful autarkic elites distort governmental decisions in the global as well as domestic arena, thereby further distorting the economy and undermining global competitiveness for other industries, which weakens one of the pillars of U.S. hegemony.

Thus, just as elite autarky combines with the demobilization of mass organizations to paralyze domestic U.S. politics in ways that block efforts to limit inequality or promote investments necessary for U.S. economic dominance, the same structure handicaps the U.S. state's efforts to rework

global economic relations in ways that could sustain U.S. hegemony. To the extent that U.S. hegemony, like that of previous dominant powers, is a construction of a powerful state able to devise and implement a coherent strategy on a global scale as well as domestically, rather than the lucky outcome of world systemic cycles, the paralysis of U.S. politics will ensure the end of American global hegemony.

NOTES

1. In another speech that year President Kennedy developed this line of thinking further: "Today … the central domestic problems of our time are more subtle and less simple. They do not relate to basic clashes of philosophy and ideology, but to ways and means of reaching common goals – to research for sophisticated solutions to complex and obstinate issues. What is at stake in our economic decisions today is not some grand war-fare of rival ideologies which will sweep the country with passion but the practical management of a modern economy. What we need are not labels and clichés but more basic discussion of the sophisticated and technical questions involved in keeping a great economic machinery moving ahead … political labels and ideological approaches are irrelevant to the solutions … the problems of … the Sixties as opposed to the kinds of problems we faced in the Thirties demand subtle challenges for which technical answers not political answers must be provided" (quoted in Rousseas & Farganis, 1963, p. 359). Kennedy's views paralleled (though there is no evidence he read it) those of Daniel Bell in *The End of Ideology* (1960).

2. The bipartisan faith in Keynesian "fine-tuning" of the economy encompassed tax increases as well as cuts. The Revenue and Expenditure Control Act of 1968, which added a 10% surcharge to the Federal personal and corporate income tax, was approved 64–16 in the Senate, with 31 Republicans voting yes (http://www.govtrack.us/congress/vote.xpd?vote=s1968-468) and 268–150 in the House, with 114 Republicans voting yes (http://www.govtrack.us/congress/vote.xpd?vote=h1968-357). The most prominent votes against the surcharge came from opponents of the Vietnam War, like Senator George McGovern, who otherwise favored more generous social programs financed through higher taxes.

3. OSHA passed Congress in 1970 after business interests defeated a stronger bill proposed by the Johnson Administration in 1968. Unions thought that an independent OSHA would be more vulnerable to business pressure than if its regulatory powers had been lodged in the Department of Labor, as Johnson had proposed. Those fears have proven justified in the subsequent forty years. Nevertheless, the passage of OSHA was possible because unions in 1970 still had a level of political power that forced business interests to compromise by supporting Nixon's OSHA bill.

4. Western (2006, p. 29) shows the full effect of the prison boom on the cohort of black men born from 1965 to 1969. In 1999, 22.4% of those men had been imprisoned, while only 12.5% had received bachelor's degrees.

5. Naomi Klein (2007) argues that some of these crises are deliberately induced to shock citizens and their governments into acquiescing to policies they never would have accepted before the crisis dulled their capacities for analysis and resistance. In cases where crises had natural causes (e.g., Hurricaine Katrina in New Orleans), elites took advantage of the stunned vicitims' (temporary) political quiescence to institute neoliberal policies elites previously had not been able to implement.

6. Harvey's careful analysis of spatial fixes, unfortunately, is reduced in his discussion of neoliberalism to a set of strategies by which capitalists exploit other classes, not a process which is limited by, and only slowly and partially alters the structure of world relations among capitalists as well as against other classes.

7. Laclau and Mouffe (1985) were the first to develop a full-fledged theory of how and why class conflict has largely given way since the 1960s to New Social Movements whose participants are drawn together by their shared gender, racial, ethnic, sexual, or generational identity, or by their shared concern for nonclass issues such as the environment and human rights. Claus Offe (see 1985 for a concise statement) and Ulrich Beck (e.g., 2006) have produced a seemingly endless outpouring of books and articles that make sweeping and confident claims for the transformative power of new social movements based on impenetrable theoretical carapaces rather than any serious and sustained empirical research. Pichardo (1997) offers a summary and critique of the New Social Movement literature.

Revealingly, Western European studies of new social movements, such as Melucci (1989) and Kriesi, Koopmans, Duyvendak, and Giugni (1995), are written with a self-confident tone reflecting the authors' double certainty that those movements are replacing earlier class-based organizations that focus their efforts on the state and workplace and that the new movements will be able to supercede the transformative accomplishments of unions and parties. In contrast, American authors more often temper their hopes with realistic appraisals of the limited achievements of new social movements in the United States and clear analyses of the structural and cultural forces in the United States that can block future gains. Clawson (2003) enumerates many of the obstacles to a "fusion" in the United States of labor unions with movements based on race and gender. However, he does contend that those new movements have more potential to invigorate labor than do the existing unions themselves, and therefore believes there is a real possibility of a sudden "upsurge, leading to a period where labor's numbers and power triple or quadruple in a short period" (2003, p. 199). Kelly (2001) notes that "broader systemic imperatives … combine with American ideological traditions and institutional constraints in such a way as to particularly handicap the new forms in the United States" (p. 5). Kelly outlines ways in which new social movements could overcome those constraints, although, like Clawson, she is less clear on the conditions that would allow for a movement upsurge today on the scale of old social movements' successes in the 1930s and 1960s.

8. Wood ([1986] 1998) argues that the new social movements are a consequence of the defeat of the socialist left, and therefore are a dead-end rather than the basis for a successful new challenge to capitalism.

9. Piven and Cloward (1971, 1977) identify ways in which the Civil Rights movement, urban riots, and the welfare rights movement of the 1960s all led to voting rights and increased welfare benefits. Unfortunately, they have almost nothing

to say about how popular mobilizations affected, for better or worse, future prospects for progressive politics and reform. Indeed, they look to future protests and disorder as the sole significant predictor of further political and social gains for African-Americans and the poor.

10. Williams argues that the Christian right gained power in politics by identifying issues that could bridge divisions between Northern and Southern churches, and between evangelicals and fundamentalists: first, anti-communism in the 1950s and 1960s, and then social issues. In Williams' history Nixon emerges as the key figure in the rise of the Christian right and its position in the Republican Party. Nixon's focus on "law and order" in his 1968 presidential campaign provided a way to focus on social issues in a way that appealed to religious conservatives who previously had been divided on civil rights and on religious doctrine, and provided the basis for their unity even after the end of the Cold War eliminated anti-communism as a unifying issue.

11. The final amount was never determined, and Enron's bankruptcy makes it impossible to determine how much of the total overpayments by California consumers and firms would have ended up in Enron's coffers. The absence of a comprehensive public investigation of this scandal, either in California or at the Federal level, is itself an indication of the lack of state regulation or of a collective elite capacity to discipline rogue firms.

12. I have not been able to locate any research that compares over time U.S. unions' capacities to mobilize members or other voters at election time for Democratic candidates. This would be a worthy topic of research for a social movements or labor scholar.

13. This chapter has nothing to say about the United States' declining capacity to win wars or to impose its will on other nations through non-military forms of power. I leave for future analysis the question of the extent to which the factors identified in this chapter apply to the United States' geopolitical as well as economic position.

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