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# Health Care Business and Historiographical Exchange

**Peter A. Swenson, *Yale University***

Before addressing the commentators for their thoughtful input on “Misrepresented Interests,”<sup>1</sup> let me first thank the editors of *Studies in American Political Development* for providing a forum for an enduring debate about the power of capitalists in capitalist democracies like the United States. As a comparativist, I ventured into that complicated territory after extensive research in Sweden, where I discovered to my great surprise that the Social Democrat labor movement was kicking at open doors as it introduced each piece of Sweden’s famous system of industrial relations and social insurance. Sweden’s undeniably powerful employers stood contentedly aside and had no interest in closing the doors afterward. I was able to come to that conclusion with confidence only because the Swedish Employers’ Confederation had allowed me extraordinary access to their entire archives, confidential minutes, internal and external correspondence, and the diaries of a former chief executive.<sup>2</sup>

Because my conclusion about Sweden went against the grain of most thinking about capitalists and the welfare state, I wanted to bolster my archival findings with an analysis of the economic interests of employers that could make sense of it. For that discussion I built on the microeconomics literature about “efficiency wages,” including Michael Wallerstein’s and Kalle Moene’s application of it to highly centralized wage bargaining systems. Their model and analyses explained why many employers would welcome egalitarian outcomes and why economic decline would not result and thereby undermine the broad-based

consensus about them. In fact, they argue, economic development was promoted.<sup>3</sup> In anticipation of current debate among political scientists, I also offered some reasoned conjecture and evidence about why Swedish employers did not openly trumpet their enthusiasm, thereby contributing to enduring mythology abroad as well as in Sweden about the extraordinary power of the labor movement at the supposed expense of capital.

My findings on Sweden and a prompt from fellow comparativist Peter Lange led to me take a look at the historical and sociological literature on “corporate liberalism” in America, works that Mark Mizruchi mentions in his commentary. They sought to reveal the behind-the-scenes but weighty influence of capitalists in progressive policymaking, but they paid little attention to the economics involved. I decided to see for myself, by looking at America in light of Sweden to see what economically informed comparative historical arguments could be made about business power, government encroachments on business autonomy in general, and the welfare state in particular. At that time, that literature on corporate liberalism had been roundly challenged and largely rejected due to “historical institutionalists” who, for better and worse, “brought the state back in” to the study of comparative social politics. I say worse, because the tendency was to kick capital back out of comparative sociology and political science on the welfare state. Some of it, by Theda Skocpol and her collaborators, Edwin Amenta, John Ikenberry, and others, challenged corporate liberalism head on. Skocpol’s later work on welfare politics in America, *Protecting Mothers and Soldiers*, on “the political origins of social policy” lost its focus on state institutions, becoming more “society centered,” but skirted

Email: [peter.swenson@yale.edu](mailto:peter.swenson@yale.edu)

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1. Peter A. Swenson, “Misrepresented Interests: Business, Medicare, and the Making of the American Health Care State,” *Studies in American Political Development* 32, no. 1 (2018):1–23.

2. Peter A. Swenson, *Capitalists against Markets: The Making of Labor Markets and Welfare States in the United States and Sweden* (New York: Oxford University Press, 2002).

3. The latest and best versions of their work appeared after publication of my book in Michael Wallerstein and Karl-Ove Moene, “Does the Logic of Collective Action Explain the Logic of Corporatism?” *Journal of Theoretical Politics* 15, no. 3 (2003), 271–97; Karl-Ove Moene and Michael Wallerstein, “Social Democracy as a Development Strategy,” in *Globalization and Egalitarian Redistribution*, ed. Pranab Bardhan, Samuel Bowles, and Michael Wallerstein (Princeton, NJ: Princeton University Press, 2006).

entirely around the most powerful societal actors of all, capitalists.<sup>4</sup> Some of them, I wrote in my book, favored abolishing child labor and adopting state minimum wage laws and maximum hours for women, certainly things that protected mothers and motherhood.

Hence my attempt to “bring capital back in” to the study of social policy, as I attempted to do for the understanding of the Scandinavian model of industrial relations.<sup>5</sup> That has proved a difficult task given the near hegemonic view that historical institutionalists like Skocpol and, later, Jacob Hacker and Paul Pierson have helped establish. It should be added, as I point out in the article, that they have done so in a kind of intellectual alliance with literature on the “balance of class power resources” most associated with Swedish sociologist Walter Korpi. Korpi and many others attribute welfare state development to shifting power relations between antagonistic classes rather than to a shifting alignment of diverse business interests in favor of government social interventions. Institutionalism plus class power resources theory can be a good fit, because relative power can be affected by institutions, as Mark Mizruchi indicates here regarding the structure of business organizations. But the goodness of the fit depends on informed integration of classes’ internally diverse economic interests.<sup>6</sup>

This is an old debate, so it makes sense to take stock of its recent progress, if not toward consensus, then at least into new conceptual and methodological terrain. I have tried to push it toward the investigation of the specific and sectorally diverse profit-seeking, market-based interests of capitalists in welfare state development. My first venture on business friendliness to the American welfare state identified as key factors the wish on the part of some businesses to uplift and stabilize product market competition by imposing more equal labor costs onto all competitors and to shift increasingly expensive private social benefits onto the state. A moment’s reflection will persuade the informed reader that the balance-of-power institutionalists have paid exceedingly little

attention to those matters. Instead, they seem to build a priori on what I call a tacit *equivalency premise* that capitalists lose and workers in general gain from welfare reforms in all countries and at all times. Given the great variety of sectoral, size, market segment, and other market conditions faced by individual businesses, it would be surprising to find anything but a diversity of preferences regarding social policy. Comparative research by Dutch scholar Dennie Oude-Nijhuis nicely shows that the equivalency premise is not even valid for labor.<sup>7</sup>

In their criticism of my work showing a mix of capitalist support for, indifference about, and opposition to the welfare state, Hacker and Pierson chose not to address my arguments about business interests in the welfare state head on. Instead, they called for critical scrutiny of the friendly utterances of business on the welfare state in light of possible strategic reasons for subterfuge rather than sincerity. Although I disagree with what they did with that innovation, I think they have moved the debate forward in a valuable way with it. Thus, I eagerly took up their challenge in “Misrepresented Interests,” but with a different end: to question the sincerity and representativeness of organized business’s *hostile* pronouncements—*also* in light of strategic constraints. Furthermore, I introduced other evidentiary and conceptual considerations alongside the strategic ones. One concerns the self-selecting nature of organizational membership, which on its face undermines organizations’ protestations of representativeness of wider interests. Another concerns the role of oligarchical control in business organizations. Readers may be familiar with Robert Michels’s 1911 “iron law of oligarchy,” which he derived from the study of political parties. Michels’s famous 1915 aphorism, “Who says organization says oligarchy,” was endorsed by political scientist David Truman and political sociologist Seymour Martin Lipset in the case of other large membership organizations, including economic ones, in 1951 and 1962.<sup>8</sup> Chamber officials interviewed in the 1960s, as I point out, used the word “oligarchy” to describe their own organization. The oligarchy problem is extremely important because I would add “who says oligarchy says misrepresentation” to Michels’s aphorism. Finally, I maintain that sideline communications between corporate executives and individual politicians must be considered. Just because they go unrecorded, they cannot be assumed to be nonexistent or

4. Theda Skocpol and Edwin Amenta, “Did Capitalists Shape Social Security?” *American Sociological Review* 50, no. 4 (August 1985); G. John Ikenberry and Theda Skocpol, “Expanding Social Benefits: The Role of Social Security,” *Political Science Quarterly* 102, no. 3 (Autumn 1987), 389–416; Theda Skocpol, *Protecting Soldiers and Mothers: The Political Origins of Social Policies in America* (Cambridge, MA: Harvard University Press, 1995).

5. Peter A. Swenson, “Bringing Capital Back in, or Social Democracy Reconsidered: Employer Power, Cross-Class Alliances, and Centralization of Industrial Relations in Denmark and Sweden,” *World Politics* 43, no. 4 (July 1991), 513–44.

6. Walter Korpi, “Power Resources and Employer-Centered Approaches,” *World Politics* 58, no. 2 (January 2006), 167–206. On Korpi, see Peter A. Swenson, “Business Power and the Welfare State: Comment on Walter Korpi,” Social Science Research Network, [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2961043](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2961043).

7. Dennie Oude-Nijhuis, *Labor Divided: Union Structure and the Development of the Postwar Welfare State in the Netherlands and the United Kingdom* (New York: Cambridge University Press, 2013).

8. Robert Michels, *Political Parties: A Sociological Study of the Oligarchical Tendencies of Modern Democracy* (London: Jarrold & Sons, 1915); David B. Truman, *The Governmental Process: Political Interests and Public Opinion* (New York: Knopf, 1951), 139–55; Seymour Martin Lipset, *Union Democracy: The Internal Politics of the International Typographical Union* (New York: Free Press, 1956).

unimportant. As V. O. Key pointed out in his political science classic, *Politics, Parties, and Pressure Groups*, published only a year before Medicare's passage, while business associations were highly vocal, they were "probably comparably insignificant" compared to "the 100 to 150 giant corporations that dominate American business."<sup>9</sup> Because their interests cannot be assumed to have overlapped with those of small businesses, the interpretation of their preferences has to take their sideline communications into account, or at least speculate on their content. Here is where more research is needed; public utterances of business organizations are low hanging but not the best fruit.

### CHRISTY CHAPIN: MARKETS MAKE POLITICS

Historian Christy Ford Chapin goes for higher hanging fruit and thus offers a better perspective on Medicare and the building of our hybrid public-private health care state. She devotes detailed attention to the economic interests of two major agents in the process: the insurance industry and the medical profession. Drawing from her excellently researched book on our corporation dominated health care system, *Ensuring America's Health*,<sup>10</sup> Chapin argues here that "markets make politics," shifting the focus of historical institutionalists in sociology and political science away from how politics makes markets to the other side of the equation (p. 4, all parenthetical page references in this article refer to page numbers in this issue, unless otherwise indicated). Of course, the intertemporal endogeneity of markets and politics, or causal interaction over time, indicates that both should be in focus in the study of political development. But it makes sense to isolate the processes in a relatively short-term frame of analysis as she does.

On the basis of Medicare and more, Chapin concludes that the initial as well as final design of social legislation "often bolster corporate arrangements," as she puts it, meaning the institutionalized market systems that protect profits (p. 4).<sup>11</sup> The two most important focuses of her analysis are the insurance industry, organized in the Health Insurance Association of America and the Blue Cross Blue Shield Association, and physicians, almost exclusively private independent practitioners, organized in the American Medical Association (AMA). For reasons I will elaborate, the AMA should be regarded as a business

organization just like the other two. Chapin argues that both insurers and doctors emerged victorious with Medicare as well as in later stages in the building of America's hybrid health care state, because they adopted and then adapted what she calls their mutually advantageous "insurance company model." They had jointly hammered out the model in private insurance arrangements starting in the 1930s. The key features of the model's "processes, systems, and methods" included arms-length relations between providers and payers made possible by fee-for-service remuneration of doctors and hospitals, with drug companies enjoying unfettered ability to set their own often oligopolistic prices (p. 5). It preserved physician sovereignty in choice of patients, fee setting, therapeutics, and hospital admissions. The inflationary properties of the arrangement, which rewarded quantity over quality and therefore aggregate volume over social value, remained largely unchecked because of another arms-length relationship—between insurers and their customers, mostly employers offering group policies to their workers. That allowed insurers to shift their steadily rising costs onto employer premiums. Employer profits suffered only in the short run if at all from premium increases, because in the end, higher costs were silently shifted onto workers, because workers' take-home pay rose more slowly than labor productivity. What Chapin calls an insurance company model might also be described as a "shut-up-and-pay-fee-for-service model" that shaped how medicine is practiced today—expensively and, in many regards, inefficiently. Our prices are higher for the same medical services provided in other countries. We use more high-priced medical technology. We have higher administrative costs associated with for-profit insurance, including huge advertising, bill servicing, underwriting, executive pay, staff salaries, and rewards to shareholders. We spend less on social services that reduce morbidity. For these reasons, other countries get better health outcomes for less money, while also covering more people.<sup>12</sup>

12. Excellent introductions to the issues are Burton A. Weisbrod, "The Health Care Quadrilemma: An Essay on Technological Change, Insurance, Quality of Care, and Cost Containment," *Journal of Economic Literature* 29, no. 2 (June 1991), 523–52; Gerard F. Anderson, Uwe E. Reinhardt, Peter S. Hussey, and Varduhi Petrosya, "It's the Prices, Stupid: Why the United States Is So Different from Other Countries," *Health Affairs* 22, no. 3 (May/June 2003), 89–105; Alan Garber and Jonathan Skinner, "Is American Health Care Uniquely Inefficient?" *Journal of Economic Perspectives* 22, no. 4 (Fall 2008), 27–50; Ellen Nolte and C. Martin McKee, "Measuring the Health of Nations: Updating an Earlier Analysis," *Health Affairs* 27, no. 1 (January/February 2008), 58–71; Elizabeth H. Bradley, Benjamin R. Elkins, and Jeph Herrin, "Health and Social Services Expenditures: Associations with Health Outcomes," *British Medical Journal Quality & Safety* 20, no. 10 (October 2011), 826–31; Karen Davis, Kristof Stremikis, David Squires, and Cathy Schoen, *Mirror, Mirror on the Wall: How U.S. Health Care Compares Internationally* (New York: Commonwealth Fund, 2014).

9. V. O. Key, *Politics, Parties, and Pressure Groups* (New York: Crowell, 1964), 98.

10. Christy Ford Chapin, *Ensuring America's Health: The Public Creation of the Corporate Health Care System* (New York: Cambridge University Press, 2015).

11. An excellent study of the assertion of business interests in the implementation phases is Eric M. Patashnik, *Reforms at Risk: What Happens after Major Policy Changes Are Enacted* (Princeton, NJ: Princeton University Press, 2008).

Chapin would not be surprised to learn that Morris Fishbein, the powerful former chief editor of the *Journal of the American Medical Association*, concluded in his memoirs that because of its fierce opposition, the AMA “plucked victory out of total defeat” (!) in the design of Medicare by incorporating the key elements of Chapin’s insurance company model. They were, according to Fishbein, “the basic principles of personal relationship between doctor and patient, the right of the patient to choose a physician, the right of patient and physician to choose a hospital, and similar principles which represented the major policies for which it fought for over fifty years.” It was a victory, Fishbein continues, “because the original Medicare language explicitly prohibited the federal government from exercising authority over how medicine was to be practiced.” In short, the AMA “played a vital part in determining the form of the legislation for medical care of the aged.”<sup>13</sup> After some scattered quixotic attempt at a boycott, doctors quickly grew to love Medicare for the bounty they received. Big medicine had wielded its power magnificently, just as did big insurance, even if the received wisdom is that Medicare was a huge defeat for doctors and a compromise for big insurance.

Although Chapin doesn’t describe it this way, the hegemonic insurance model is an elaborately institutionalized system of medical commerce under the control of two large business sectors creating and sharing monopoly rent charged against workers and taxpayers. One could call it a bilateral monopoly, or even a trilateral monopoly in light of the oligopolistic drug industry’s alliance with doctors and insurance companies against alternative payment models, including a federal single-payer system. It may seem strange to call the AMA a business organization, but as Chapin implicitly understands, it is a federated and multitiered trade association driven by the profit motive of its members, not just a professional one dedicated exclusively to medical science, clinical excellence, and ethical relations with patients and the public. As science writers for the *New York Herald Tribune* put it in 1964, delegates to that year’s AMA House of Delegates meeting were “healer-dealers.”<sup>14</sup> The profession spent some of its monopoly profits on campaign donations to politicians for protecting the flow of those very profits against the forces of reform. The AMA itself was a profitable corporation because of its journals’ privileged access to revenue from drug advertising for prescription drugs. Today it still pulls in millions from license fees for drug companies’ use of its copyrighted Physicians Masterfile for marketing to individual doctors, including non-AMA members, and from providers and insurers who use

its copyrighted Current Procedural Terminology codes for billing purposes. Only a minority of AMA revenues come from membership fees.<sup>15</sup>

As Chapin points out, in recent years, other corporate actors entered the picture to disrupt and partially refashion the traditional insurance model, mostly at the expense of physician sovereignty in clinical decision making and collective control in economics and politics. The rest of the alliance remains protected in what Morgan and Campbell have called the “delegated welfare state,” the public–private entities and arrangements given the job of providing public services for a profit—just as Blue Cross and Blue Shield organizations had been handed the job of administering Medicare benefits.<sup>16</sup> Because employers starting pushing back against health cost inflation (no more shut-up-and-pay), physicians’ erstwhile insurance allies shape-shifted into various “managed care organizations,” which try to do just what the name implies, manage doctors (to their great annoyance). Starting in the 1970s, and with a vengeance in the 1990s, employers corralled their workers into the new managed care arrangements. Also, employers shape-shifted into insurance carriers themselves through “self-insurance,” while continuing to pay insurance companies to handle claims from doctors and hospitals. But as Chapin also points out, despite realignment and restructuring, much of the model remains “firmly ensconced at the center of the health care sector” in the design of “Obamacare,” the Patient Protection and Affordable Care Act of 2010 (p. 5). Many large corporate interests, as I point out, including the drug industry, openly supported the reform, and none mobilized to block it or call for its repeal. It seems safe from everything except legislative, judicial, and rhetorical sabotage by right-wing Republicans and propagandists.

No better testimony to the merits of calling the AMA a “business organization” serving doctors’ commercial and related political interests can be found than in hearings conducted in 1974 by the Senate Judiciary Committee’s Subcommittee on Antitrust and Monopoly and the subsequent 1979 Federal Trade Commission (FTC) ruling that, in effect, busted the medical trust. After the AMA almost succeeded in getting Congress to overturn the 1979 ruling, the Supreme Court upheld it. Both the hearings and the ruling documented the extensive cartel-like behavior of the county, state, and the national medical societies, whose purpose was to preserve

13. Morris Fishbein, *Morris Fishbein, M.D.: An Autobiography* (Garden City NY: Doubleday, 1969), 185.

14. “AMA: Healer-Dealers,” *New York Herald Tribune*, June 21, 1964.

15. Sidney M. Wolfe, “The American Medical Association and Its Dubious Revenue Streams,” *Public Citizen Health Letter* 28, no. 122 (November 2012), 1–3; Leigh Page, “AMA Data Operation Makes Millions, Even Monitors Non-Members,” *British Medical Journal* 348 (May 14, 2014): g3119.

16. Kimberly J. Morgan and Andrea Louise Campbell, *The Delegated Welfare State: Medicare, Markets, and the Governance of Social Policy* (New York: Oxford University Press, 2011).

and defend the interests of independent retail practitioners against competitive challenges to the insurance company model. The AMA did so, mostly, by forcing hospitals to join their cause. It withdrew accreditation from hospitals with medical staff or attending physicians who were not members of its affiliated county societies. (County membership automatically conferred state membership, and usually AMA membership as well.) Then, in a pincer movement, the county affiliates refused to admit or keep members who defied the AMA's "ethical principles" by choosing to work for salaries or capitation in corporate practices (like today's HMOs) or in government agencies providing medical services to the uninsured. Loss of hospital privileges meant professional ruin. Only HMOs with their own capital to build hospitals, like Kaiser-Permanente on the West Coast, could survive without AMA members. Also, county membership was denied to doctors who worked for corporate entities employing doctors that advertised their medical services, because advertising for patients was also deemed unethical. Additionally, most doctors got affordable group malpractice insurance policies through their county societies, which refused to deal with insurance companies that insured nonmembers. Going without malpractice insurance and the legal help that came with it was dangerous. For most doctors, therefore, membership in the AMA cartel was practically compulsory, although, of course, there were also positive selective incentives and ideological motivations to join the cartel.<sup>17</sup>

In 1963, a few state courts started prohibiting hospitals from denying courtesy attending privileges to nonmembers, but instead of litigating, doctors mostly caved under the pressure. Friendships, referrals, free medical care, and more from local colleagues was at stake, including their courtesy of not testifying against them in malpractice cases. The systematic blacklisting of medical deviants continued into the 1970s to preserve the traditional retail, fee-for-service medical practice. Finally, in 1979, the FTC ruled that the AMA and its affiliates were engaged in a "nationwide conspiracy in restraint of trade," thus violating the Sherman Antitrust Act. Backing the move was an impressive bipartisan, cross-ideological coalition, including an FTC official who had been an acolyte of Ralph Nader. Economists

17. "Statement by Edgar F. Kaiser, President of Kaiser Industries Corp. and President of Kaiser Foundation Health Plan," U. S. House of Representatives, Committee on Ways and Means, *Health Services for the Aged Under the Social Security Insurance System 87th Congress, 1st Sess.*, July 1961, 1964–65; Committee on the Judiciary, *Competition in the Health Services Market: Hearings Before the Subcommittee on Antitrust and Monopoly of the Committee on the Judiciary United States Senate* (Washington, DC: Government Printing Office, 1974); In the Matter of the American Medical Association et al., 94 FTC 701 (1979); David R. Hyde and Payson Wolff, "The AMA: Power, Purpose and Politics in Organized Medicine," *Yale Law Journal* 63, no. 7 (May 1954), 937–1022.

helped by arguing that there were no compensating public interest benefits at all in medical self-regulation that might save organized medicine through application of the "rule of reason" antitrust doctrine.<sup>18</sup> The door was now wide open to the new corporate order that Chapin describes. The AMA, once one of America's most powerful business associations as well as lobby organizations began its downward slide. Interestingly, by the 2000s, it had partially returned to the medical progressivism it left entirely behind in the 1920s. But because Medicare and private insurance companies have abdicated control over the fee structure to an AMA committee, it still exercises powerful control over the cost, quality, and therefore value of medical care.<sup>19</sup>

Why did the AMA become a conservative business organization in the 1920s? That is a long story to be told elsewhere,<sup>20</sup> but it makes sense to bring it up in the context of Chapin's aphorism that "markets make politics." A short and partial version of the story starts with the huge glut of doctors at the turn of the century that more than 150 medical schools churned out, most of them shabby for-profit "proprietary" colleges. Their graduates were the butt of jokes told by European doctors. This internationally unmatched excess kept physician fees pitifully low. Many doctors thought that the excess supply made them vulnerable to corporate and government intrusions into medical practice by hiring hard-up doctors at even lower earnings, thus pulling solo practitioners' earnings down with them. As one economist characterized it, the battle was to preserve doctors' market power as price-discriminating monopolists charging on a sliding fee scale so that high fees for wealthy patients could help them achieve a decent income. Because modest monthly health insurance premiums or HMO fees were equal for all, a loss of wealthy patients was a threat.<sup>21</sup> Doctors in the middling ranks of the profession led an insurgency in 1924 to take control of the AMA away from the elite progressives who were relatively indifferent to the plight of the rank and file and concerned far more about public health and other reforms. The reactionary turn brought the "Mundt resolution" passed by the AMA House of Delegates in 1934, which inaugurated the conspiracy in restraint of trade by denying hospital privileges to the new dissidents.

Chapin concludes her commentary with a claim that I think might need qualifying or at least

18. Carl F. Ameringer, "Organized Medicine on Trial: The Federal Trade Commission vs. the American Medical Association," *Journal of Policy History* 12, no. 4 (October 2000): 445–72.

19. Miriam J. Laugesen, *Fixing Medical Prices: How Physicians Are Paid* (Cambridge, MA: Harvard University Press, 2016).

20. Peter A. Swenson, *The Political Transformation of American Medicine: Doctors, Democracy, and Disease in the Progressive Era* (manuscript).

21. Reuben A. Kessel, "Price Discrimination in Medicine," *Journal of Law and Economics* 1 (October 1958): 20–53.

clarifying. After Medicare, she says, when government gradually expanded further into the health care market, “it made good profit-making sense for corporations to trade in their political opposition for support . . . that would win them a seat at the legislative bargaining table” (p. 16). “Trade in” is ambiguous and therefore problematic. This is relevant because it touches on the matter of strategic position taking that Hacker, Pierson, and now David Broockman focus on. Expressing support for a “seat at the table” can have several different strategic logics. One is as *subterfuge* to conceal real opposition for a chance to water down the reform, or—even better—to get things inserted to make it profitable, perhaps through log-rolling. Business support can also be *sincerely stated*, again to get a seat at the table to make sure an oncoming reform remains a blessing and is not turned into a curse. It is not clear which of these Chapin means by “trade in.” The drug industry’s powerful support for expanding Medicare coverage into prescription pharmaceuticals and Obamacare’s improvement of that coverage was sincere. The curse to be headed off was government control of drug pricing. Suffice it to say that strategic political speech, which I will return to in my discussion of Broockman’s critique, is extremely complex, and the sincerity of support or opposition is not easy to interpret without carefully examining economic motivations—like the drug companies’ great desire to expand their markets for pricey drugs. In any event, I think Chapin would agree that business supporters may sometimes seek a seat at the table to water down reform, but they may even more frequently engage with reformers, as she says, “to mold welfare state policy so that it would help them compete more effectively” in the marketplace (p. 16).

### MARK MIZRUCHI: ORGANIZED BIG BUSINESS

Sociologist Mark Mizruchi introduces an important consideration to the study of business interests and influence in welfare state development in his argument that just because a social welfare program is in their economic interests, there “is no guarantee that firms will support it” (p. 25). The important intervening factors he adduces, based on his reading of big business in American politics from the 1940s to the present, are the degree of organizational cohesion and the external political environment that can impinge on it. Mizruchi argues that Medicare was a “manifestation of the moderate and pragmatic approach” to economic and social policy that was taken up by “large American corporations” in the middle part of the twentieth century when the organizational and external conditions were favorable (p. 18). Their cohesion behind relatively progressive politics was manifested in and maintained by participation in a rather low-profile but nevertheless highly

influential business organization, the Committee for Economic Development (CED). Its members commanded the heights of industry and finance. The CED quietly presented a rather progressive face to politicians, including moderation on labor issues, but most importantly on macroeconomic management, free trade, and other issues that big business could unify on.

Mizruchi traces how both big business cohesion and its progressivism broke down in the 1970s. Stagflation and low-price, high-quality competition from abroad rendered Keynesian approaches to growth irrelevant, impotent, or counterproductive. Because big businesses were relatively sanguine about government interventionism, a spate of environmental, occupational safety, and other legislation caught them off guard. I would add developments in consumer and tort law to Mizruchi’s list.<sup>22</sup> The liberal, anti-corporate zeitgeist behind the costly regulations turned big business sour on big government—but, as I point out in “Misrepresented Interests,” decidedly not because of the growing welfare state. Bypassing the CED altogether, which faded into irrelevance as major corporations departed, big businesses hastened to build their own separate lobbying apparatuses and think tanks to beat back reforms. Because of the metastasized lobbying machinery in Washington, DC, and beyond, cohesive big business representation was replaced by an anarchic free-for-all in the scramble for special tax and regulatory favors.

As Mizruchi argues, today’s legacy of the “fracturing of the American corporate elite,” also the title of his excellent book on the subject, is its chilly estrangement from a Republican Party hijacked by so-called populist forces suspicious of “crony capitalism.” As one journalist put it, the party had already started “twitching to the taunts of Rush Limbaugh” more than two decades ago, back in 1995, a year after the incoming freshman class of Republican congresspeople elected the right-wing blowhard an “honorary member of Congress.”<sup>23</sup> In 2013, for example,

22. Kenneth S. Abraham, *The Liability Century: Insurance and Tort Law from the Progressive Era to 9/11* (Cambridge, MA: Harvard University Press, 2008); Thomas O. McGarity, *Freedom to Harm: The Lasting Legacy of the Laissez Faire Revival* (New Haven, CT: Yale University Press, 2013).

23. In addition to Mizruchi, see Richard I. Kirkland Jr., “Today’s GOP: The Party’s Over for Big Business in a Political Arena Now Dominated by Small-Business Populists, Anti-Government Conservatives, and the Religious Right,” *Fortune*, February 6, 1995, <http://fortune.com/2011/05/15/todays-gop-the-partys-over-for-big-business-fortune-classics-1995/>; Lydia DePillis, “Here’s the History of How Big Business Lost Control of the GOP,” *Washington Post*, October 4, 2013; Tory Newmyer, “The Inside Story of How Big Business Lost Washington,” *Fortune*, February 20, 2015, <http://fortune.com/2015/02/20/the-inside-story-of-how-big-business-lost-washington/>; Steven Pearlstein, “How Big Business Lost Washington,” *Washington Post*, September 2, 2016; Katharine Q. Seelye, “Republicans Get a Pep Talk from Rush Limbaugh,” *New York Times*, December 12, 1994.

Limbaugh blasted crony capitalists for pushing Republican legislators to support a bipartisan immigration bill with amnesty included.<sup>24</sup> Were it not for the elite's declining influence, we would probably have gotten a comprehensive immigration reform act back in 2007, and maybe even a cap-and-trade bill in 2010, which had had the backing of the ad hoc Climate Action Partnership, a coalition of moderate environmentalists in the Environmental Defense Fund, and around twenty major industrial and energy corporations, most importantly General Electric.<sup>25</sup> Mizruchi's important work on this fascinating phenomenon should lead to more research and analysis, including about "reverse lobbying" in which Republican politicians have browbeaten and threatened corporations for supporting centrism and compromise, which Newt Gingrich did during the debate over the Clinton health care plan. It would necessarily be based on extensive interviews of corporate executives, given that evidence from business organizations like the Chamber and the National Association of Manufacturers (NAM) is so sparse and, for reasons of membership self-selection, oligarchy, and strategy, worthy of scholarly suspicion.

Mizruchi's argument that the extent to which big corporations will support progressive legislative causes is likely to vary across different historical periods depending on their changing organization and cohesion is a good one. This institutionalist perspective is a necessary complement, not competitor, to one that focuses on economic interests. It brings to mind Cathie Jo Martin's argument about the inclination of big businesses to think less ideologically and therefore more rationally about the way progressive social policies might actually increase profits rather than threaten them. Big corporations tend to have the resources to build up what she calls superior "policy capacity," while smaller businesses rely on the oligarchic officialdom of ideologically skewed business associations (like the NAM and the Chamber) to do the thinking and talking for them.<sup>26</sup> When big businesses put their better minds, as it were, together in a deliberative, internally democratic body like the CED, the progressive or at least moderating effect may be magnified while their unity will lend them greater influence to advance their agenda. This hypothesis seems plausible to me in light of the political behavior of the encompassing, tight organization of the Swedish Employers'

Association during the building of the Swedish welfare state. At the helm were representatives of the big engineering and forest product firms. Smaller firms had nowhere to go to assert divergent interests and thus remained members because they stood to lose by standing alone against the unions. Operating silently behind the big firms, and no doubt helping maintain cohesion, was the Wallenberg family's phenomenally successful bank-centered industrial empire—think L. M. Ericsson, Electrolux, ASEA (now part of the Swiss-based ABB), Alfa-Laval, SAS, SKF, Atlas Copco, and more.

To return to Medicare: Mizruchi adds a missing piece to the puzzling silence of big employers about the favor done for them by a government takeover of their retirees' health care. As he says, "There is little indication that the CED played a role in the development of Medicare, but neither is there any evidence of opposition from the group" (p. 22). The silence is puzzling because of the rising costs of health for their retirees resulting from what Chapin calls the insurance company model. Even non-unionized employers had eagerly introduced retiree coverage in the late 1950s and early 1960s, when labor was relatively scarce and good benefits served an efficiency wage function to attract good workers, reduce turnover, and promote productivity. Magnifying the problem of rising retiree costs was the fact that for-profit commercial insurers were encroaching on the group health insurance market at the expense of the nonprofit Blue Cross plans that many large employers relied on. With lower premiums, the commercials peeled away employers with younger and healthier workers and no contractual commitments to retirees. Those lucky employers could share the savings with their employees. Many larger firms were left with Blue Cross plans charging community rates, not the commercials' experience-rated premiums. Community rates were the same for all companies' Blue Cross policies regardless of their varied risk pools. The retired portion of that community risk pool was growing disproportionately. Thus, firms with higher health costs suffered in both product and labor market competition. In the few years before Medicare, Blue Cross companies began converting to experience rating, thus increasing the costs for many big employers. Market competition in the insurance industry changed the big employers' economic interests and therefore political calculus. Markets make politics.

Mizruchi's comments offer an intriguing clue about why the CED remained silent despite the inflationary trends. It required consensus before taking a position. "Part of the CED's goal," he writes, "was to mediate potential disputes between different sectors of business" (p. 21). Behind the policy positions it took, "there was a relatively high degree of unity" in the 1960s (p. 21). The unity, I believe, was maintained because the CED stuck largely to macroeconomic

24. "Rush Limbaugh: Crony Capitalism, Big Money behind GOP Amnesty Push," June 18, 2013, *Breitbart* website, <https://www.breitbart.com/the-media/2013/06/18/rush-limbaugh-crony-capitalism-big-money-behind-gop-amnesty-push/>.

25. Irja Vormedal, "From Foe to Friend? Business, the Tipping Point and U.S. Climate Politics," *Business and Politics* 13, no. 3 (October 2011), 1–29.

26. Cathie Jo Martin, "Nature or Nurture: Sources of Firm Preference for National Health Reform," *American Political Science Review* 89, no. 4 (December 1995), 898–913.

issues like taxes and trade, not policies with differential microeconomic impact. Thus, it was rational for the CED to regard health care as a matter that individual corporations should approach politicians about on their own should they be so moved. Nothing could stop them, and very few legislators would refuse to answer their telephone calls. Regrettably, there are no archival sources readily available about the existence or content of those calls.

Economic interests make sense both of the CED's silence in the 1960s and its decision to speak up in 1973. That year, the CED advocated an "employer mandate" in a comprehensive health care plan, which, as Mizruchi notes, closely resembled what President Richard Nixon proposed the following year. Employer health care costs had started on their steep rise in the late 1960s, after Medicare's passage. The health care sector was shifting its costs for care of the uninsured onto firms with insurance. Because of their impact on international competitiveness, the rising costs were starting to inflict macroeconomic damage, when annual increases rose to nearly 30 percent in the 1970s. The automobile industry complained that huge and rapidly rising health care costs were surpassing steel inputs as a factor in car pricing. The steel industry complained that increases in health costs were hurting it in competition with steel exporters in other countries.<sup>27</sup> Nine executives entered minor reservations to the CED proposal, but only one voted against the employer mandate: pharmaceutical executive Daniel C. Searle, the chairman of G. D. Searle & Co. The employer mandate was going to cost his industry nothing, and imposing it on others would gain it little. Its per capita health costs represented only a small share of total labor costs because of its relatively high wages and salaries. Searle had another, and highly distinct, reason for dissenting. With big government increasingly in the picture, control of drug prices was sure to be on the agenda as overall health care costs rose. For that reason, it remained a powerful ally of the AMA, which continued to battle universal coverage.<sup>28</sup>

#### DAVID BROOCKMAN: A CRITIQUE OF HIS CRITIQUE

Important empirical, conceptual, and methodological matters of interest in the larger debate about business power in capitalist democracies are raised by David Broockman's commentary. At the same time, it is a very detailed and often harshly critical appraisal of "Misrepresented Interests." Therefore, my response will, unfortunately, have to be disproportionately long.

27. Lawrence Mishel, Josh Bivens, Elise Gould, and Heidi Shierholz, *The State of Working America* (Ithaca, NY: ILR Press, 2012), 248–50.

28. Committee for Economic Development (CED), *Building a National Health Care System* (New York: CED, 1973), 5–6, 23–24, 87–94.

In an earlier article in *Studies in American Political Development*, Broockman argued that business preferences were "monolithic" against Medicare, and in "Misrepresented Interests," I criticized him for taking a hazardous inferential leap from business organization positions to that conclusion.<sup>29</sup> With it, he aligned himself with Theodore Marmor's and others' "class war" interpretation about the passage of Medicare. Because he does not distance himself from his earlier article, I will return to it as representative of his contrary views.

Regarding concepts and methodology, Broockman argues that I do not take seriously the concerns that Jacob Hacker, Paul Pierson, and he raise about interpreting statements of business preferences in light of the strategic context in which they are uttered. Not addressing what I wrote about the possibility of strategic exaggeration of opposition to health care and other welfare reforms, Broockman holds implicitly that there can only be strategic misrepresentation of what he calls "revealed" and therefore "true" preferences *against* them. Unfortunately, he does not define "revealed" or identify what reveals true preferences other than organizational position taking. Broockman rejects my call for objective examination of the businesses' economic interests of economic actors as a way of penetrating through the fog of misrepresentation. He therefore appears to believe that economic interests are either irrelevant or can only be hurt by reform. Neither assumption is acceptable.

#### Divided or Monolithic?

Broockman asserts that my article fails to "make good on its promise to provide 'extensive evidence' of 'enormous division within business,'" and that I do not "offer support for the presence of appreciable business support" (p. 28, p. 35). With that, he dismisses my evidence against his view that there was a monolithic wall of business opposition to Medicare. Except for three surveys mentioned below, Broockman based that claim on the official positions taken by two national business organizations, the NAM and the U.S. Chamber of Commerce. In his commentary, Broockman now supplies alternative evidence that, strangely, fatally undercuts his interpretation. The 1964 election study he cites shows that around *one-third* of business managers and owners surveyed were *for* Medicare—surely evidence of the "appreciable business support" that Broockman says I should have supplied. Only a minority of around 40 percent were opposed, a figure that supports "enormous division" more than monolithic opposition. Another 26–28 percent were mostly undecided or not interested. Puzzlingly, again, Broockman

29. David A. Broockman, "'The Problem of Preferences': Medicare and Business Support for the Welfare State," *Studies in American Political Development* 26, no. 2 (October 2012): 83–106.



concludes from his survey “that there was not support for Medicare among everyday businesspeople” (p. 33). But why weren’t the one-third who wanted Medicare “everyday businesspeople”? He does not say. Finally, it is difficult to understand why Broockman finds cause for denying business division in the fact that its support for Medicare (33 percent) was significantly lower than the general public’s (49 percent). The difference between business and the public does not change the fact that business was divided. It was just divided differently.

Excerpted from Broockman’s table

	Managers and Owners	Business Owners only
<b>For Medicare</b>	<b>33%</b>	<b>34%</b>
Undecided, No Interest, or Other	28%	26%
Against Medicare	39%	41%

In his original *SAPD* article, Broockman’s only survey sources were a 1965 opinion poll of Eastern Division members of NAM and a survey of the officialdom of state chambers of commerce.<sup>30</sup> He returns to both here. In his original *SAPD* article, he cited the NAM’s survey of East Coast members to support his claim that the NAM “reflected the will of rank-and-file businesses,” which were “monolithically” against Medicare. The poll showed, he wrote, “that its members were nearly unanimously opposed to Medicare in any form.”<sup>31</sup> This is stunningly wrong. The survey showed that only 36 percent of the respondents opposed Medicare. The 36 percent figure was on the second page of the two-page document that Broockman now claims in his commentary, that he “did not originally examine” for his *SAPD* article (p. 33). Instead, he went with what the NAM said, ambiguously, on the first page, that there was “strong” opposition to Medicare. But surprisingly, Broockman constructs “nearly unanimous” against Medicare out of “strong” opposition. The near unanimity, he claims, was against Medicare “in any form.” But the question asked specifically about Medicare “financed through increased Social Security taxes.” Small businesses in other sectors were concerned about Medicare’s payroll taxes on employers, so if the question had specified income taxation, perhaps even fewer than 36 percent of the NAM’s members, most of them small and many of them relatively labor-intensive, would have been opposed. Now, in his commentary, Broockman does an about-face. It is “difficult to know,” he says, “what to conclude from this document”

30. *Ibid.*

31. *Ibid.*

(p. 33). But it is not difficult. There was great business division, even within the NAM, not monolithic opposition.<sup>32</sup>

In a confusing and historically inaccurate passage about strategic distortion of business position taking, Broockman claims that the NAM softened its stance against Medicare as its passage looked more certain even though the “true” preferences it claimed to represent remained the same. He bases that view on a letter from James Feary, the chairman of a NAM subcommittee on employee benefits, to Congressman John W. Byrnes. Feary’s letter answered a private inquiry from Byrnes, the senior Republican on the House Ways and Means Committee, about his “Bettercare” plan, which was actually more comprehensive and progressively funded than the Democrats’ King-Anderson bill.<sup>33</sup> Feary liked the Bettercare alternative to King-Anderson. Broockman says I quote the letter from this “NAM official” in my short *Clio* piece as “the key smoking gun indicative of business support for Medicare in general” (p. 28). Broockman is wrong on both counts. First, the NAM did not strategically shift its stance as Broockman claims, and it never did anything but badly misrepresent manufacturers. Feary’s letter, in fact, would only be evidence of a position change if—as Broockman mistakenly believes—Feary was a NAM “official” or, alternatively, if he had prevailed on the NAM oligarchy to adopt his personal view. But Feary was not an official, and he did not turn the NAM around. As a full-time executive of a large chemical corporation, he was merely a volunteer, an unpaid chairman of a subcommittee, and his and his committee’s view was expressed in an unpublished letter, not an official

32. Broockman says that the NAM would have not have said there was strong opposition if 36 percent against it “implied that the remaining 64 percent of respondents supported Medicare.” His point is as obscure as the NAM’s report is ambiguous. The NAM did not mention the number in favor. Why not? It may have *strategically neglected* to report it. In light of the new survey Broockman cites, possibly up to one-third favored Medicare. A disinclination to report such a number would not surprise me at all, given the character of the NAM I describe: a puny, unrepresentative organization with an ultraconservative agenda.

33. The Democratic bill covered only hospitalization, while the Byrnes bill also covered drugs, outpatient medical services, and skilled nursing home care. The Byrnes bill was also more liberal because of its financing out of general revenues. Byrnes vehemently criticized the King-Anderson bill for relying on “the most regressive tax we have” and forcing middling level employees to pay for hospitalization of wealthy patients who had either paid nothing into the system or would pay a smaller share of their income. Many low-paid workers would pay none of the income taxes required for his bill’s financing. The Byrnes bill had a semivoluntary element, and only in this sense was it less “liberal.” Like today’s Part B of Medicare—inspired by Byrnes—it allowed retirees to opt out of all coverage and therefore skip paying the very modest (because heavily subsidized) premiums. Experts expected around 90 percent enrollment, about where Part B enrollment stands today. Peter A. Swenson, “B Is for Byrnes and Business: An Untold Story about Medicare,” *Clio: Newsletter of Politics and History* 16, no. 2 (Spring/Summer 2006): 39–40.

policy pronouncement. Feary was probably one of the sensible big business members who, as I point out, were trying in vain to steer the highly unrepresentative NAM away from its ultraconservative John Bircherism. Second, to claim that I find in Feary's letter a "key smoking gun" is a gross misreading. I offered Feary's encouraging response merely as a relevant data point about big businesses' friendliness toward Medicare legislation for all retirees, not just poor ones.

### Economic Interests and So-Called "True" Policy Preferences

Broockman casts doubt on my argument that Medicare was not a victory in a class war against business by trying to undermine my claim that it is important to examine economic interests to make confident inferences about business positions in an ambiguous strategic context. My argument is that *evidentiary triangulation* is necessary, the combined examination of expressed preferences, economic interests, and the political context in which strategic distortion may be rational. In short, economic interests must be in view to help locate heterogeneous business positions along the line between sincere and deceptive.

Identification of economic interests is especially important in the American context, given the inaccessibility of corporate archives for insider communications about interests and strategy, a lack of surveys, and deficiencies in what is available from business organizations in the way of nonslanted discussion.<sup>34</sup> Another reason for triangulation is the inherently ambiguous, bidirectional nature of strategic position taking—including strategic silence. By that I mean that one might rationally feign support in one strategic context and feign opposition in another. One might exaggerate support to get a seat at the table in the hopes of getting a better deal in the design and implantation of reform. Alternatively, one might exaggerate opposition. Why tell the car salesman how much you like the car rather than complain about its shortcomings? Considering the hostility in some reform circles to business, openly expressing approval rather than opposition could embolden radicals to agitate for a more expensive reform and reduce moderates' resistance to their calls.

Finally, consider the ambiguity of silence. Depending on the strategic context, it may be a rational position to take in the case of either support or opposition. Broockman reads into big business's relative silence a rational calculation that when Medicare

became a foregone conclusion after the 1964 election, they had nothing to gain and something to lose by speaking up. But his inference relies on the wholly unsubstantiated premise that they were against it. Strong circumstantial evidence indicates that they were supportive. Even then, silence was arguably rational. Speaking up may have been superfluous and even carry with it some risks, as suggested above in my discussion of the CED. The majority may have wished to maintain good will with the dissenters, whose support was needed in other business as well as political matters. Intra-class relations, not just external politics, could have figured in their strategic calculus.

Broockman denies the need for studying the economic interests of economic actors, so we can only impute that he thinks that finding their "true," or "revealed" preferences will render economic analysis unnecessary. Unfortunately, in his original *SAPD* article and now in his commentary, he fails to explain what the revelatory process is. In economics, it refers to the derivation of consumer utility functions from their purchases of varying bundles of goods and services. But that is not very helpful. There could be survey experiments about policy issues using treatments with varying strategic contexts. But those, of course, were not done, and even today such experiments would probably be full of methodological holes. Practically speaking, the only preferences for or against Medicare that could reasonably be regarded as in any sense "true" in Broockman's undefined sense were revealed in anonymous surveys of individual businesses where collective political strategy was unlikely to bias individual responses. Those, we have seen, show a considerable measure of support in an unlikely place, the NAM.

One is left to surmise that Broockman believes that big businesses revealed their true preferences on Medicare by not openly objecting to what the NAM and the Chamber said. Again, though, silence may have been strategic for the above-mentioned reasons. They certainly would not have been able to veto the two organizations' policies, given the preponderance of small businesses in their rolls as well as their oligarchical leadership, self-selective membership, and the absence of robust democratic decision making. No wonder big corporations preferred to speak through the CED or, probably, directly with legislators. To illuminate the point about hazardous inferences from organizational position taking, consider more democratically robust electoral politics. The position of a Republican senator on any single policy issue cannot be a reliable indicator of opinions held by the majority of that senator's constituents, much less the vast majority. Then there is the problem of endogeneity. The causal arrow between voters' and their representatives' views can go both ways. Often, it seems, it points from highly knowledgeable, electorally motivated, and crafty politicians to ill-informed, unfocused, and ideologically manipulable voters.

34. Broockman misrepresents my claims about the need to examine economic interests by imputing to me the view that they "should be regarded as *more reliable*" (his italics) than their so-called true preferences. I wrote, not "more reliable," but "above all, facts about economic interests are needed to help sort out the tricky inferential problems involved in preference attribution." In the context it is clear that "above all" does not mean "more reliable than." It means "an indispensable complement to."

To justify criticizing my focus on economic interests, Broockman constructs a speculative argument about why big employers might never have gained or might even have suffered from Medicare's assumption of medical and hospital coverage of their retirees. It rests on a fanciful supposition about employers' feasible *future* health benefit strategies. Hence, he thinks, my analysis of the evolution of big employers' benefit practices in the *recent past* should have little bearing on judgments about policy interests.<sup>35</sup> But then he weakens his own argument by claiming that "entire subfields of economics are devoted to understanding the long-run, general equilibrium effects of government policy on firms, which often fail to reach clear answers" (p. 31). Despite that discouraging proclamation, he says I should have performed my own long-run general equilibrium analysis, it being "a necessary precondition for making a credible claim that the benefits would have exceeded the costs" (p. 30). A tall order. A long-term general equilibrium analysis would require modeling and estimating unknowable variables, including business's workplace health benefit and political strategies well into the future, and made on the basis of short-term calculations in the unpredictable market and political circumstances at that distant time. I think, by contrast, "get real" might be more appropriate advice for those engaged in qualitative historical research.

We should welcome skilled economists to weigh in on these debates, but it would be good to take note of medical economist Mark Pauly's finding that businesspeople neither believe nor obey economists' econometric studies of the long-run distributional incidence of payroll taxes, like Medicare's.<sup>36</sup> With that dose of reality in mind, who would seriously argue that businesses do not act politically on anticipated short-term, partial equilibrium effects of public policies based on their understanding of the present and recent past? A wide spectrum of scholarship, from Chicago schoolers to liberal social scientists, probably agree with Cato Institute thinking that in the realm of health care, for example, short-term rent-seeking behavior is endemic. One of its scholar-journalists posited, quite reasonably, that in 2009 Walmart, which offered some health benefits, advocated a "sensible but equitable employer mandate" to force higher health costs on Target, its competitor, which offered none.<sup>37</sup>

35. Admittedly, my historical approach assumes that important parameters will remain constant in the short run. But politics, as well as business, is mostly about short-term profits, stock prices, and upcoming elections.

36. Mark V. Pauly, *Health Benefits at Work* (Ann Arbor: University of Michigan Press, 1997).

37. Michael F. Cannon, "Why Wal-Mart Supports an Employer Mandate," *Cato at Liberty*, July 1, 2009, <https://www.cato.org/blog/why-wal-mart-supports-employer-mandate>.

### Qualitative Method and Quality Debate

Broockman finds my use of primary and secondary evidence "flawed" (p. 29, p. 32). To demonstrate division in the American business community that belied what the NAM and the Chamber tried to broadcast, I relied on numerous primary and some secondary sources to show that the preponderance of evidence could not support anything like monolithic business opposition and that there was probably substantial but not overt big business support. I did not articulate it as such, but I was striving for *cumulative plausibility* based a diverse set of sources pointing in the same direction. One of them is worth repeating: the oral history interview with Congressman Byrnes, who recalled that companies like GM, Ford, and GE "didn't get excited one way or the other" about a government takeover of retiree health care. They were not opposed because they were already paying retiree costs, "and it would have relieved them." In fact, they thought they "might come out better in the long run."<sup>38</sup> It was one piece of evidence that Broockman says "offers us no reason to suspect that business's hostility to Medicare was anything but widespread" (p. 34). I differ on that. But I agree with him that it was not a "smoking gun." It was very warm though, so it helped in the interpretation of corroborative economic evidence about big corporations.

Broockman's strategy for criticism is to scrutinize my observations about general division and big business support and, one by one, show that there can be doubt about the inferences drawn from each—in isolation. Fair enough, perhaps. Qualitative methodologists might agree that it is a valid adversarial method to litigate the larger issue about consensus or division. But standing alone, the strategy gets us only so far without good evidence and economic reasoning for his alternative theory about uniform opposition. In fact, the surveys he relies on do the exact opposite. Also, readers should be wary of the nonvalid way he uses his approach. To cast doubt, Broockman uses a classic argumentative fallacy of misrepresenting what I write in order then to criticize his misrepresentations. For example, in his discussion of the large numbers of big businessmen who favored Johnson over Goldwater in 1964 and spent a lot of money showing it, Broockman says I bring it up to imply that "business *must have* [my italics] favored all of LBJ's proposed policies, including Medicare" (p. 29). But I did not write "must have," and I made its implication clear: that it was "discordant with the scholarly consensus" around Marmor's view about an intense class war over Medicare (p. 6 in "Misrepresented Interests"). Because it was one of the most important issues in the entire 1964 campaign, the overwhelming

38. Along with other pettifoggling quibbles about this quote, Broockman points out that Byrnes paraphrased his informant as saying, "maybe we might," not just "might" (p. 30).

enthusiasm of big business toward LBJ is certainly relevant, but by no means decisive, as potentially corroborative evidence against class warfare. And it helps establish the general plausibility of other, more directly relevant evidence, like the Byrnes quote. In another example, he claims that I believe many businessmen and their organizations “*must have* [again, my italics] disagreed with the NAM’s opposition to Medicare overall” because they failed to testify against it at all or did so only against minor provisions in the Medicare bill (p. 31). Instead of writing “must have,” I presented the silence only as a reason that legislators as well as historians could infer the existence of business division, not as absolute proof thereof.

Broockman uses the same device against my references to business journalism, like the two editorials in *Business Week* that practically glowed with praise for the Democrats’ Medicare bill. Probably most readers of this journal would consider this and other journalistic sources I use admissible and even useful evidence to consider, even if they didn’t document their evidence as academic historians would. I cite them to show, as I wrote, “business journalism during the time surrounding the passage of Medicare flatly contradicts the consensus in academia about a business ‘battle’ or ‘class war’ fought under the banners of the two national business organizations.”<sup>39</sup> Broockman does not quote that, but instead imputes to me the belief that a single editor’s opinions “reliably inform us about broader business sentiment” (p. 29). I would say plausibly, not reliably, especially about *Business Week*, whose subscriptions might have suffered if it defied the business community’s allegedly nearly unanimous opposition to Medicare.

In his discussion of a survey of the officialdom of state affiliates of the Chamber of Commerce, Broockman wishes to downplay the relevance of the fact, which I pointed out in my article, that leaders of only twenty-seven state affiliates of the Chamber endorsed a statement opposing Medicare. Despite the abstention of many others, the national Chamber presented the statement to Congress as evidence of exclusively oppositional opinion in the business community. Broockman says that the abstention of many state chambers “does not indicate that they supported or were indifferent to Medicare” (p. 29). I did not, however, write that their absence indicated anything in particular. I suggested only that we “puzzle over the unmentioned silence of twenty-two state chambers, no small number.”<sup>40</sup> I believe that the silence is of relevance in inquiry about the extent of division. Some of the dogs did not bark. Why not? I offer a good reason. Broockman does not.

In sum, I think readers should consider the preponderance of evidence pointing to the cumulative

plausibility that there was great business division over Medicare and that big business was disproportionately supportive, though because of their relative silence, short of greatly enthusiastic. Smoking guns would be nice, but they are not necessary.

The matter of cumulative plausibility brings us to the rest of my article dealing with other phases in the building of the American health care state, which I brought in for corroborative support of the Medicare argument. (Broockman does not say why he ignores these.) The ambiguous silence and therefore absence of conclusive evidence about big business was one reason I regarded it as necessary to put Medicare in historical perspective and thereby put my argument to a broader test. I believe I clear the preponderance hurdle because of major business support for everything from Alexander Hamilton’s Marine Hospital Service and the Progressive Era’s workers’ compensation legislation before Medicare, and then for reforms since then, all the way up to Obamacare and expansion of Medicaid in states controlled by the Republican Party. No need to repeat any of the evidence here, only to reiterate that business expressions of support for expanding government health care were often strong, open, and entirely consistent with supportable interpretations of their economic interests. There was never class warfare.

## CONCLUSION: CROSS-GENERATIONAL AND COMPARATIVE ANALYSIS

Christy Chapin and Mark Mizruchi raise some of the big questions that motivate scholars interested in the development of the welfare state in the United States and other parts of the world. One of Chapin’s concerns was the problem of assessing the power of business over the welfare state in general and over time to assist their drive for profits. She shows that deep, fine-grained research is needed to do so, given that the exercise of business power is often well-hidden and therefore underestimated. She points to the strategically as well as inadvertently built-in operational complexities of government programs whose implementation, often in public–private arrangements, invite the exercise of power by business to serve its own evolving economic interests. One of Mizruchi’s major concerns is the evolution of power relations between big business and the state resulting from interactions between a changing external political environment and changing structures of business organization. He examines the role of fragmentation in big business organization, an institutional variable, and therefore its successful representation in politics. In short, he suggests, the power of business, not just the interests I focus on, varies over time, to shape policy outcomes. And Broockman, too, if only indirectly, also brings up a profound empirical question about business power in capitalist democracies:

39. Swenson, “Misrepresented Interests,” 6.

40. *Ibid.*, 10.

whether substantial business support or at least indifference is a “necessary condition” for major welfare reforms (p. 30).<sup>41</sup>

Comparative research across as well as within capitalist democracies is essential for incremental progress in thinking about these larger issues. For example, consider employers’ remarkable friendliness to the welfare state in Sweden, where they faced a Social Democratic labor movement that was the strongest in the world and the system they built in its name is widely regarded as the most advanced.<sup>42</sup> That combination, along with the American cases discussed here, are consistent with, but still no proof of business support or indifference as a “necessary condition” for major welfare reforms. Proof is rare in social science and nonexistent for law-like formulations about complex social and political causation. Events in the two dramatically different countries do seem to point, however, to a conclusion that substantial business support, or at least indifference, is the norm. But other evidence, especially from Germany, suggest that such a norm may prevail only in times of political stability and lack of highly polarized class relations. Under stable conditions, most electoral politicians rationally shy away from defying widespread and strong big business opposition because it might stir up a well-funded reaction that harms them in future elections.

The case of Germany in the Weimar period and its disastrous end figure in my thoughts about normal versus crisis politics, which resonate with Mizruchi’s point about the intervening effects of what he calls “the political environment.” Thomas Paster, a German political scientist, argues plausibly although far from conclusively that the major welfare reforms in Germany during the Weimar period were passed against solid business opposition and presents his findings as a refutation of my arguments drawn from Sweden and the United States. Perhaps Paster is right about Germany, but we cannot be certain, because he relies exclusively on official position taking in reports published by German business associations. Enough said about problems with that kind of evidence. Isabela Mares has used some of the same sources to come to different conclusions.<sup>43</sup> In any case, the German Social Democrats acted

41. Broockman claims, again erroneously, that I regard favorable big business attitudes as a “necessary condition” for Medicare’s passage. I wrote, with italics added here, “Evolving interests, not power balances, *may often be a decisive factor*, given politicians’ realistic worries about a business backlash and electoral losses if they pass reforms that undermine broad capitalist interests” (p. 2 in “Misrepresented Interests”).

42. Swenson, *Capitalists against Markets*.

43. Thomas Paster, *The Role of Business in the Development of the Welfare State and Labor Markets in Germany: Containing Social Reforms* (London: Taylor & Francis, 2012); Isabela Mares, *The Politics of Social Risk: Business and Welfare State Development* (Cambridge: Cambridge University Press, 2003).

in an exceedingly polarized and turbulent political environment, partly because of extremely unfavorable economic conditions. Capitalists, especially in heavy industry, were on the warpath against centrist coalition governance and, indeed, the Weimar constitution itself. The center was no longer holding against authoritarian forces, so what was there to lose by defying them?

In Sweden, by contrast, politics remained stable despite mass unemployment during the Great Depression. The Social Democratic government did practically nothing to expand the welfare state, and they were demonstrably solicitous of the cost-controlling interests of big export-dependent engineering manufacturers. The Swedish welfare state’s phenomenal expansion occurred only later, when industrial and labor interests were aligned with creating the big welfare state. Politics in the United States was also stable, and the Roosevelt administration had good reasons to think that the Social Security Act served big business interests and would not, therefore, arouse a powerful business revolt. He was absolutely right.

My own research on the major German health care reform of 1931 found that it was indeed passed in defiance of unified capitalist opposition by a strange bedfellow alliance of organized medicine with the Social Democratic and Catholic labor movements. Before that, organized labor and the large employers had agreed about ways to control rising medical costs and stem the system’s resulting fiscal crisis, especially by lowering doctors’ fees or employing them (as the big employers’ sickness funds did) on a salaried instead of fee-for-service basis. The dual labor movement’s defection from the emerging cross-class alliance and sabotage of the big employers’ funds, by forcing them to convert to fee-for-service, poured fuel on the fire of class conflict that had already put big industry in the anti-democratic camp. That in turn doomed centrist coalitions and thereby opened the door to Hitler. Hitler’s conquest of the system was not and could not have been foreseen. Thus, at the time, it may have seemed that left-of-center and centrist politicians had little to lose by defying big business on health care.<sup>44</sup>

These thoughts about comparative welfare state development suggest that none of the larger questions about the power of business, its variability over time, and its pivotal role in the passage of major reforms can be easily answered in general terms with research limited to specific times, places, and policies. More can still be done by students of American political development for the sake of cumulatively plausible arguments with cross-generational historical

44. Peter A. Swenson, “Good Distribution, Bad Delivery, and Ugly Politics: The Traumatic Beginnings of Germany’s Health Care System,” in *Divide and Deal: The Politics of Distribution in Democracies*, ed. Ian Shapiro, Peter Swenson, and Daniella Donno (New York: NYU Press, 2010), 245–79.

research like Mizruchi's and Chapin's. Also useful would be further cross-institutional research on individual American states. On the latter, for example, the study by Alex Hertel-Fernandez, Theda Skocpol, and Daniel Lynch on Medicaid expansion in the states serves as a good example of what can be learned about business groups and their reasons for seeking reforms of value to a larger public. Another good project on diverse business interests and power in different institutional and political environments would be on the extraordinary variation in policy-related adoption of sustainable energy for electricity generation sources across the states.<sup>45</sup>

Fortunately for scholarship, ambitiously expansive and encompassing comparative analysis, because of its risky and provocative nature, invites both

adversarial challenges as well as supportive corroborations from experts with specialized substantive and methodological expertise able to detect overlooked sources, inaccurate narratives, and interpretive mistakes. Such challenges and even tough critiques both in the past and in this roundtable have been rewarding for me. I think that the contributions from all three discussants in the roundtable have helped me sharpen my thinking and develop my arguments to better effect. That is the way historical knowledge about class politics and the welfare state can move forward. Facts come into clearer focus with new conceptual lenses ground in the frictions of debate and applied in ongoing research to help construct more realistic pictures of complex realities.

45. Alex Hertel-Fernandez, Theda Skocpol, and Daniel Lynch, "Business Associations, Conservative Networks, and the Ongoing Republican War against Medicaid Expansion," *Journal of Health Politics, Policy and Law* 41, no. 2 (April 2016): 239–86; Nadja Popovich, "How Does Your State Make Electricity?" *New York Times*, December 24, 2018.