

Misrepresented Interests: Business, Medicare, and the Making of the American Health Care State

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A belief that there is a pervasive and enduring adversarial relationship between business and the welfare state is shared widely across scholarly disciplines engaged in historical and comparative analysis of social politics. According to that view, each stage in the expansion of the American welfare state was a defeat for capitalists. Detailed evidence on the politics of health care, with special focus on the passage of Medicare in 1965, casts serious doubt on this dominant view about class politics, the welfare state, and the power of business. It shows that much of the literature takes a hazardous inferential leap from national business organizations' official positions against reform to overconfident conclusions about actual business opinions. The literature also mistakenly discounts evidence of business support for moderate reforms as strategic camouflage of actual opposition designed to head off more radical ones. Extensive evidence reveals enormous division within business rather than unity about the health care state, and a great deal of support from large and powerful corporations for its creation and expansion. Evidence about the economic implications of health insurance for businesses, including before and after Medicare, and all the way to the Affordable Care Act of 2010, indicates that the support was genuine, not strategic, and that sometimes it was critical for passage. That support calls for new thinking about how to answer the perennial question about class power in America: "Who actually governs?"

A belief that there is a pervasive and enduring antagonism between business and the welfare state is shared widely across scholarly disciplines engaged in historical and comparative analysis of class power and social politics. Business attitudes—according to this mainstream answer to Robert Dahl's famous question "Who actually governs?"¹—mostly range from active opposition to passive submission, although sometimes businesses feign support for strategic reasons. Supposedly, the impetus and support for the welfare state's creation and development come exclusively from labor, liberal, progressive, leftist, and sometimes religious forces in pursuit of humanitarian ends and electoral gains. Important stages in welfare state development are, in this near-dominant view, victories of popular forces over capitalist interests and

preferences. It is, ultimately, a view that capitalist power frequently fails in the face of majoritarian interests. The implications of the evidence in this article are that it underestimates that power by grossly overstating business opposition to the welfare state.

According to influential scholars, differences and shifts in the balance of instrumental, institutional, and structural power between business and antibusiness forces explain phases and variations in welfare state development. Theda Skocpol, for example, maintains that "the political class struggle between workers and capital" helps explain why the United States never developed a welfare state like those in Scandinavian countries, whose Social Democratic labor movements enjoy superior organizational and electoral clout. Likewise, according to Paul Pierson, who echoes Walter Korpi on "power resources" in the "democratic class struggle," the welfare state expands because of a "balance of class 'power resources' or institutional advantages" favorable to labor.² For example, together with Jacob Hacker,

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1. Robert A. Dahl, *Who Governs?* (New Haven, CT: Yale University Press, 1961), 1.

2. Theda Skocpol, *Social Policy in the United States: Future Possibilities in Historical Perspective* (Princeton, NJ: Princeton University Press, 1995), 18, 237–38; Margaret Weir and Theda Skocpol, "State Structures and the Possibilities for 'Keynesian' Responses

Pierson develops this class conflict argument about the formation of the American welfare state with a specific case, the Social Security Act of 1935. They argue that the Great Depression created an unusual opening for reform to pass through because it neutralized one of capital's most powerful mechanisms of control over the state. With this they endorse, with some modifications, Fred Block's structural power theory of the New Deal, which says the severe depression short-circuited the punitive electoral and fiscal power of capital mobility on errant politicians.³

An implicit premise underlying this literature has been explicitly advanced by the sociologist Gøsta Esping-Andersen: that capitalists, as employers, "have always opposed de commodification"—that is, shielding labor from the blows of the market with social legislation.⁴ Hence, logically, a victory for the welfare state is a defeat for capital. Though intuitively plausible to many, such generalizations about class division have been challenged with evidence and reasoning from here and abroad that capitalist attitudes about progressive legislation vary considerably over time and space, and that businesses sometimes have good economic reasons for supporting such legislation. The evidence suggests the possibility that the shifting of powerful capitalists' interests can bring them into alignment with reform and thus help explain its timing and shaping. 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. Progressive politicians who perceive a favorable shift of interests in a substantial part of the business world may be emboldened to take actions that they would otherwise avoid. Also, evidence from the "varieties of capitalism" literature suggests that business support for preserving and improving welfare policies can be explained by the fact that, as Peter Hall puts it, "social policy is a crucial adjunct" to the ways that some capitalists

organize their markets in cooperative relations with labor and the state.⁵

To bolster the class conflict line of thinking against evidence of business support for the welfare state, Hacker and Pierson introduce an influential way of interpreting the evidence. They maintain that those few large employers who openly supported the Social Security Act were engaged in "strategic accommodation" and thus were not really deviants from the rest of the business world, which was "almost universally opposed." In other words, businesspeople's statements of support and collaboration in moderate reform were "induced" by a fear of a worse alternative they wished to head off, the so-called Townsend Plan, a noncontributory old-age support scheme funded out of general tax revenues. Only a desire to get the worse alternative off the agenda and perhaps be invited to help craft a moderate reform, could, Hacker and Pierson think, explain some business support for the Roosevelt administration's bill.⁶ This take on business support has greatly influenced other authors, who now often speak of "pre-strategic," "first-order," or even "true" business preferences against all reforms versus "induced," "strategic," or "second-order" preferences for moderate reforms expressed in the hopes of heading off radical ones.⁷

Hacker and Pierson are correct in arguing that capitalist position taking should be subjected to critical scrutiny because of the possibility of strategic distortion. The reason they claim it can happen is plausible and might indeed reflect reality at various times,

to the Great Depression in Sweden, Britain, and the United States," in *Bringing the State Back In*, ed. Peter B. Evans, Dietrich Rueschmeyer, and Theda Skocpol (Cambridge, UK: Cambridge University Press, 1985), 147; Paul Pierson, *Dismantling the Welfare State? Reagan, Thatcher, and the Politics of Retrenchment* (Cambridge, UK: Cambridge University Press, 1994), 1–2; Walter Korpi, *The Democratic Class Struggle* (London: Routledge, 1983). Evelyn Huber and John D. Stephens in their book, *Development and Crisis of the Welfare State: Parties and Policies in Global Markets* (Chicago: University of Chicago Press, 2001), also adopt Korpi's "power resources theory" along with his assumptions about capitalists.

3. Jacob Hacker and Paul Pierson, "Business Power and Social Policy: Employers and the Formation of the American Welfare State," *Politics and Society* 30, issue 2 (June 2002), especially 298–301; Fred Block, "The Ruling Class Does Not Rule: Notes on the Marxist Theory of the State," *Socialist Revolution* 7, issue 3 (May–June 1977): 6–28.

4. Gøsta Esping-Andersen, *The Three Worlds of Welfare Capitalism* (Princeton, NJ: Princeton University Press, 1990): 17–19, 21–22.

5. 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), especially 191–226 and 245–67; Isabela Mares, *The Politics of Social Risk: Business and Welfare State Development* (Cambridge, UK: Cambridge University Press, 2003); Kathleen Thelen, *How Institutions Evolve: The Political Economy of Skills in Germany, Britain, the United States, and Japan* (New York: Cambridge University Press, 2004); Cathie Jo Martin, *Stuck in Neutral: Business and the Politics of Human Capital Investment Policy* (Princeton, NJ: Princeton University Press, 1999); Martin Schröder, *Integrating Varieties of Capitalism and Welfare State Research* (London: Palgrave Macmillan, 2013), 63–90; Peter Hall, "The Evolution of Varieties of Capitalism in Europe," in *Advancing Socioeconomics: An Institutionalist Perspective*, ed. Bob Hancke, Ellen Hollingsworth, and Roger Hollingsworth (Oxford, UK: Oxford University Press, 2007), 40.

6. For a critique of the Townsend scare argument, see G. William Domhoff and Michael J. Webber, *Class and Power in the New Deal: Corporate Moderates, Southern Democrats, and the Liberal-Labor Coalition* (Palo Alto, CA: Stanford University Press, 2011), 231–34.

7. Hacker and Pierson, "Business Power," 298, 307. Using this device to discount business support are Walter Korpi, "Power Resources and Employer-Centered Approaches in Explanations of Welfare States and Varieties of Capitalism: Protagonists, Consenters, and Antagonists," *World Politics* 58, issue 2 (January 2006), 168–206; David E. Broockman, "The 'Problem of Preferences': Medicare and Business Support for the Welfare State," *Studies in American Political Development* 26, issue 2 (October 2012), 1–24; Jacob M. Grumbach, "Polluting Industries as Climate Protagonists: Cap and Trade and the Problem of Business Preferences," *Business and Politics* 17, issue 4 (December 2015), 633–59.

depending on the specific policy issue and firms or sectors in question, and at different historical junctures. But induced support cannot be confidently surmised for all cases without extensive research about many businesses and multiple policy episodes in different countries and times. Conceptual considerations call for such thoroughness. While Hacker and Pierson only examine the possibility of strategic camouflaging of opposition, their analysis overlooks a distinct possibility that opposition to expansions of the welfare state, not just support, can be feigned. If so, opposition also has to be critically scrutinized before accepting it on its face. A reason for feigned or strategic opposition might arise when attractive reform looks fairly certain and expressing agreement could backfire by emboldening left-wing reformers to push for even more expensive reform. Even silence may conceal support. Reasons for reticence could be fear of stirring the ire of other businesspeople—politically motivated trade association leaders, buyers, suppliers, creditors, shareholders, and golf partners. The collective action problem suggests the possibility of silence and passivity, especially because there can be side punishments. Expressing support can also invite costly reactions from powerful anti-reform politicians, state as well as federal, who can punish vocal support with targeted legislation, regulations, and contracting. Supporters can also be the targets of “reverse lobbying” conveying implicit or explicit threats of the same.⁸

Above all, facts about *economic interests* are needed to help sort out the tricky inferential problems involved in preference attribution. In the class conflict line of analysis, those are exceedingly rare. By contrast, some scholarly literature on business and politics suggests good reasons for challenging assumptions about generalized business antagonism to the welfare state. Economistic explorations of business “rent seeking” and “regulatory capture” find logic and evidence for business demand-side explanations of much federal and state policymaking, especially with regulations like import tariffs, price floors, licensing, other restrictions on competitive entry—and even some workplace and environmental regulations supposedly reviled by all businesses.⁹ There is no a priori reason to think that rent seeking and sharing is not involved

in welfare and other progressive causes. In fact, other literatures find a diversity of economic and social foundations behind government activism in “Baptist and bootlegger” or “cross-class” coalitions, indicating that both business profit-seeking and broader economic and social purposes can be served simultaneously with progressive reforms. For example, many businesses can agree with unions on minimum wages to reduce domestic low-wage competition, as did northeastern textile manufacturers because they were being undercut by southerners, and who therefore favored the Fair Labor Standards Act of 1938. In traded-good sectors, unions can easily agree with employers on maintaining tariffs to reduce low-wage foreign competition, as did the United Steelworkers and the steel makers later in the twentieth century. Employers might favor welfare reforms as a relatively cheap way to stem outmigration to higher paying countries; or attract labor from others, a reason for early cross-class support for the welfare state in Sweden; or to indirectly regulate labor and product markets for other reasons.¹⁰ Recent work in environmental politics finds powerful business interests allying, for a variety of bottom-line reasons, with centrists and liberals on things like trade embargoes for unsustainable fishing practices, a chlorofluorocarbon prohibition to save the ozone layer, and emissions trading to reduce carbon pollution.¹¹

In light of these microeconomic considerations, it is not surprising that historians of business political action in matters unrelated to social policy find no hostile consensus against government. For example, Kim Phillips-Fein and Julian Zelizer emphasize in their recent anthology that business is not “typically unified,” that there are “many divisions,” and that there is no “coherent common identity” suggested by the term “business community.” Richard John, summarizing another anthology, identifies and explicitly questions the popular notion of “invariable” adversarial relations, concluding that there is no consistent pattern. Nevertheless, there exists a more or less established wisdom about uniform business hostility toward the welfare state. Even John, for example, considers health and social security politics an exception to the rule of variability, claiming

8. These are not just theoretical possibilities. See Swenson, *Capitalists against Markets*, 17–21, 207, 225; Martin, *Stuck in Neutral*, 223. See also a case of reverse lobbying in the following “From Hamilton to Obama” section.

9. George J. Stigler, “The Theory of Economic Regulation,” *Bell Journal of Economics and Management Science* 2, issue 1 (Spring 1971), 3–21; Sam Peltzman, “The Economic Theory of Regulation after a Decade of Deregulation,” *Brookings Papers on Economic Activity*, Special Issue (1989), 1–59; Ann P. Bartel and Lacy Glenn Thomas, “Predation through Regulation: The Wage and Profit Effects of the Occupational Safety and Health Administration and the Environmental Protection Agency,” *Journal of Law and Economics* 30, issue 2 (October 1987), 239–64.

10. Adam Smith and Bruce Yandle, *Bootleggers and Baptists: How Economic Forces and Moral Persuasion Interact to Shape Regulatory Politics* (Washington, DC: Cato Institute, 2014); Swenson, *Capitalists against Markets*, 21, 200, 245–300. The U.S. Marine Hospital Service (see the following section “From Hamilton to Obama”) is another case of a welfare policy strategy to attract and retain labor.

11. Elizabeth DeSombre, *Domestic Sources of International Environmental Policy: Industry, Environmentalists, and U.S. Power* (Cambridge, MA: MIT Press, 2000); Kenneth A. Oye and James H. Maxwell, “Self-Interest and Environmental Management,” *Journal of Theoretical Politics* 6, issue 4 (1994), 593–624.; Ijja Vormedal, “From Foe to Friend? Business, the Tipping Point, and U.S. Climate Politics,” *Business and Politics* 13, issue 3 (2011), 1–29.

business has long “crusaded to limit state power” in those realms.¹²

A kind of sampling error may in part be responsible for prejudicial, pre-evidentiary projection of anti-welfare attitudes onto businesses. Investigations of business in late twentieth-century American politics have tended to concentrate on issues around which business mobilized against government while neglecting to investigate how encompassing the hostilities were across other policy areas. For example, David Vogel’s analysis of the “political resurgence of business” against government interventionism in the 1970s says nothing about frustration with the welfare state, much less interest in taking advantage of resurgent power to roll it back. Like Vogel, Phillips-Fein almost exclusively cites hostility regarding labor issues before the 1970s and invasive environmental and consumer legislation after that in her analysis of a “businessmen’s crusade” against what she calls the “New Deal state.” But many New Deal legacies in farming, banking and securities, pharmaceuticals, aeronautics, and trucking—not to mention Social Security—are left unmentioned. Likewise, in their book on America’s rightward shift and increasing inequality, Hacker and Pierson focus mostly on business mobilization regarding industrial relations, tax, and regulatory issues, albeit with the exception of their highly problematic discussion of health care examined later in this article. The selection bias possibly gives rise among readers to errors of generalization about antigovernment hostility. In short, the sampling problem leaves us profoundly uninformed about the extent and shadings of opposition to and support for the welfare state.¹³

The need for better research on the welfare state is clear, but good evidence about business opinions about it is not easy to find. Positions taken by business organizations are readily available but, as this article will show, profoundly unreliable, partly because of the strategic distortions discussed above and partly because of opaque internal processes that lead to outright misrepresentation and bogus claims of consensus. Thus reports from business organizations must be scrutinized carefully. For an example from Vogel’s “business resurgence” period, even if the Business Roundtable’s 1983 task force on federal budget

deficits called for reducing Medicare and Social Security expenditures, we cannot automatically assume that this was representative of profound disagreement across big business on the merits or even the size of those entitlements. The task force’s head was the CEO of the health insurance giant Cigna, who believed that the entitlements took business away from the private insurance industry—at a time when many large employers were growing deeply frustrated by his own industry’s rapidly rising health premiums. As David Hart puts it in an astute analysis, “If scholars of American politics believe that they understand ‘business’ because they understand associations, they are sorely mistaken.”¹⁴ The problem is even worse, because as this article will show, there are in fact great deficits in the understanding of business associations themselves.

To address these conceptual, evidentiary, and historiographical problems, this article focuses on government-mandated health care in America. Its challenge to the consensus about business opposition to welfare state expansions should motivate wider, disaggregated, and economically informed inquiry. It establishes, first, that the mainstream view about business hostility to government is particularly hegemonic on health care. The consensus is surprising because it is based almost exclusively on organizational position taking—without critical analysis of strategic considerations—and virtually no evidence on the positions and interests of individual sectors and firms. Second, it shows that there has been great diversity of opinion within business on Medicare, the federal government’s first major entry into the business of providing health care, as well as earlier and later episodes in the building of the health care state. The preponderance of evidence gleaned from diverse sources suggests that most of “big business” with one sectoral exception—pharmaceuticals—did not oppose Medicare. Analysis of the evolution of employers’ economic interests regarding health care in the early 1960s recommends giving credence to scattered evidence of quiet support from the large corporate sector. Clear, vocal, and perhaps even unified opposition came mostly from small, lower-paying businesses, especially in the restaurant trade, not typically consulted for insights about the high politics of capitalist democracies.

The article begins with a detailed analysis of the politics of the Medicare reform of 1965, which exposes profound errors of focus and generalization in the literature supportive of a class conflict perspective. The facts show that relying on national business associations for evidence about it is to take a

12. Kim Phillips-Fein and Julian E. Zelizer, “What’s Good for Business,” in *What’s Good for Business: Business and American Politics since World War II*, ed. Kim Phillips-Fein and Julian E. Zelizer (Oxford, UK: Oxford University Press, 2012), 9–10; Richard R. John, “Adversarial Relations? Business and Politics in Twentieth Century America,” in *Capital Gains: Business and Politics in Twentieth Century America*, ed. Richard R. John and Kim Phillips-Fein ed. (Philadelphia: University of Pennsylvania Press, 2016), 20.

13. David Vogel, *Fluctuating Fortunes: The Political Power of Business in America* (New York: Basic, 1989); Kim Phillips-Fein, *Invisible Hands: The Businessmen’s Crusade against the New Deal* (New York: Norton, 2009); Jacob Hacker and Paul Pierson, *Winner-Take-All Politics* (New York: Simon & Schuster, 2011).

14. Benjamin Waterhouse, *Lobbying America: The Politics of Business from Nixon to NAFTA* (Princeton, NJ: Princeton University Press, 2014), 222; David M. Hart, “‘Business’ Is Not an Interest Group: On the Study of Companies in American National Politics,” *Annual Review of Political Science* 7 (2004):65.

hazardous inferential leap. Of course, a single policy case can do no more than inject skepticism about the class conflict view and, by itself, cannot decisively call for an alternative perspective. Therefore, this article provides additional evidence on the diverse interests of businesses and their organizations regarding health care politics both before and after Medicare's passage, all the way to the Affordable Care Act of 2010. The evidence reveals that their organizations frequently misrepresent business interests as unified instead of profoundly divided. Finally, it shows that there was increasingly outspoken support for expanding the health care state, even as it was growing to become the second largest item in the federal budget after Social Security and before military spending. Because of evolving concrete economic interests in reform, the increasingly open manifestations of support cannot easily be dismissed as tactical ploys in the face of looming legislative defeats. Indeed, sometimes there was no inevitable legislative action on the horizon. In sum, business has not stood unified in protest against the building of the American health care state. Many powerful corporations expressed support for intelligible reasons—their economic interests.

THE CONSENSUS ON CONSENSUS

To be sure, some explorations of American business in social politics find diversity both during the New Deal and later. They observe pro-reform tendencies among powerful corporate executives, banks, and their intellectual allies—often at odds with those of business organizations dominated by smaller companies. Those who question G. William Domhoff's "power elite" argument will nevertheless find valuable historical evidence in his work of genuine big business support for the Social Security Act. Colin Gordon's book on business and the New Deal has the same. Mark Mizruchi finds clear evidence of progressive inclinations among huge corporations after the New Deal, especially those associated with a prestigious and influential research and policy outfit, the Committee for Economic Development. Its influence was great, despite its lower public profile than business organizations with larger memberships. Cathie Jo Martin, too, identifies variable and often pro-reform tendencies in the business world. On the more progressive side of the divide on human capital and health care issues she finds unorganized but loosely coordinated large businesses with independent policy expertise and, on the other side, conservative business associations doing most of the policy thinking for small enterprises.¹⁵

15. G. William Domhoff, *State Autonomy or Class Dominance? Case Studies on Policy Making in America* (New York: Transaction, 1996), 117–76; Domhoff and Webber, *Class and Power in the New*

But these are minority views against the prevailing class conflict view in the scholarly literature about business and social policy. The majority consensus is especially strong on the question of health care. Jacob Hacker, representing the majority, asserts that business resolutely "battled" unsuccessfully over time against the entry of the federal government into the health insurance business. Indeed, he concludes, it was the core constituency against all socialization of security in the country's "battle over private and social benefits." Automakers in particular, among the biggest belligerents, "stood on the front lines" against socialized medicine.¹⁶ The consensus on business consensus seems to derive much of its backing from literature on Medicare's passage in 1965. Journalist Richard Harris's account, published in 1969, and Max Skidmore's more scholarly one, published in 1970, both characterize business as exclusively opposed. Theodore Marmor's much-cited account of Medicare's legislative history is probably the most important in its scholarly influence. Medicare's opposition, he asserts, "fused . . . almost every national commercial, industrial, and right-wing group in American politics." Basing his assertion entirely on position taking by the U.S. Chamber of Commerce (hereinafter, "the Chamber") and the National Association of Manufacturers (NAM), he concludes that the debate over Medicare exhibited all the characteristics of "class conflict politics," and indeed "class war."¹⁷

In a more recent book on American business and political power, Mark Smith similarly classifies Medicare as a "unifying issue" dividing business against liberal forces like labor, relying exclusively on the Chamber's adamant opposition to back his

Deal, 142–87; Colin Gordon, *New Deals: Business, Labor, and Politics 1920–1935* (Cambridge, UK: Cambridge University Press, 1994), 240–79; Mark S. Mizruchi, *The Fracturing of the American Corporate Elite* (Cambridge, UK: Cambridge University Press, 2013), 139–224; Martin, *Stuck in Neutral*, 15–17; Cathie Jo Martin, "Nature or Nurture? Sources of Firm Preference for National Health Reform," *American Political Science Review* 89, issue 4 (December 1995), 898–913.

16. Jacob S. Hacker, *The Divided Welfare State: The Battle over Public and Private Social Benefits in the United States* (Cambridge, UK: Cambridge University Press, 2002), 301; Jacob S. Hacker, "Let's Try a Dose," *Washington Post*, March 23, 2008.

17. Richard Harris, *A Sacred Trust: The Story of Organized Medicine's Multi-Million Dollar Fight against Public Health Legislation* (Baltimore: Penguin, 1969), 162, 163; Max J. Skidmore, *Medicare and the American Rhetoric of Reconciliation* (Tuscaloosa: University of Alabama Press, 1970), 99; Theodore R. Marmor, *The Politics of Medicare* (Hawthorne, NY: Aldine De Gruyter, 2000), 18–19 and 73–75. Other works pay little to no attention to business and focus almost exclusively on organized medical opposition. See, for example, Martha Derthick, *Policy Making for Social Security* (Washington, DC: Brookings Institution Press, 1979), 325–28; Jonathan Oberlander, *The Political Life of Medicare* (Chicago: University of Chicago Press, 2003), 26–31; David Blumenthal and James A. Morone, *The Heart of Power: Health and Politics in the Oval Office* (Berkeley: University of California Press, 2009), 163–206; Jill Quadagno, *One Nation Uninsured* (Oxford, UK: Oxford University Press, 2005), 37–38.

conclusion.¹⁸ David Broockman's detailed and lengthy analysis of business's role in the politics of Medicare follows the same evidentiary standard in its depictions of emphatic business opposition, relying on the Chamber and the NAM for virtually all of its evidence. These two "banner" organizations, behind which big and small business alike marched to war against Medicare, were "strong and unequivocal" in their opposition. Indeed, business as a whole was, Broockman says, "monolithically" against the reform. While conceding that some businesses may have softened their opposition over time, and even expressed some favorable views, Broockman follows Hacker's and Pierson's line of analysis. He interprets the utterances as a tactical feint, distortions of what he calls the "true preferences" of the entire business world—imputed from, but hardly proven by, the two organizations' earlier pronouncements.¹⁹

In jarring contrast, 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. *Business Week*, a bellwether of business sentiment, looked at Medicare before as well as after passage and saw no emanations of business antagonism. Its editorials actually tell of the opposite. In May 1960, before John F. Kennedy's win against Richard Nixon, the magazine praised the attention being paid on both sides of the aisle to a "real problem—that the medical bills of the aged can be met only by spreading them to the rest of the community." For the same reason, after the election—but long before a Medicare looked like a sure thing—another *Business Week* editorial praised Kennedy's plan, including its payment for outpatient diagnostic services, visiting nurses, and some nursing home stays. It agreed that compulsory Social Security payroll tax financing was the best way to meet "a national need that is already urgent, and is getting more so year by year." Finally, *Business Week* praised the Kennedy administration's plans to build more medical schools and teaching hospitals and provide more scholarships to deal with supply shortages. Thus it agreed with the necessity of federal government intervention to deal with the country's medical problems "not only from the demand side, but from the supply side as well." The magazine only regretted that Kennedy's plan had no teeth for controlling doctors' and hospitals'

18. Mark A. Smith, *American Business and Political Power: Public Opinions, Elections, and Democracy* (Chicago: University of Chicago Press, 2000), 72–73 and 114.

19. Broockman, "Problem of Preferences," 2–4, 6, 8, 11, 15, 16, 18, and 23, concerning "true preferences." Broockman does not invoke Hacker and Pierson's "fear of a worse alternative" to explain the change in tune, and could not have for there was none under consideration. He neglects to propose an alternative motive.

inflationary overutilization practices out of fear of the wrath of the American Medical Association (AMA). According to journalist Hobart Rowen, a top-ranked economics reporter and columnist for *Newsweek*, and later the *Washington Post* and the *International Herald Tribune*, there was enormous business goodwill toward President Lyndon Johnson at the very time he was pushing mightily for Medicare. The goodwill had replaced the chronic tensions of Kennedy's tenure over price controls, labor law, and antitrust prosecution. If the business community was hostile to Medicare, it is strange that it did not warrant a single mention in Rowen's exhaustive 1964 survey of earlier business animosity toward Kennedy.²⁰

Also discordant with the scholarly consensus is the fact that during the election campaign, Johnson turned the Democratic Party, temporarily at least, into "the party of the 'fat cats.'" That was the assessment of campaign finance expert Herbert Alexander. Herding the cats was the National Independent Committee for Johnson-Humphrey, a large group of elite business executives who favored Johnson over his ultraconservative Republican rival and fierce Medicare opponent, Barry Goldwater. The committee enlisted support from around 3,000 CEOs, and its membership list "read like a Who's Who of Eastern big business," according to journalists Rowland Evans and Robert Novak. About 75 percent of its forty-five executive committee members identified as Republicans. Many other businesses contributed separately to a 4,000-member President's Club formed to support LBJ. Together the two organizations spent more than \$2.7 million.²¹

It was "a glittering section of the national corporate community," according to social and political commentator David T. Bazelon, that sided with LBJ. During the campaign, Bazelon reported in *Fortune* on the remarkable change of political tides in an article entitled "L.B.J.'s Romance with Business."²²

20. "Major Medical Plans," *Business Week*, May 21, 1960, p. 200; "A Workable Approach to Medical Care," *Business Week*, February 18, 1961, p. 136; Hobart Rowen, *The Free Enterprisers: Kennedy, Johnson and the Business Establishment* (New York: Putnam, 1964).

21. Herbert E. Alexander and Harold B. Meyers, "The Switch in Campaign Giving," *Fortune* (November 1965): 170; "G.O.P. Businessmen Help Form Independent Group for Johnson," *New York Times*, September 1, 1964; Rowland Evans and Robert Novak, *Lyndon B. Johnson: The Exercise of Power* (New York: New American Library, 1966), 469–70; Kim McQuaid, *Uneasy Partners: Big Business in American Politics, 1945–1990* (Baltimore, MD: Johns Hopkins University Press, 1994), 129, 223–27, and 231; Herbert E. Alexander, *Financing the 1964 Election* (Princeton, NJ: Citizens Research Foundation, 1966), 9, 14, 43, 94, 99. Also, a "large group" of Republican businesspeople in the San Francisco area joined a campaign to support LBJ. M. J. Rossant, "Business and Politics: Republicans Seen Facing Defections by Businessmen to Democrats' Side," *New York Times*, August 17, 1964.

22. David T. Bazelon, "Big Business and the Democrats," *Commentary* (May 1965): 39; Harold B. Meyers, "L.B.J.'s Romance with Business," *Fortune* (September 1964): 39, 130, 230. See also

Because of endorsements of Johnson from the *Wall Street Journal* and one of industry's most prominent leaders, Henry Ford II—chairman and CEO of Ford Motors—"it was difficult for the Goldwater campaign to convince many voters that LBJ was an enemy of capitalism," according to presidential historian Sean Savage. In the years immediately after Medicare's passage, Harvard Business School professor Theodore Levitt would detect surprisingly warm relations between big business and the Johnson administration. That applied in particular to "social welfare programs inaugurated during Mr. Johnson's first three years as President."²³

BIG BUSINESSES, ORGANIZED BUSINESS, AND MEDICARE

In the years leading up to Medicare's passage, the NAM and the Chamber both openly opposed Medicare, testified against it, and urged members to do the same. In 1964, as David Broockman reports, the NAM staff was instructed to mobilize "maximum communication" between individual businesses and their congressional representatives, and "stand firm in opposition to . . . any sort of hospital or medical care under the Social Security system." The Chamber claimed—in disagreement with *Business Week*—that there was "no crisis" at all in health care coverage. Supposedly more than 90 percent of the elderly already had "adequate" medical care, and that the rest were on their way to getting it soon. The Chamber, like the NAM, tried to incite businesses to contact their Congressmen. One mailing to them was "straight propaganda," according to journalist James Deakin's survey of lobbying practices. It criticized the Medicare bill on frothy ideological grounds rather than with specific facts about its impacts on their businesses, as "just one more step down the road that certain Pied Pipers would have us take while humming, 'May Uncle Sam Bless You and Keep You from the Cradle to the Grave.'"²⁴

Problems abound with taking at face value the open propaganda and official testimony of the Chamber and the NAM as representative of a consensus across the business world, much of which would have been more receptive to economic arguments

than ideological balderdash. It assumes implicitly that their members were an unbiased sample of American businesses, despite the fact that legions of businesses chose not to join, perhaps because of policy and ideological disagreements. It also makes no effort to quantify the level of agreement among members. Finally, and perhaps most importantly, no effort is made to identify differences in opinion between massive corporations both inside and outside the organizations and the small firms that far outnumbered them inside. The need to make that particular distinction is especially clear. As political scientist Edwin Epstein noted in his 1969 analysis of the corporation in America politics, "larger corporate constituents" felt that "business organizations do not adequately represent [their] political interests." On this, Epstein explicitly singled out Medicare as a reason.²⁵

Epstein did not say why large corporations differed on Medicare. But two years after Medicare's passage, John W. Byrnes, the powerful ranking Republican on the House Ways and Means committee, offered a compelling reason. Recalling that companies like GM, Ford, and GE "didn't get excited one way or the other" about a government takeover of retiree health care, he said they were not opposed because they were already paying retiree health costs, "and it would have relieved them." In fact, they thought they "might come out better in the long run." On this, Byrnes needs to be taken seriously, both because of his role at the epicenter of congressional reform deliberations and because of corroborating facts about the bottom-line economic interests of the companies he was referring to.²⁶

These are the economic facts: In the mid-1950s, big employers across America had started to pick up health costs for their retirees along with those of current employees. By the 1960s, a great number of large employers were providing retiree coverage. Employers often picked up the full premiums. The automobile industry started the ball rolling with group policies negotiated with the United Auto Workers (UAW) in 1953. By 1962, the practice encompassed the agricultural implement, earth moving

Richard J. Barber, "The New Partnership: Big Government and Big Business," *New Republic* (August 13, 1966): 17–22; Eileen Shanahan, "Business Still Sold on Johnson," *New York Times*, May 22, 1966; James Reston, "The Big Business Progressives," *New York Times*, October 12, 1966.

23. Sean J. Savage, *JFK, LBJ, and the Democratic Party* (Albany New York: State University of New York Press, 2004), 237; Theodore Levitt, "The Johnson Treatment," *Harvard Business Review* 45, issue 1 (January–February 1967), 114.

24. Broockman, "Problem of Preferences," 10, 11, 14; James Deakin, *The Lobbyists* (Washington, DC: Public Affairs Press, 1966), 128.

25. Edwin M. Epstein, *The Corporation in American Politics* (Englewood Cliffs, NJ: Prentice-Hall, 1969), 52. David Vogel observed in 1989 that "executives of large companies" opposed none of President Lyndon Johnson's Great Society campaign agenda, including Medicare, but does not cite sources. Vogel, *Fluctuating Fortunes*, 25.

26. Peter Corning, Interview with John W. Byrnes, 1967, Social Security Administration Project, Columbia University Oral History Research Office. I cite this interview as a critical piece of evidence in Peter A. Swenson, "B is for Byrnes and Business: An Untold Story about Medicare," *Clio: Newsletter of Politics and History* 16, issue 2 (Spring-Summer 2006): 40. Broockman criticizes that article extensively, but fails to bring up Byrnes's view and justify dismissing its importance. Broockman, "Problem of Preferences."

machinery, and related industries.²⁷ In Illinois, by late 1963, the following big employers, among others, were providing retiree health coverage: Abbot Laboratories, Armour, Borden, Caterpillar Tractor, Commonwealth Edison, Deere, Illinois Bell, International Harvester, Montgomery Ward, Northern Illinois Gas, Olin Mathieson Chemicals, Sears Roebuck, Standard Oil of Indiana, Swift, Walgreen, and Western Electric. In 1964 the practice was widespread across the country, and it was not due to union pressure alone. Employee recruitment, loyalty, lower turnover, and—not least—tax advantages favored across class lines drove the trend. In 1961 even the NAM had started recommending retiree health coverage to its membership, many of them non-unionized.²⁸

By 1964, according to a Department of Labor study, 63 of 100 major employers' health plans covered retirees.²⁹ That so many big employers were providing retiree health care did not mean they wanted to do so long into the future if someone else wanted to pay. Upon retirement, elderly workers were typically allowed to continue paying the standard group premium and thus were not charged extra, because of their higher sickness rates, for medical costs up to three and sometimes four times what younger workers incurred. Thus, according to calculations reported in a UAW memorandum on that very subject, the Big Three automakers stood to save at least \$9 million and possibly up \$12 million if the King-Anderson Medicare bill (providing only for hospital, not medical expenses) had been in effect in 1963. The "Potential Big 3 Savings" were probably larger for the many employers paying "community rates," discussed shortly, and were likely to grow in coming years.³⁰ And they would probably have been even larger if calculated on the basis of the final legislation, which included medical expenses.

27. Draft of Statement of Walter P. Reuther, President, UAW before the Committee on Ways and Means, U.S. House of Representatives, UAW SSD, Series I, box 2, 1962–1965; "UAW Experience with Retiree Health Insurance," UAW SSD, Series I, box 1, Health-Insurance Industry Alternatives; Employee Health and Benefit Committee, NAM, "On the Horizon: Medical Care Protection for Retired Employees," UAW SSD, Series I, box 1, Insurance and Business Views.

28. U.S. House of Representatives, Committee on Ways and Means, *Medical Care for the Aged* (Washington, DC: U.S. Government Printing Office, 1964), 2452; U.S. Senate, Special Committee on Aging, Subcommittee on Health of the Elderly, *Blue Cross and Other Private Health Insurance for the Elderly* (Washington, DC: U.S. Government Printing Office, 1964), especially 49–52, 78–79, 91, 98, 173, 180, 191, 193–94, 292, 294. See also Gaston Rimlinger, "Health Care of the Aged: Who Pays the Bill?" *Harvard Business Review* 38, issue 1 (January–February 1960): 110–11.

29. U.S. House of Representatives, Committee on Ways and Means, *Medical Care for the Aged, Part 2* (Washington, DC: U.S. Government Printing Office, 1964), 905.

30. Mel Glasser and Chuck Monroe, "Potential Big 3 Savings with Medicare," July 27, 1964, UAW SSD, Series I, box 2, Health Care Proposals, 1964 Medicare Savings.

Were auto executives doing the same calculations? Byrnes suggested they had been, and it is hard to imagine otherwise. Unfortunately, the relevant corporate archives are not accessible for confirmation.³¹ So we must rely on other insiders. Among them were affiliates of the Blue Cross Association, which the three automakers enlisted as carriers. Around 1960, they began jointly pondering with organized labor the problems of big employers' retiree coverage. As James Brindle, director of the UAW's Social Security Department put it to Harry Becker, director of Program Planning at Blue Cross Blue Shield (BCBS), although some employers would find it less costly, "for many it would be far more expensive" [my emphasis] to stay with the voluntary arrangement. An added advantage, he said, was that employers would escape heavy administrative costs.³²

Such evidence suggests the existence of an emerging if so far only tacit cross-class alignment of interests behind government assumption of elderly coverage. Motivating it was the growing problem that unions and employers jointly experienced with community rating of premiums for the plans they had negotiated with BCBS companies for hospital and medical care. Community rating meant charging all companies in a state or large region the same per capita premiums. Firms employing mostly younger, healthier workers thus cross-subsidized those employing older workers and covering their retirees at the community rate. Because of this cross-subsidization, community rating came under competitive siege from the commercial, for-profit insurers by the end of the 1950s, which were able to attract away companies with lower-risk employees or those that excluded retirees from coverage. Their cheaper "experience-rated" or "merit-rated" premiums left the nonprofit BCBS plans charging community rates at the rising level required to pay for their pool of increasingly high-risk customers, retired as well as employed. General Motors, Standard Oil of New Jersey, DuPont, Procter & Gamble, and Hudson's, Detroit's large department store, were among the many large firms contracting with Blue Cross on a community-rated basis. Many of them had an aging and less healthy workforce on the verge of retirement. For them, the UAW correspondence shows that by 1963, collectively bargained, community-rated Blue Cross plans were becoming deeply worrisome money losers, therefore making a cheaper public system a more attractive alternative.³³

31. Conversations with business historian Sanford Jacoby and Lucas Clawson, reference archivist, Hagley Museum and Library, Wilmington, DE.

32. James Brindle to Harry Becker, November 20, 1961, UAW SSD, Series II, box 1, National Blue Cross General Correspondence.

33. Harry Becker, director, Program Planning to James Brindle, director, Social Security Department, UAW, October 25, 1961, UAW SSD, Series II, box 1, National Blue Cross General Correspondence; "Blue Cross Loses on Retirees," newspaper clipping, no date, UAW SSD, Series II, box 1, Blue Cross—Aged; Duncan

Many BCBS plans caved quickly to experience rating, but in Michigan, for example, self-interest motivated both the UAW and General Motors to join forces and “bitterly” oppose experience rating “the whole way,” according to Michigan Blue Cross executive William McNary. He knew people at General Motors who “threw back at me all of the things that we had been saying for years . . . And they . . . and the UAW argued that, hell, if we want merit rating we will go to [a commercial] insurance company.” Hudson’s Department Store in Detroit, for one, saw community rating as an essential pillar of a viable private health insurance system. The argument: The exclusion of high-risk groups from the community insurance pool would show up eventually as an increased burden on charity care at local hospitals and other expanded social costs, according to BCBS historians Cunningham and Cunningham.³⁴

A similar sentiment united community leaders, employers, and unions with large Blue Cross plans in the Northeast. Rochester, New York, where Eastman Kodak and other firms—not unions—were the progenitors of community rating, was notable in this regard. Nevertheless, by 1964, the dam was starting to break from the commercial insurance companies’ competitive onslaught. In July 1964, a Senate subcommittee studying Blue Cross and private health coverage learned that “Blue Cross is in serious trouble” because of community rating and other costly plan features. Under fierce market pressure, Blue Cross in Michigan decided, despite the cross-class opposition, to move toward experience-rated plans starting January 1, 1965. Blue Cross in the state of New York planned to do the same.³⁵ For employers committed to community rating, the competitive dynamics of the insurance industry added to the incentive to unload retirees onto a compulsory or at least heavily subsidized voluntary public system. In short, employers’ recently evolving interests in being bailed out of their commitments to retirees suggest they had little reason to gird for battle in the alleged “class war” over Medicare.

Organizational Misrepresentation

Existing scholarship on business and Medicare pays virtually no attention to the highly diverse and complex economic problems employers were facing in pre-Medicare health care and labor markets. Ironically, the scholarship is disinterested in what

profoundly interested employers themselves. Instead, it takes a shortcut and accepts business organizations’ position taking at face value, even though their antireform propaganda ignored or obfuscated the economic realities of private health care provision. Furthermore, the scholarship fails to speculate on the level of agreement within organizations among members large and small, between members and leaders, and, finally, between members and legions of nonmembers. No hard evidence is adduced to show that the organizations were backed by a substantial majority of members, much less anything close to unity across all businesses.

Part of the problem is that membership surveys, referenda, and business opinion polls simply do not exist. For example, the Chamber held no direct membership votes on Medicare. The right to vote in referenda and at annual meetings was accorded not to individual members but to the officialdom of 3,700 or so local and a dozen or so state and sectoral affiliates. Only a tiny share of the country’s millions of individual businesses were directly affiliated with the national Chamber in the 1960s—around 33,000—so a survey of them would have been of little value. The executives or other officials of the Chamber’s constituent units were free to take positions without consulting their combined 4,800,000 individual members. Not surprisingly, therefore, according to the organization’s legislative department in 1964, Chamber officials testifying in Congress were routinely pestered by questions like “How do you know the views you are expressing here today are the views of your members?”³⁶

It is even uncertain if the several thousand leaders of Chamber affiliates were ever consulted in national referenda or votes on Medicare. If the Chamber had conducted a referendum, it did not mention it in congressional testimony. The silence is telling. The fact is that the Chamber did not always bother to consult its “members,” that is to say, its affiliates’ leaders. In 1962, for example, it took a highly controversial position on trade policy without touching base with the representatives of local and other units. That triggered a dramatic protest at the next annual meeting. In general, according to political scientists who reported on the trade controversy, the best one can assume about Chamber policies is “relative” or “quasi-unanimity.” Their conclusions confirm that of David B. Truman’s classic study of pressure group politics, published in 1951. Noting the great power of “active minorities” in interest organizations, he singled out the Chamber for special attention. It typically used policy referenda selectively as a “propaganda device” to give “the appearance of wide rank-and-file participation in policy forming.”

M. MacIntyre, *Voluntary Health Insurance and Rate Making* (Ithaca, NY: Cornell University Press, 1962), 240–45, notes 55 and 57.

34. Robert Cunningham III and Robert M. Cunningham Jr., *The Blues: A History of the Blue Cross and Blue Shield System* (DeKalb: Northern Illinois University Press, 1997), 97–101.

35. U.S. Senate, Subcommittee on Health of the Elderly, Special Committee on Aging, *Blue Cross and Private Health Insurance Coverage of Older Americans* (Washington, DC: U.S. Government Printing Office, 1964), 30–35.

36. Donald R. Hall, *Cooperative Lobbying: The Power of Pressure* (Tucson: University of Arizona Press, 1969), 117, 217, 226–27.

Participation rates were low, and questions were framed “in such a way that there can be little doubt in the mind of the representative of the average chamber as to how he should vote.”³⁷

Donald R. Hall’s interviews with Chamber staff officials in the 1960s bear out these perceptions of oligarchic manipulation. One staffer said there was “not as much real democracy” in the Chamber “as may appear on first view.” Agenda setting and policymaking was top-down, with democratic processes discretionarily activated and engineered to suit. “Very undemocratic ways could be used” to get the Chamber to think that a desired policy was “wanted by a wide groundswell of membership opinion” and therefore vote it through. Other staffers were disgruntled by what they experienced as “an illusion of democracy,” “a lack of real democracy,” and a “vener of democracy overlaying a rigid authoritarian structure.” A prominent journalist agreed, calling the organization “almost sovietized.” If Robert Michels’s “iron law of oligarchy” in organizational life was not absolute in the Chamber, it was at least partially enforced.³⁸

In a rather feeble attempt to back up its position, the Chamber cited in congressional testimony the fact that twenty-seven state chambers of commerce (plus four separate regional ones in Texas) endorsed a statement of principle strongly against Medicare. Left unclear was whether the state chambers consulted their local units, much less individual members, for it is possible they were as oligarchical as the national association. Furthermore, we are left to puzzle over the unmentioned silence of twenty-two state chambers, no small number: Among them were California, Maryland, Massachusetts, Minnesota, New Hampshire, Oregon, Rhode Island, Vermont, and Washington. Their abstention raises the clear possibility of division across the country and even within the endorsers in the other twenty-eight states.³⁹

Further reason for thinking that the members of the Chamber did not constitute a monolithic wall of business resistance against Medicare is that some local chambers of commerce were so supportive of Medicare that they openly broke with the position of the parent body in Washington, according to Social Security Administration historian Peter Corning. Even if it was a relatively small number, it could have been a sign of more widespread disagreement. Many others may also have disagreed but not

intensely enough to quit. In any event, the possibility that the Chamber position on Medicare was more vehement if not more conservative than that of the majority of business members cannot be dismissed out of hand. Its 1964 survey of local chambers and other constituent units regarding their level or degree of “interest” in various current issues found only low to middling interest in—but not necessarily opposition to—Medicare. Only about 20 percent responding to the survey showed “major interest.” That was well below their level of concern about overtime pay and minimum wages. The respondents were even more worried about federal tax treatment of their lobbying expenditures and earnings from advertisements in their publications.⁴⁰

That there might have been significant differences between the political views of business organization leaders and the mass of the business community is likely to have something to do with the fact that moderate businesspeople hesitated to join and lead an organization like the Chamber that had staked out an implacably conservative stance on most things. There are weighty reasons to suspect that this phenomenon was particularly important in the case of the NAM. The facts show that the NAM was a far cry from the “voice of American industry,” the title of its bulletins distributed to newspaper editors and publishers in its constant agitation against liberal causes. With a membership in 1966 of only about 14,000, the NAM represented a truly unimpressive 4.5 percent of all manufacturing establishments (roughly 300,000 in total, employing about 16,000,000 workers in 1958). Most member firms were fairly small: 80 percent employed fewer than 500 workers, and nearly half employed fewer than 100. The NAM’s puny membership list was indisputably a highly skewed sample, given the organization’s well-cultivated reputation as a reflexive nay-sayer to almost all things governmental. Thus many of the small, self-selected members joined knowing the organization was spirited by a “radically anti-statist conservatism,” as described by a recent study.⁴¹ It was not a case of a large random sampling of businesses electing a leadership with views reflecting theirs.

In 1951, publisher and capitalist champion Malcolm Forbes wrote that the NAM was so extreme that its

37. Raymond A. Bauer, Ithiel de Sola Pool, and Lewis Anthony Dexter, *American Business and Foreign Policy: The Politics of Foreign Policy* (New York: Atherton, 1964), 333–34, 336; David B. Truman, *The Governmental Process: Political Interests and Public Opinion* (New York: Knopf, 1971), 139–55, 197–98.

38. Hall, *Cooperative Lobbying*, 154–55, 223–31.

39. *Social Security: Hearings on H.R. 6675, Before the Senate Committee on Finance*, 89th Congress, 1965, 257–60. Broockman, “Problem of Preferences,” 13, cites this result as evidence of unity, not of a mix of opposition, indifference, and possible support.

40. Peter A. Corning, “The Evolution of Medicare” (Social Security Administration, Office of Research and Statistics, Research Report No. 29, Washington, DC: U.S. Department of Health, Education and Welfare, 1969); Hall, *Cooperative Lobbying*, 245.

41. U.S. House of Representatives, Committee on Ways and Means, *Health Services for the Aged under the Social Security Insurance System* (Washington, DC: U.S. Government Printing Office, 1961), 1785; Jonathan Soffer, “The National Association of Manufacturers and the Militarization of American Conservatism,” *Business History Review* 75, issue 4 (Winter 2001), 776; Frank J. Priar, “A ‘New’ NAM? Business Group Edges from Far Right, Pushes Its Own Social Plans,” *Wall Street Journal*, May 31, 1966.

support for a piece of legislation could be the “kiss of death.” It was controlled by a “small hierarchy, . . . men who have lost their power to think properly.” Their insults about the mainstream corporate world were simply “malarkey.” Further: “Those who believe in free enterprise would be far better off if the NAM would jump into one of the holes it is constantly digging.” The title of his article was “The NAM Would Do Better Dead.” Forbes compared the NAM unfavorably to the Committee for Economic Development (CED), a relatively progressive outfit dominated by huge corporations like the Ford Motor Company, General Electric, International Harvester, Shell, Standard Oil, Goldman Sachs, Pennsylvania Railroad, and about seventy others in manufacturing, energy, banking, insurance and transportation. Not much had changed by the time of the Medicare debate, fifteen years later. According to the *Wall Street Journal* in 1966, “it is scarcely a secret that most executives active in the NAM are Republicans of the Goldwater variety, or more conservative.”⁴²

By “more conservative,” the *Wall Street Journal* meant downright extreme. In the late 1950s and until 1962, the NAM had been under the control of people who, in 1958, founded and later ran the ultra-right-wing John Birch Society (JBS). Although the Birchites’ influence waned after 1962, the NAM only inched toward the center of the ideological spectrum. Seven of the twelve JBS founders were either former or active NAM officials. Robert H. W. Welch, Jr., a chronically unsuccessful Brooklyn candy manufacturer, was the founding father of the JBS and a high NAM official at the time. In 1963, he accused President Franklin Roosevelt and General George C. Marshall of treason, alleging that they knew in advance about a Japanese attack on Pearl Harbor and deliberately left it defenseless in order to bait Japan into a war. President Dwight Eisenhower allegedly “saved” the Soviet Union because the Communist influences that “completely controlled him . . . made him put the whole diplomatic power, economic power, and recognized leadership of this country to work, on the side of Russia and the Communists.”⁴³ Another JBS founder was Fred C. Koch, father of archconservatives Charles and David Koch of today’s Koch Industries. Fred declared in 1961 that the United Nations was “conceived by Communists in Moscow” during World War II, and that the UN, “the

World Court, and World Government are instruments the Kremlin intends for the subtle take-over of America.”⁴⁴ The FBI’s director of Domestic Intelligence was not exaggerating when he described the JBS a “lunatic fringe type of organization” controlled by “fanatics.” As the dean of American conservatism at the time, William F. Buckley, editor of the *National Review* put it, the JBS was “delusionary” and “kooky.” *Fortune*, the mainstream business magazine, said it “fights Communism with undemocratic methods, and talks about it as if all liberals and moderates, and even some conservatives, are vaguely part of the conspiracy.”⁴⁵

Naturally, the Birchites controlling the NAM considered Eisenhower’s endorsement of the basic principles of the New Deal and efforts to expand Social Security coverage to more than 10 million new workers as treasonous. NAM leader and Birchite Cola Parker, chairman of household product maker Kimberly Clark, went so far as to say that the U.S. government under Eisenhower had been on the way to building a “Communist state.” Other NAM extremists in the leadership included its president William Grede, president of J.I. Case & Co., a JBS founding member, and Ernest Swigert, president of Hyster, a forklift manufacturer. In 1961, at least nine of the businessmen who served on the JBS national council also held executive or board seats of the NAM. And twelve of the fourteen business executives who sat on the JBS editorial advisory committee were NAM leaders. Clearly, an organization dominated by such people was unlikely to accurately report on the political views of normal American businesspeople. Under their tight control, the NAM suffered from systematic suffocation of debate, facilitated by the fact that the powerful presidents—also the chairmen of the NAM’s board, executive committee, and finance committee—appointed all members of the advisory and policy committees. This “in-breeding” enforced a rigid, paranoiac anticommunism and resistance to moderate reforms.⁴⁶

In the early 1960s, by which time Robert Welch and the Birchites had become the object of derision across the mainstream ideological spectrum, the

42. Malcom Forbes, “The NAM Would Do Better Dead,” *Forbes* (August 15, 1951): 10; Thomas B. McCabe, *The Committee for Economic Development: Its Past, Present, and Future* (New York: Committee for Economic Development, 1949), 24–29; Prial, “A ‘New’ NAM?”

43. J. Allen Broyles, *The John Birch Society: Anatomy of a Protest* (Boston: Beacon, 1964), 30; Robert Welch, *The Politician* (Belmont, MA: Robert Welch, 1963), 5–6, 13–14, and more throughout on Eisenhower. Phillips-Fein confuses Robert Welch, a failed candy manufacturer, with his brother, James Welch, the highly successful founder of Welch Foods (Welch’s). Phillips-Fein, *Invisible Hands*, 59.

44. Philip H. Burch, “The NAM as an Interest Group,” *Politics and Society* 4, issue 1 (Fall 1973): 123–26; Phillips-Fein, *Invisible Hands*, 57; Soffer, “The National Association of Manufacturers,” 782–86; Prial, “A ‘New’ NAM?”; Broyles, *John Birch Society*, 49, 51–52, 56, 59, 61; Fred C. Koch, *A Businessman Looks at Communism* (Wichita, KS: F.C. Koch, 1961), 3.

45. William C. Sullivan to A. H. Belmont, “Memorandum: John Birch Society,” March 9, 1961, Documentary History of John Birch Society JBS 9-2, <https://sites.google.com/site/ernie1241a/>; “The John Birch Society and the Conservative Movement,” *National Review* (October 19, 1965); “The NAM and the JBS,” *Fortune*, May 1961, 74.

46. Alfred S. Cleveland, “NAM: Spokesman for Industry?” *Harvard Business Review* 26, issue 3 (May 1948): 359–66; Richard W. Gable, “NAM: Influential Lobby or Kiss of Death?” *Journal of Politics* 15, issue 2 (May 1953), 254–73, especially 258.

NAM came under new, somewhat more moderate leadership. In 1961, according to *Fortune*, the NAM repudiated Robert Welch's wild assertions, but it still refused to disavow the "bizarre" JBS as a whole. Werner Gullander, the NAM's new president in 1962, expelled the most extreme elements in the organization's staff and put more moderate businessmen on its volunteer committees. He initiated a few private efforts to help the poor and unemployed to give the NAM a face lift. Some large corporations in the NAM were behind efforts to nudge it away from the extreme right.⁴⁷ Possibly one of them was the big chemical manufacturer Rohm & Haas, whose industrial relations executive, M. E. Feary, headed the NAM's Sub-Committee on Public and Private Benefits. Speaking for his committee only, not the NAM as a whole, Feary praised Republican John W. Byrnes's surprisingly comprehensive alternative to the Democrats' limited King-Anderson bill, which would have covered only hospitalization. Byrnes was a progressive Republican who proudly remembered serving as a research assistant for Edwin Witte, FDR's main adviser on Social Security, while studying at the University of Wisconsin.⁴⁸

But so little changed in the NAM that a year after Medicare's passage, one of its top officials remarked that "I don't know about a 'new NAM.'" In 1966, the *Wall Street Journal* reported that there was "little if anything" in its lobbying program "that Cola Parker and other past NAM leaders would not approve." In support of its headline saying the organization merely "edges from the far right," the article quoted a high official of the Department of Housing and Urban Development as saying "That's the same old NAM."⁴⁹

That we see such a wide gulf between the NAM's anti-Medicare propaganda and manufacturer opinion can be explained by the organization's traditional pursuit of what it called "unit action"—the presentation of itself and the bulk of manufacturers generally

to the outside world as solidly unanimous on all things. For example, in the 1940s the NAM conducted a survey of members manipulatively worded to get the response it wanted (against government price controls), a source of considerable disgruntlement among members, and the organization paid for the subterfuge with significant membership losses.⁵⁰ That history may have repeated itself in the first half of the 1960s. At the very time the NAM was raising the heat against Medicare, it suffered an alarming hemorrhage. Under JBS control its membership had already dwindled from a peak of about 21,000 in 1957 to 19,000 in 1961. American Motors, led by the future, rather liberal Republican governor of Michigan, George Romney, was one notable defector. Then another 5,000 firms quit the organization—about a 25 percent drop!—leaving only about 14,000 in 1966.⁵¹

We do not know the reasons for the mass defection, but a survey conducted by the NAM itself suggests that its stand on Medicare might have contributed. Sometime late in 1964 or in January 1965, the NAM's Eastern division surveyed its members about various labor and social policy questions. Contrary to David Broockman, who inaccurately claims that the survey showed that they were "nearly unanimously opposed to Medicare in any form," only 36 percent of the respondents opposed government coverage of people over sixty-five. The large majority was therefore either indifferent or even, possibly, supportive; if the questionnaire had included "support" as a possible answer, the numbers of those who chose it were not reported. Also, the survey specifically asked about Medicare financed only by payroll taxes. Had the survey asked about other ways of financing it, there may have been even fewer choosing "oppose," which congressional testimony from small business owners, cited later, would lead one to predict.⁵²

Clearly, few of America's manufacturers marched in Broockman's "banner" organization, and many who did listened to other drummers, at least on the question of Medicare. The drumbeat of their own economic interests was undoubtedly louder. Some NAM members were probably happy to let the government assume the retiree health care costs they had been absorbing. Others, who were not paying for their retirees' coverage, should have been happy to be relieved of their difficulties recruiting or

47. "The NAM and the JBS," 74. Only after passage of Medicare and the civil rights and voting rights acts in 1965 did the NAM show a new face by, for example, actively promoting desegregation in hiring practices. Jennifer Delton, *Racial Integration and Corporate America, 1940–1990* (New York: Cambridge University Press, 2009); Soffer, "The National Association of Manufacturers," 784, 787.

48. Feary to Byrnes, February 22, 1965, John W. Byrnes papers, University of Wisconsin, Wisconsin Historical Society, Green Bay, Wisconsin. Broockman mistakenly claims that Feary represented the NAM's official position, and strangely calls Byrnes a "longtime ally" of the NAM without citing evidence of that. Broockman, "Problem of Preferences," 12. Byrnes would have found the NAM's Birchite streak repugnant. Corning, "Interview with John W. Byrnes," 29. See also Richard Wilbur (who served under Byrnes as minority counsel for the House Ways and Means Committee), "John W. Byrnes' Role in Medicare, FAP and Other Major Legislation, 1965–1972," (unpublished manuscript, January 29, 2014), available from me on request.

49. Prial, "A 'New' NAM?"

50. Cleveland, "NAM: Spokesman for Industry?" 359–66; Gable, "NAM: Influential Lobby or Kiss of Death?" especially 258.

51. Soffer, "The National Association of Manufacturers," 784–85; Prial, "A 'New' NAM?"

52. National Association of Manufacturers, Eastern Division, "Results of NAM Survey of Business Opinion on Labor's Legislative Goals," *Public Affairs Report*, January 27, 1965, NAM Papers, Series I, box 49, Public Affairs Department, Public Affairs Reporter, 1965, Hagley Museum and Library (digital copy available from me); Broockman, "Problem of Preferences," 11.

retaining good, often highly skilled workers gravitating to the better employers who did.

Congressional Testimony

Astute legislators could have deduced the NAM's lack of representativeness from the fact that state-level manufacturers associations did not join it to speak up against Medicare in congressional testimony. By contrast, tellingly, the *medical* associations of many states spoke resoundingly against Medicare in full solidarity with the AMA. Silence from state manufacturing associations is especially illuminating because many firms were members of their state associations but not the NAM. The best evidence of a deviation on Medicare came from the Conference of State Manufacturers Associations, an assemblage independent of the NAM. It submitted its own statement on Medicare to the Senate Finance Committee, but its only protest was the current plan to add federal payments for temporary disabilities to the Social Security program. Topping off state workers' compensation, they complained, would reduce injured workers' incentives for rehabilitation and returning to work. The state manufacturers associations' joint statement, endorsed by thirty-seven of them, contained not a single objection to Medicare's core purpose, design, and financing provisions.⁵³

Only six state business associations separately made their views known to congressional committees, and only four of those were genuinely hostile to Medicare. The Illinois Chamber of Commerce, the Illinois State Manufacturers Association, the Louisiana Council of Business and Trade Associations, and the Commerce and Industry Association of New York joined the NAM and the Chamber to oppose the law. The latter two of the four may have been conservative breakaways from their state's regular chamber and manufacturers association; Louisiana's and New York's regular manufacturers associations and chambers of commerce entered no objections to Medicare. The Associated Industries of Massachusetts and California's State Chamber of Commerce submitted separate letters to the Senate Finance Committee—but their only complaint was, again, about adding temporary disability payments to the Social Security system.⁵⁴ California's state chamber was one of the many others declining to sign the joint statement, cited earlier, of the Conference of State Chambers of Commerce against Medicare.

Organizations representing specific business sectors were also conspicuously silent. Opposition from the for-profit insurance industry, represented by the

Health Insurance Industry of America (HIAA), was rather subdued. According to historian Corning, it had become increasingly apparent to the insurance industry that the aged would never be profitable customers. Worse, hospitals were shifting the costs of treating the indigent elderly on a charity basis onto these private payers.⁵⁵ Indeed, an impressive contingent of current and former top executives of Continental Casualty, General American Life, Liberty Mutual, Metropolitan Life, Nationwide, and Paul Revere Life actually expressed support in various gradations and contexts, sometimes openly. Some thought—correctly it turned out—that Medicare would open a profitable new line of products for them. They became known as “Medigap” policies, which covered things left out of Medicare. The nonprofit BCBS insurers had initially been resistant, but by 1962, deep pessimism had set in about the viability of their labor-management plans that covered retirees. They also realized the economic futility of developing a comprehensive national BCBS program for the aged with the help of federal subsidies made available with the Kerr-Mills law of 1960, which assisted states that offered a means-tested program for the low-income elderly.⁵⁶

If there was a class war over Medicare, most on the capitalist side were noncombatants. Only a small number of business sectors joined the NAM and the Chamber in their vociferous fight to the end against Medicare: the restaurant, retail, and hotel trades, and the pharmaceutical industry. The most numerous opponents were in the service and retail sectors dominated by small businesses.⁵⁷ The most emphatic of those were the nation's restaurateurs. They feared increased Social Security taxes given their very narrow profit margins. Payroll taxes, they complained, “militate against the interest of employees in industries with relatively high payroll cost as a percentage of sales.” Among their worries was competition from grocery stores whose labor costs as a share of operating expenses were lower (and whose representatives did not express opposition to Medicare).

55. Corning, “Evolution of Medicare.” See also Martha Derthick, *Policymaking for Social Security* (Washington, DC: The Brookings Institution, 1979), 140–41, on the insurance industry's traditional political reticence and accommodationist pattern.

56. *Social Security*, 689; Christy Chapin, *Ensuring America's Health: The Public Creation of the Corporate Health Care System* (New York: Cambridge University Press, 2015), 219–20; Cunningham and Cunningham, *The Blues*, 136–40; Corning, “Evolution of Medicare.”

57. Testimony and letters against Medicare came from the National Restaurant Association, the South Carolina Restaurant Association, the National Licensed Beverage Association, the American Hotel & Motel Association, the American Motor Hotel Association, the National Retail Merchants Association, the American Retail Federation, the National Lumber and Building Material Dealers Association, the Motor Carriers Association from North Dakota, and the newly formed National Federation of Independent Business. *Medical Care for the Aged*, 1679, 2454, 2460, 2486; *Social Security*, 1007–16, 1122, 1200–201, 1237–38.

53. *Social Security*, 1179–81.

54. *Medical Care for the Aged: Hearings before the House Committee on Ways and Means*, 88th Congress, 1964, pp. 903, 1694, 1995, 2462; U. S. Senate, Committee on Finance, *Social Security*, 1079, 1122.

“Any increase in social security tax means the restaurant industry is less able to compete for the consumer’s dollar,” they said. Restaurant prices were likely to rise more than grocery prices, making cooking at home that much cheaper an alternative to a pleasant dinner out. Interestingly, their objection was not to providing care for the elderly, but to how it was paid for. Only in this sector was there a clear polarization of capital and labor, for union testimony demanded that employers pay their share of Medicare taxes on gratuities, while the National Restaurant Association, citing a poll of its membership, attested to unity against the extra payroll tax liability.⁵⁸

With the exception of the HIAA, which expressed only weak objections, no big business sector other than pharmaceuticals conveyed opposition to Congress. The drug companies objected to provisions calling for reimbursement to hospitals for only a limited subset of drugs and then only at “reasonable” rates. Those provisions were aimed at holding the line on newly patented and therefore high-priced drugs of as-yet uncertain value, and on highly priced trademarked “combination” drugs priced higher than a mix of the same substances sold as generics. The formulary restrictions were justified by the arguments of leading pharmacologists critical of many drugs on the market, especially the antibiotic combinations, which they deemed “irrational” and even counterproductive or dangerous—that is to say, “shotgun” medicine. Drug makers feared that the “reasonable” clause would empower the government to squeeze profits earned on other drugs admitted to the formulary. In material submitted to the House of Representatives, Austin Smith, MD, until 1959 the editor of the fiercely antireform *Journal of the American Medical Association*, and president of the Pharmaceutical Manufacturers Association (PMA) after that, saw the restrictions as a foot in the door for socialized control of medical practice. It would, he claimed, inevitably “place in jeopardy our medical care system, the superiority of which is universally recognized today.” The PMA had recruited the prominent physician to cement its alliance with organized medicine in political affairs. In Senate testimony, Smith was joined by Theodore Klumpp, MD, president of Winthrop Laboratories, a PMA director, and also a former director of the AMA’s Division Of Foods, Drugs And Physical Therapy.⁵⁹

58. Waiters’ gratuities, according to the House bill, had to be reported for calculating restaurants’ payroll tax liability. The restaurateurs objected, saying tips were separate transactions between customers and waiters. “Testimony of Thomas W. Power,” National Restaurant Association, *Medical Care for the Aged*, 1679–85.

59. Austin Smith, MD, to Wilbur Mills, December 17, 1963, *Medical Care for the Aged*, 2382–84; Dominique A. Tobell, “Pharmaceutical Politics and Regulatory Reform in Postwar America,” in *What’s Good for Business: Business and American Politics since World War II*, ed. Kim Phillips-Fein and Julian E. Zelizer (Oxford, UK: Oxford University Press, 2012), 129; *Social Security*, 749–76. For

Other than the drug companies, which had highly sector-specific objections, major corporations left no traces of concern about the core features of Medicare in testimony, statements, or letters submitted. Ten large companies submitted letters to the Senate, but only in opposition to the inclusion of temporary cash disability benefits for sick workers. Among them were Nabisco, Spice Islands, and Westinghouse. Another was Pan American Airline, whose senior vice president had gone on record back in 1963 in support of guaranteed hospital coverage of the elderly plus a voluntary component to cover medical and outpatient costs—the basic formula that emerged as Medicare Parts A and B. Welch’s was another. Its director of industrial relations prefaced his limited concerns with “we are in general agreement with most of the provisions”(!) of the bill—that is, medical care for the retired elderly.⁶⁰ Interestingly, Welch’s was run by James O. Welch, who in 1961 publicly disavowed the paranoid, ultraconservative views of his much less successful brother Robert—the Birchite and former NAM leader.⁶¹

How Politicians Regarded Organized Business

It is highly likely that politicians had a clear-eyed view of both the NAM and the Chamber, and thus proceeded to pass Medicare without fear of a backlash from big businesses. According to political scientist Lewis Anthony Dexter, “in almost every conversation” he had in Washington in the 1960s concerning the NAM and the Chamber, “someone will point out how ineffective” they were. *Wall Street Journal* reporter Frank Prial attributed the NAM’s impotence to the fact that its public image was “entirely negative.” In 1965, Marion Folsom, a former Kodak executive and Republican Secretary of Health, Education, and Welfare under President Dwight Eisenhower in the 1950s, declared that the NAM, by opposing Medicare in any shape or form, was continuing with its long-standing “lack of objective approach and understanding, as well as inept staff work.” This dated back to the 1930s when Folsom had been involved in deliberations leading to the Social Security Act and President Roosevelt had dismissed the “ignorant and hysterical” business leaders who misspoke for others.⁶² Having been a young New Dealer in Texas, future president

other drug company statements see also 1060–61, 1103–104, and 1175–76.

60. *Social Security*, 688, 1147–48.

61. Milton A. Waldor, *Peddlers of Fear: The John Birch Society* (Newark, NJ: Lynnross, 1966), 18; “James O. Welch,” *New York Times*, February 2, 1985.

62. Lewis Anthony Dexter, *How Organizations Are Represented in Washington* (Indianapolis, IN: Bobbs-Merrill, 1969), 19, note 1, and 21; Prial, “A ‘New’ NAM?”; Interview with Marion B. Folsom, June 1965 (New York: Columbia University Oral History Project, 1970), 76–77; Arthur Schlesinger, Jr., *The Coming of the New Deal* (Boston: Houghton Mifflin, 1959), 497.

Lyndon Johnson may well have heard Roosevelt's lesson. Not the least bit cowed by the NAM and the Chamber, he boasted to Vice President Hubert Humphrey of telling the Chamber's president that "I'll cut the guts out of y'all" because "you're cuttin' the guts out of my [education, medical care, and poverty] programs." In 1964, Johnson treated a delegation of NAM officials to the White House to a cold shower of disrespect, as told in a 1964 *Fortune* magazine story about LBJ's generally excellent rapport with big business. During a meeting in the Oval Office, according to one member of the delegation, "things got a little rough, including his language. They never heard some of these things on the subway."⁶³

Johnson and other politicians were astute enough to know that even if a large corporation remained in the NAM, it did not mean the corporation agreed with the organization's position on every important issue. Among the NAM's members were huge concerns like General Motors, General Electric, and Esso. Many of them no doubt appreciated the NAM's militancy against organized labor. But that did not mean that they needed to take umbrage at Johnson for his defiance of the NAM on Medicare. Some even chose to stay in the NAM in hopes of steering it in a moderate direction. But according to publisher Malcolm Forbes, the great cheerleader for American capitalism, "time and again, able, foresighted business leaders have gone on NAM Boards and Committees with the high hopes of broadening the Association's perspective." Such efforts usually failed, he lamented in 1951. It was regrettable that "a lot of people think NAM speaks for American business, that their policies and pronouncements reflect the opinions of most of management and the owners of business." He added, "Fortunately, in fact, they don't." That's how organized labor saw it, too. An AFL-CIO spokesman declared that the big companies "have their own people down here and they are far more hip than the NAM. It represents mostly the little guys who don't cut much ice politically." Thus: "no one pays any attention" to the NAM.⁶⁴

Similar things could be said about what business journalist Rowen called the narrow-minded, indeed "Babbittish" Chamber of Commerce. "The real leadership of the business and financial community" was to be found elsewhere. Few business elites aspired to seats on the Chamber's Board of Directors, which, according to one Chamber staffer, partly explained the "significant absence of important or key businessmen." The aversion was mutual, for Chamber officials

seemed not keenly interested in big business input in the first place. Wishing to steer the organization their way, they avoided putting powerful executives on policymaking committees because they were "not manageable." The executive "will end up having his policy adopted with or without the consent or approval of the staff men." The officials' aim was to stack their committees carefully to get their own policies adopted "and then sent to the board of directors for confirmation as 'national policy'."⁶⁵

While President Johnson paid little mind to the NAM or the Chamber, he regularly solicited the opinions of leading corporate executives who had direct lines of communication to the political elite. According to journalists Rowland Evans and Robert Novak, Johnson was "untiring" in his maintenance of personal contacts with big businessmen." *Fortune* reported that he met often with elite members of the Business Council and the CED, and telephoned others. "No businessman of stature can be certain when he picks up his telephone these days that a voice won't say, 'The President is calling. One moment please.'" Hence, V. O. Key, in his political science classic of 1964, had good grounds to conclude that while business associations were highly visible in the political arena, they were "probably comparably insignificant in social power alongside the 100 to 150 giant corporations that dominate American business."⁶⁶

Republicans in Congress no doubt also suspected that the national business organizations were not a reliable place to go for information about big businesses in their states. They could glean the information they needed about them in private conversations in the routine course of money raising and lobbying. That may help explain why a large number of Republicans joined the Democratic Party in voting for Medicare's passage. In the Senate, seventeen Republicans voted against the law, but thirteen—not a lot fewer—voted for it. In the House of Representatives, Republicans voting for Medicare actually exceeded those against—seventy to sixty-eight. For agreeing to a big expansion of the welfare state they had no reason to expect punishment from their most powerful constituents and wealthiest donors. As employers, many of those business executives would escape their increasingly expensive commitments to provide health care to their retirees. There was also icing on the cake. They would personally benefit from Medicare coverage, financed with a highly regressive Social Security tax.

63. Telephone conversation No. 7025, LBJ and Hubert Humphrey, March 6, 1965, at 2:45 a.m., White House Series, Recordings and Transcripts of Conversations and Meetings, LBJ Presidential Library, Austin, Texas; Meyers, "L.B.J.'s Romance with Business," 130, 132–33.

64. Forbes, "The NAM Would Do Better Dead"; Prial, "A 'New' NAM?"

65. Rowen, *The Free Enterprisers*, 125; Hall, *Cooperative Lobbying*, 226–28.

66. Evans and Novak, *Lyndon B. Johnson*, 375; Meyers, "L.B.J.'s Romance with Business," 132; V. O. Key, *Politics, Parties, and Pressure Groups* (New York: Crowell, 1964), 98.

FROM HAMILTON TO OBAMA: BEFORE AND AFTER MEDICARE

Of course, one policy episode alone cannot refute the class conflict perspective on social policy development. Therefore, a look at other steps in the building of the American health care state before and since Medicare is called for. Although it is distant in time, the U.S. Marine Hospital Service, America's very first compulsory social insurance program—indeed a health insurance program—is relevant because of the role of business. Signed into law in 1798 by President John Adams, the program metamorphosed into today's U.S. Public Health Service. Secretary of the Treasury Alexander Hamilton, the law's main advocate, was responding to a call from the shipping merchants of Boston and Charleston whose economic interests were vital to the new country's commercial economy. The problem to be solved was their difficulty recruiting and retaining sailors from here and abroad to the unhealthy, dangerous, and socially isolated occupation. The Marine Society of Boston proposed a per capita payroll tax on the merchant marine sector to pay for hospital care for their sick and injured sailors. In his report to Congress, Hamilton called for also including care for widows and surviving children in case of a sailor's death. In sum, he justified the measure as being both “in the interests of humanity . . . and a very needy class of the Community” and in “the interests of navigation and trade . . . conducing to attract and attach seamen to the country.” In effect, he was proposing a piece of social protection to facilitate his ambitious agenda of national economic development.⁶⁷

Of course, of greater relevance to the modern health care state is the state-run system of workers' compensation. Consisting of state laws originating in 1911 and mostly in place by the 1930s, “workmen's compensation,” as it was originally called, guaranteed emergency and rehabilitative hospitalization and medical care for workers injured in the growing, extremely dangerous manufacturing sector. Not surprisingly, unlike with the Marine Hospital Service, pressure came from representatives of the working class—trade unions. But in a classic cross-class alliance, they were joined by progressive capitalists in

67. Alexander Hamilton, “Report on Marine Hospitals, April 17, 1792,” in *Papers of Alexander Hamilton, Vol. 11*, ed. Harold C. Syrett (New York: Columbia University Press, 1966), 294–96; Harry S. Mustard, *Government in Public Health* (New York: Commonwealth Fund, 1945), 25–48; Robert Straus, *Medical Care for Seamen: The Origin of Public Medical Service in the United States* (New Haven, CT: Yale University Press, 1950), 22–23, 29; Gautam Rao, “Sailors' Health and National Wealth: Marine Hospitals in the Early Republic,” *Common-Place* 9, issue 1 (October 2008), <http://www.common-place-archives.org/vol-09/no-01/rao/>. Labor supply problems also figured prominently in business support for Sweden's welfare state development. Swenson, *Capitalists against Markets*.

the National Civic Federation. Also supportive was the NAM. In this case, there is an unusual scholarly consensus that conflict over workers' compensation was not between capital and labor, but between an alliance of both against trial lawyers and private employer liability insurers whose high fees and overhead costs made for an inefficient and unfair system of accident prevention, injury compensation, and civil justice.⁶⁸ Workers' compensation remains in operation today, problem-ridden but essentially uncontested, as the first piece of the modern health care state.

In the half century between the workers' compensation movement and Medicare, there is scant evidence of business support for compulsory health insurance. No doubt that made the AMA's job of fighting it easier. That changed with Medicare, as we have seen. After Medicare's passage, business support became increasingly overt. Only one week after the House of Representatives' historic vote on Medicare, a New York State committee, set up by the business-friendly New York Governor Nelson Rockefeller to study the problem of increasingly unaffordable hospital costs for the uninsured, issued a report calling for near-universal health care coverage. On the committee was Marion Folsom, a Kodak executive and former Republican Secretary of Health, Education, and Welfare under President Dwight Eisenhower. Accompanying Folsom were a former senior executive of Procter & Gamble, the current president of R.H. Macy & Co., and a partner of the well-connected investment bank White, Weld & Co. Their plan had cross-class support, for an official of the United Steelworkers also participated in the deliberations. Together they called for compulsory hospital insurance for all workers and their families through an “employer mandate,” that is, a requirement that all employers over a relatively small size offer health care coverage.⁶⁹

68. Ferdinand Schwedtmann and James A. Emery, *Accident Prevention and Relief: An Investigation of the Subject in Europe with Special Attention to England and Germany* (New York: National Association of Manufacturers, 1911), 259–69; Roy Lubove, “Workmen's Compensation and the Prerogatives of Voluntarism,” *Labor History* 8 (1967): 254–79; James Weinstein, “Big Business and the Origins of Workmen's Compensation,” *Labor History* 8, issue 2 (1967): 157–74; Robert F. Wesser, “Conflict and Compromise: The Workmen's Compensation Movement in New York,” *Labor History* 11 (1971): 345–72; Joseph Tripp, “An Instance of Labor and Business Cooperation: Workmen's Compensation in Washington State,” *Labor History* 17 (1976): 530–50; Price V. Fishback and Shawn Everett Kantor, *A Prelude to the Welfare State: The Origins of Workers' Compensation* (Chicago: University of Chicago Press, 2000), 13, 29, 99–100, 126.

69. “Hospitals: Light of Reason,” *New York Times*, April 12, 1965; “Governor Sets Up Hospitals Inquiry,” *New York Times*, May 25, 1964. Marion Folsom had been a key employer figure behind the commitment to community-rated employer plans, as described earlier. Sarah F. Liebschutz, *Communities and Health Care: The Rochester, New York, Experiment* (Rochester, NY: University of Rochester Press, 2011), 34–38.

Rockefeller, not Goldwater—who had refused to repudiate the JBS—had been the “real ‘business candidate’” in 1964, according to Benjamin Waterhouse’s recent look at business in American politics. During the campaign for the Republican nomination in 1964, Rockefeller had openly advocated “Medicare paid through Social Security.”⁷⁰ Four years later, at a 1968 conference of Republican governors, Rockefeller followed up on his New York efforts for universal coverage by persuading three-quarters of governors at a Colorado Springs meeting of the National Governors’ Conference to endorse a plan for national health insurance coverage he had been promoting to Republican President Richard Nixon. Ten of the governors who agreed with him were also Republicans. Rockefeller’s state and national efforts on behalf of universal health care were soon followed, in 1971, by Nixon’s collaboration on legislation for comprehensive health care coverage with Wisconsin Representative Byrnes, the most powerful Republican in the House Ways and Means Committee. Byrnes was in effect the author of Medicare Part B’s medical benefits, which the Democratic sponsors had added on top of their own bill providing only hospitalization. Nixon’s proposal included, most interestingly, an employer mandate.⁷¹

Support for an employer mandate was not a tactical move made out of fear of being bulldozed from the left by liberals and organized labor demanding a more radical solution. Momentum had been building from within the business world for just such a business-friendly solution to rising health costs despite stagnating coverage. That Nixon’s employer mandate was firmly rooted in business’s economic interests was publicly confirmed within two years when, in 1973, the elite business- and finance-dominated CED issued a statement calling for employers to be “required by statute to provide a minimum level of employment-based insurance protection for all employed persons and their dependents for specified basic benefits under qualified plans.” This was the big business group that ultra-conservatives considered “just another bunch of New Dealers,” according to historian Clinton Rossiter. Its members included Rockefeller’s adviser Marion Folsom and the chairmen or presidents of Alcoa, Archer Daniels Midland, AT&T, B.F. Goodrich, Caterpillar, Celanese, Dayton Hudson, DuPont, Exxon, GE, GM, Green Giant, Heinz, IBM, Inland Steel, Johnson

& Johnson, Pacific Power & Light, Pillsbury, Scott Paper, Xerox, and many others, many of them bankers.⁷²

Economic interests were at stake. Part of the problem perceived by the executives on CED’s Research and Policy Committee was the alarming rise of health care costs affecting employers and workers alike. All of their companies were providing health coverage for their employees, so a prime motive was to prevent the shifting of rapidly rising health costs for the uninsured and underinsured onto them as the biggest payers. Another purpose was to level the competitive playing field in their respective product markets when other firms did not pick up employee health costs. Also on the corporate agenda was the integration of “managed care” into a universal health system in order to control costs without reducing quality. Ten CED executives entered reservations, but only concerning minor details, not the employer mandate itself. Only Daniel C. Searle, the chairman of G. D. Searle & Co., voted against it. His vote was not surprising, because the drug industry was then, as before, full of rock-ribbed allies of the AMA, which also feared government control over medicine. Searle later founded the Searle Freedom Trust to fund libertarian causes.⁷³

In 1974, a year after the CED report, a committee of the Chamber actually endorsed the employer mandate, although the Chamber itself did not.⁷⁴ In the end, despite increasingly auspicious business support, it was the polarized partisanship of the 1970s that blocked a politically viable reform built on and around an employer mandate. Senator Edward Kennedy, who favored a single-payer Medicare-like solution, later called his rejection of Nixon’s business-backed reform the biggest mistake of his long legislative career.⁷⁵ Because of partisan conflict, economic doldrums, budget problems, and the conservative presidency of Ronald Reagan—more a small business champion than anything else—it was not until 1992, after the election of President Bill Clinton, that guaranteed health insurance returned to the national agenda. Business support for comprehensive reform had already been

72. Committee for Economic Development, *Building a National Health-Care System: A Statement on National Policy by the Research and Policy Committee for the Committee for Economic Development* (New York: CED, 1973), especially 5–6, 23–24, and 87–94; Clinton Rossiter, *Conservatism in America* (New York: Knopf, 1962), 182–83.

73. On the pharmaceutical-medical alliance, see Tobell, “Pharmaceutical Politics,” 123–39.

74. Center for Public Integrity, *Well-Healed: Inside Lobbying for Health Care Reform* (Washington, DC: Center for Public Integrity, 1994), 60.

75. Farah Stockman, “Recalling the Nixon-Kennedy Health Plan,” *Boston Globe*, June 23, 2012; Senator John Kerry, *Congressional Record—Senate*, Vol. 55, Pt. 24 (December 18, 2009), 32709.

70. Waterhouse, *Lobbying America*, 25; Theodore H. White, “Making of the President 1964: How G.O.P. Rivals Destroyed Themselves,” *Life*, June 25, 1965, 82–92.

71. Swenson, “B is for Byrnes,” 39–41; *Proceedings of the National Governors’ Conference 1969* (Lexington, KY: NGA, 1969), 75–79; Blumenthal and Morone, *The Heart of Power*, 231–32; Cunningham and Cunningham, *The Blues*, 187; Richard D. Lyons, “Nixon’s Health Care Plan Proposes Employers Pay \$2.5 Billion More a Year,” *New York Times*, February 19, 1971.

brewing before that election when it was still far from clear that George H. W. Bush would be denied a second term of office. In the mid-1980s, health costs had been rising at an ever accelerating rate, much of them being shifted onto big employers and their workers by hospitals because of unreimbursed care for people lacking private coverage. A 1991 survey of Fortune 500 executives found that 53 percent of them favored forcing all employers to pay for their workers' health care. Lee Iacocca, the president of Chrysler, even favored adopting Canada's more economical single-payer system, according to Illinois Senator Paul Simon. In 1990—and since the late 1970s—Chrysler had paid more for health care than for steel. A dozen other Illinois executives also told Simon they favored a single-payer system.⁷⁶

In 1989, a senior vice president at American Airlines—who also endorsed Ted Kennedy's single-payer bill—complained of having to pay “a disproportionate share” because of cost shifting. Continental Airlines, its competitor, enjoyed a cost advantage, having dropped its union contracts and reduced its benefits in 1983. A recent chairman of Goodyear declared that “we have to spread the burden” because “no matter how the system is designed, we're all going to pay for it.” A special problem for big employers was their rapidly rising liability for medical benefits for about 5 million early retirees. In 1992, General Motors reported record losses, attributing them almost entirely to \$22 billion worth of medical expenses for the early leavers.

The legislation under consideration would “level the playing field” to the advantage of firms with older workers according to the *Los Angeles Times*. It was therefore a “giveaway to big business” according to critics on left and right. The no-longer reactionary NAM now sided with the middle. Its chairman noted that mature industries like autos “were getting the biggest hit” on retiree costs, and “eventually all companies are going to mature.” In short, “running those costs through industry and business is one of the dumbest things we can do if we want to be internationally competitive.”⁷⁷

76. Linda E. Demkovich, “Cuts in Medicare and Medicaid Funds Are Forcing Hospitals to Shift Some Costs onto Their Privately Insured Patients,” *National Journal* 13, issue 47 (November 21, 1981): 2068–71; Paul Simon, “Hot Topic on Town Meeting Circuit,” in *The Essential Paul Simon*, ed. John S. Jackson (Carbondale: Southern Illinois University Press, 2012), 65; Joel C. Cantor et al., “Business Leaders' Views on American Health Care,” *Health Affairs* 10, issue 1 (1991): 99–101.

77. Donald W. Nauss, “GM Sets Record with 1992 Loss of \$23.5 Billion: Charges for Future Retiree Health Benefits Were Blamed,” *Los Angeles Times*, February 12, 1993; Robert A. Rosenblatt and Edwin Chen, “U.S. Aid on Early Retirees' Health Benefits Pledged,” *Los Angeles Times*, September 6, 1993; Tamar Lewin, “Clinton's Health Plan: Elderly with Large Health Care Bills See Special Boon,” *New York Times*, September 27, 1993; Milt Freudenheim, “Calling for a Bigger U.S. Health Role,” *New York Times*, May 30, 1989.

The debate was not only about costs: Health care was a right according to a “grudging recognition” by a hefty majority of the Washington Business Group on Health, an association of 180 Fortune 500 companies. Its chairman, the director of health care management at Alcoa, said that group was seeking answers to “the intertwined problems” of access, quality of care, and getting costs under control. “We want to address all three at the same time.” This quintessentially progressive attitude was reflected in an emerging cross-class alliance for reform, a fact that no doubt fed Clinton's optimism about getting something passed. Before his election, the Big Three automakers had been discussing national health policy with officials of the UAW and the Michigan Blue Cross and Blue Shield Association. In 1989, the United Steelworkers and the Bethlehem Steel Corporation agreed to “develop and support an appropriate national health policy, which will assure essential care to all citizens, control health care costs and equitably distribute those costs” across the economy.⁷⁸ This collaboration culminated in 1991 with the formation of the National Leadership Coalition for Health Care Reform (NLC), which united ten unions representing workers in steel, textiles and clothing, food, construction, communications, and retail services with Anheuser-Busch, A&P, Bethlehem Steel, Chrysler, Dayton Hudson, Georgia-Pacific, International Paper, Lockheed, Northern Telecom, Pacific Gas and Electric, Safeway, Southern California Edison, Time Warner, Westinghouse, Xerox, and more. The NLC proposed a universal health care system subordinated to a European-style corporatist board composed of labor and business representatives along with government officials to set rates and make other policy decisions.⁷⁹

Even many small businesses came on board. In 1989, presidents of 565 small companies divided almost evenly on health care, according to a Dun & Bradstreet survey. Favoring national health insurance were 38 percent, opposing were 39 percent, and 23 percent were undecided. A *New York Times/CBS News* poll found in 1992 that 52 percent of firms with sales less than \$99 million supported an employer mandate. One-quarter of the members of the National Federation of Independent Business (NFIB) even favored a government single-payer plan. Therefore, not surprisingly, the Chamber and the NAM, both of which represented a mix of large and small businesses were able in 1993 to endorse an employer mandate. A large number of them already provided health benefits, so compulsion would eliminate the competitive advantage enjoyed

78. Freudenheim, “Calling for a Bigger U.S. Health Role.”

79. Frank Swoboda, “Major Firms, Unions Join in National Health Insurance Push,” *Washington Post*, March 14, 1990; Robert Pear, “Corporations and Unions Propose Tax to Pay for Health Insurance,” *New York Times*, November 13, 1991.

by companies that did not. By a 3-to-1 margin, the NAM membership favored legislation to impose universal coverage.⁸⁰

In the end, despite strong corporate interest that cannot be attributed to a fear of worse legislation, the Clinton administration's efforts, spearheaded by Hillary Clinton, met with failure in 1994. A contributory cause was division within big business over complex details of the legislation. Another reason was the dramatic but only temporary lull in health care inflation, partly explained by the swift corralling of workers into managed care plans, which reduced the urgency of the issue for big employers. The main cause was not unified rejection of reform in principle but stiff opposition from Republicans and a small contingent of conservative Democrats in Congress. In a dramatic episode of reverse lobbying, the Republican leadership browbeat the Chamber, the NAM, and the Business Roundtable, causing them to retract their earlier supportive statements and reject the Clinton plan entirely. They also threatened targeted punishments for individual companies like Ameritech, Caterpillar, and others.⁸¹

Within a decade, the Republican Party would take the lead for the first time with a major expansion of health coverage, about which some Republicans were less enthusiastic than businesspeople. Drug makers, biotech companies, and insurers actively lobbied for a large bipartisan expansion of the State Children's Health Insurance Program (CHIP) of 1997. President George W. Bush's veto of it for being too costly was overridden by Congress. But Bush gladly signed the Medicare Modernization Act of 2003. It added a Part D to Medicare for prescription drugs, a benefit that had been left out of the law at its passage 1965. An estimated 400 different special interest groups mobilized to lobby for the addition, uniting retirees in AARP with a wide range of economic players. The biggest prospective winner other than seniors was the drug industry, which had in previous years been the staunchest ally of the AMA against reform. Members of the Pharmaceutical Research and Manufacturers of America (PhRMA, formerly the PMA), stood to gain from the drug purchases of an estimated 41 million seniors who would

enroll, 13 million of whom had no previous coverage for prescription drugs.⁸² Other business advocates and winners came from a wide spectrum of industries. According to the Employers' Coalition on Medicare (ECOM), a group of big employers and associations of companies from multiple sectors, reform was "not about Democrats or Republicans" but about "an historic opportunity to update a program that is badly in need of reform." Actually, money was what they badly needed. They were to receive greater than \$86 billion in subsidies to maintain their drug coverage for retirees, a huge bailout amounting to almost 30 percent of their commitments. Not only would it "lift a burden of social insurance," according to health economist Uwe Reinhardt, but it was also a supply-side measure that would release spending for capital investment and dividends.⁸³

The election of a liberal Democratic president, Barack Obama, and the hijacking of the Republican Party by right-wingers lacking big business ties and sympathies, brought new polarization over health care. Big business, increasingly alienated from the Republican Party,⁸⁴ was clearly not the driver of polarization. Many huge corporations backed the Patient Protection and Affordable Care Act of 2010 (ACA or "Obamacare"), the biggest expansion of the American health care state since Medicare. A major pillar of the complex new legislation was the "individual mandate," an idea that came from the conservative intellectual and Republican camp, and had been incorporated into Massachusetts Governor Mitt Romney's state law of 2006. Romney credited Staples Inc. founder Thomas Stemberg for persuading him to prioritize health care. "Without Tom pushing it, I don't think we would have had Romneycare," Romney said, and "without Romneycare, I don't think we would have Obamacare."⁸⁵ The mandate to buy insurance on a highly regulated private

82. Timothy P. Carney, *Obamanomics* (Washington, DC: Regnery, 2009), 74–78; Jonathan E. Kaplan, "Blunt Plans War Room: GOP Effort to Pass Medicare Bill Hits High Gear," *The Hill*, (November 18, 2003), 1; Stuart Altman and David Shactman, *Power, Politics, and Universal Health Care: The Inside Story of a Century-Long Struggle* (Amherst, NY: Prometheus, 2011), 190, 193.

83. "The Impact of Medicare Reform on Retirees: Discussion with Ed Kaleta, chairman of ECOM," *Washington Post Viewpoint*, October 28, 2003; Thomas R. Oliver, Philip R. Lee, and Helene Lipton, "A Political History of Medicare and Prescription Drug Coverage," *Milbank Quarterly* 82, issue 2 (2004): 318; Milt Freudenheim, "Employers Seek to Shift Costs of Drugs to U.S." *New York Times*, July 2, 2003.

84. Jeffrey H. Anderson, "Republicans Fight for Small, Democrats for Big, Business," *Weekly Standard*, December 24, 2012, <http://www.weeklystandard.com/republicans-fight-for-small-demos-for-big-business/article/691098#>; Tory Newmyer, "The Inside Story of How Big Business Lost Washington," *Fortune*, February 20, 2015; Steven Pearlstein, "How Big Business Lost Washington," *Washington Post*, September 2, 2016, <http://fortune.com/2015/02/20/the-inside-story-of-how-big-business-lost-washington/>.

85. Taryn Luna, "Staples Founder Thomas Stemberg Dies at 66," *Boston Globe*, October 23, 2015.

80. Freudenheim, "Calling for a Bigger U.S. Health Role"; Martin, *Stuck in Neutral*, 60; Steven Pearlstein, "Big Business Has Gone to Sidelines in Health Care Debate," *Washington Post*, August 3, 1994.

81. Peter Swenson and Scott Greer, "Foul Weather Friends: Big Business and Health Care Reform in the 1990s in Historical Perspective," *Journal of Health Politics, Policy and Law* 27, issue 4 (August 2002); Martin, *Stuck in Neutral*, 186–87; Allen Schick, "How a Bill Didn't Become a Law," in *Intensive Care: How Congress Shapes Health Policy*, ed. T. E. Mann and N. Ornstein, eds. (Washington, DC: Brookings Institution Press, 1995), 241–44; John B. Judis, "Abandoned Surgery: Business and the Failure of Health Reform," *American Prospect*, Spring 1995, prospect.org/article/abandoned-surgery-business-and-failure-health-reform.

market applied to all uninsured citizens somewhat over the federal poverty level, and thus not eligible for Medicaid—mostly the “working poor” who lacked employer coverage. It subsidized those purchases for large numbers of that group, while promising expansion of Medicaid coverage of people, often unemployed, who even with subsidies could not afford coverage.

The individual mandate had been endorsed by major business interests well before Obama’s election, so their support was not pried out of them by fear of radical reform. In June 2007, the Business Roundtable, an association of chief executive officers of leading U.S. companies with nearly 16 million employees, declared with language similar to that of Republican mandate supporters Newt Gingrich and Mitt Romney that “all Americans have a responsibility to obtain coverage.”⁸⁶ The private health insurance industry also came out for the individual mandate well before the 2010 election. In November 2006, America’s Health Insurance Plans (AHIP) insisted that all Americans needed to be covered by health insurance, the first official big business endorsement of the individual mandate. In November 2008, AHIP announced its wish for a mandate combined with “guaranteed issue” and “community rating”—a remedy for the ongoing shrinkage of their market resulting from rising health costs, adverse selection, and expensive and unpopular underwriting practices designed to weed out customers with preexisting conditions.⁸⁷

In February of 2007, an ad hoc business assemblage called Better Health Care Together (BHCT) led a growing number of businesses calling for comprehensive coverage through an individual mandate. The BHCT included Walmart, Intel, AT&T, Qwest Communications, and General Mills. Other companies like Kelly Services, Embarq, Maersk Line, R. R. Donnelly, and Manpower Inc. joined up later. A cross-class group, it included, most notably, the large Service Employees International Union.⁸⁸ Shortly after the BHCT appeared, in May 2007, another group, the Coalition to Advance Health Care Reform (CAHCR),

86. “Business Roundtable Unveils Principles for Health Care Reform,” June 6, 2007; <http://businessroundtable.org/media/news-releases/business-roundtable-unveils-principles-for-health-care-reform>; Rick Ungar, “Newt Gingrich Long-Time Supporter of Health Insurance Mandates,” *Forbes*, May 13, 2001; Jonathan Easley, “Romney Describes Healthcare Mandate as Conservative Principle,” *The Hill* December 28, 2011.

87. John E. McDonough, *Inside National Health Reform* (Berkeley: University of California Press, 2011), 55; Don McCann, “AHIP & BCBSA Support Guaranteed Issue and Individual Mandate,” *PNHP Blog*, November 20, 2008, <http://pnhp.org/blog/2008/11/20/ahip-bcbsa-support-guaranteed-issue-and-individual-mandate/>.

88. Jonathan Cohn, “What’s the One Thing Big Business and the Left Have in Common?” *New York Times*, April 1, 2007; Mark Trumbull, “Burdened by Health Care Costs, US Businesses Seek a Shift,” *Christian Science Monitor*, February 13, 2007; Mark Halperin, “Coalition Calls for Health Reform,” *Time*, May 8, 2007.

formed to push for reform with an individual mandate and ultimately spent about \$1.3 million lobbying for reform. Leading it was CEO Steve Burd of the Safeway supermarket chain. Early joiners were thirty-six companies representing 1.7 million workers; eighteen of them were among the Fortune 500’s biggest firms. Prominent members were PepsiCo, General Mills (also a BHCT member), Pacific Gas and Electric, Wrigley, and Kroger. Insurers and drug firms Aetna, Blue Shield of California, Cigna, Eli Lilly, and PacifiCare came along too. Ultimately another thirty or so companies joined. One CAHCR member was the large medical supply firm McKesson, which earned yearly over \$100 billion in sales. The same year, AdvaMed, the national trade organization for the medical device industry came out for the individual mandate. Burd and the CAHCR were cheered on by California’s Republican governor, Arnold Schwarzenegger.⁸⁹

Last in time but not least in importance in the phalanx of businesses supporting comprehensive reform were the drug manufacturers in PhRMA. They had chosen as their head a former Republican congressman from Louisiana, Billy Tauzin, the wheeler-dealer behind President Bush’s 2003 Medicare expansion into drug coverage. In the summer of 2009, Tauzin, prodded by Pfizer CEO Jeffrey Kindler, openly and wholeheartedly declared his support. The drug industry was attracted to reform in part because it anticipated larger sales from millions of new customers covered by the private insurance industry as a result of the mandate and subsidies. It also promised the industry yet more millions from a substantial improvement in the 2003 Medicare drug coverage and the large expansion of Medicaid benefits.⁹⁰

In 2010, shortly after the ACA’s narrow victory in Congress, Helen Darling, the president of the National Business Group on Health, representing Fortune 500 employers, declared that the legislation, despite serious drawbacks, “will have mostly positive effects on large employers.” She appreciated the law’s “centrist philosophy.” Right-wing critics saw it another way, just as they had seen the business-friendly aspects of the Clinton plan and the Bush Medicare reform: they were a “giveaway to big business.” In 2003, they complained that “Medicare has become pork barrel” not least for big employers for whom it was a “long-sought prize.” In 2010, Newt Gingrich called Obamacare the result of a cross-class alliance of “big business and the secular-socialist

89. Jordan Rau, “Universal Healthcare Gains Unlikely Backer,” *Los Angeles Times*, May 7, 2007; Mike Nizza, “A.C.E.O. Pitches Universal Health Care,” *New York Times*, May 7, 2007; John Hammergren, *Skin in the Game: How Putting Yourself First Today Will Revolutionize Health Care Tomorrow* (Hoboken, NJ: Wiley, 2008), 126–27.

90. “Pfizer’s Bad Political Bet,” *Wall Street Journal*, February 12, 2010.

machine.” It was, according to the Cato Institute’s Michael Tanner, “Big Business for Socialized Medicine.”⁹¹

In short, the manifest support from businesses during the Clinton, Bush, and Obama years for moderate reforms cannot be characterized as “induced,” “strategic,” or “second-order” or contrary to any imputed “true preferences.” They were not extracted from them at a moment of weakness because of fears of worse reform on the horizon. It was Bill Clinton who operated from a position of weakness rather than strength, because no reform at all was more likely than his moderate one built on the employer mandate and managed care. On this episode, Jacob Hacker and Paul Pierson mistakenly assert that Clinton bought off large employers from their “traditional” opposition to health care expansion with special side benefits in a “divide and conquer strategy.” But big business could not have been co-opted, because their support was already there even before Clinton’s election victory in 1992, as evidenced by the 1991 NLC proposal and the *Fortune* 500 survey of the same year. The huge businesses in the NLC had no reason to fear a Democratic victory, much less a landslide, and therefore anything more radical than an employer mandate, because there was simply no popular groundswell for health reform. Clinton actually received about 14,000,000 fewer votes than his two opponents combined, neither of whom called for major reform. Also, because the survey was anonymous, it would be absurd to think that the many respondents favoring an employer mandate would have strategically spun their answers, even if Clinton’s election had looked like a certainty.⁹²

In 2003, George W. Bush was responding to overt business pressure for Medicare coverage of pharmaceuticals, even though he had defied their pressure for expanding CHIP in 1997. The drug companies’ historic about-face on health care reform cannot be attributable to their fear of a radical reform backed by a groundswell of public support for reform. They even wanted more than Bush was willing to grant them. Nor did fear of worse induce business support for expansion of coverage before and after Barack Obama’s election. Strong business support was already manifest in the form of the BHCT and the CAHCR alliances, among other things, before anyone knew a Democrat would win in 2008. And,

91. Helen Darling, “Health Care Reform: Perspectives from Large Employers,” *Health Affairs* 29, issue 6 (June 2010): 1220, 1222; Lewin, “Clinton’s Health Plan”; Robert J. Samuelson, “Medicare as Pork Barrel,” *Newsweek*, December 1, 2003, 47; Newt Gingrich, *To Save America: Stopping Obama’s Secular-Socialist Machine* (Washington, DC: Regnery, 2011), 137; Michael Tanner, “Big Business for Socialized Medicine,” *American Spectator*, June 11, 2007.

92. Jacob Hacker and Paul Pierson, *Winner-Take-All Politics* (New York: Simon & Schuster, 2011), 206.

again, there was no welling up of public pressure for reform, not even a moderate one. The individual mandate was an idea that came out of conservative and Republican circles. Also, the business support for the Affordable Care Act was not the result of Obama’s efforts at “co-opting” powerful industry groups, as Hacker and Pierson contend about both the Clinton efforts and the ACA. A more accurate case can be made that businesses extorted what they wanted—as Hacker himself argues in another context—in exchange for a promise that they “wouldn’t kill reform.”⁹³ Politicians bending under the ultimatum of powerful businesspeople renders entirely illogical the assertion that the businesspeople were being co-opted. They were the ones with the upper hand, and they exercised their power to achieve the kind of reform they wanted.

CONCLUSION: CONTINUED MISREPRESENTATION

In 1935, President Franklin Roosevelt took business organizations’ opposition to Social Security legislation with a grain of salt, thinking that many of their activists were “inclined to be ignorant and hysterical.” Quoted in a *New York Times* article entitled “Chamber Distorts Voice of Business,” Roosevelt opined that “in all too many cases the general views of business did not lend themselves to expression through its organizations.” Roosevelt’s pronouncement cannot be dismissed as rhetorical bluster. The Chamber had recently flipped away from supporting Social Security, according to *Newsweek*, because of a “maneuver by that body’s way-right wingers.” Many members present did not understand fully what they were voting for.⁹⁴ Clearly, American business was far from unified against the nascent welfare state. After passage of the Social Security Act, *Fortune* reported that its survey of businesses “belied the theory that the business community . . . is ready with one accord to scuttle the whole New Deal and set up a regime of black reaction the moment it gets a chance.” Of those surveyed, 72.2 percent favored keeping or adjusting Social Security.⁹⁵

Politicians’ and journalists’ observations in the 1930s, in the 1960s, and beyond recommend a new

93. *Ibid.*, 281; Jacob Hacker, “The Road to Somewhere: Why Health Reform Happened,” *Perspectives on Politics* 8, issue 3 (September 2010), 865. To back his claim, Hacker cites Jonathan Cohn, “How Big Pharma Extorted the White House,” *New Republic*, August 25, 2009.

94. Arthur Schlesinger, Jr., *The Coming of the New Deal* (Boston: Houghton Mifflin, 1959), 497; “Chamber Distorts Voice of Business,” *New York Times*, May 4, 1935; “The Chamber of Commerce” and “The Big Fight” *Business Week*, May 11, 1935; Swenson, *Capitalists against Markets*, 224; Robert M. Collins, *The Business Response to Keynes, 1929–1964* (New York: Columbia University Press, 1981), 38–39, 225–26.

95. “What Business Thinks,” *Fortune*, October 1939, 52–53, 90–98.

research agenda for future scholarship on business and the politics of welfare state development. In current scholarship, unrepresentative organizations professing to speak for all of business continue to confuse scholars and their readers. For example, in their discussion of health reform efforts during the Obama administration, Jacob Hacker and Paul Pierson let organizations like the Chamber and the NFIB do practically all the speaking for business, small and large, making the passage of the Affordable Care Act look like another victory of liberal forces over capital. But the Chamber is still an unreliable source. In fact, since the late 1990s, under the forceful and creative leadership of Thomas Donahue, the Chamber has become even less of a representative institution than ever. No longer wishing to rely entirely on membership fees, it dramatically increased its revenue by selling special political services to high-paying customers. For example, tobacco, coal, and insurance firms and groups have secretly commissioned the Chamber to sponsor their special projects in order to give them the veneer of broad business support.⁹⁶ In the fall of 2009, when big health insurers decided that they were no longer getting their way in the design of health reform, they secretly funneled millions of dollars to the Chamber to serve as its attack dog, all the while maintaining a posture of open mindedness.⁹⁷ In such acts, the Chamber violates its own bylaws requiring it to take stands only of “broad significance to business and industry.”

Sometimes the Chamber leadership does not even clear its actions with its own Board of Directors. Half of the companies on the board, for example, were surprised to learn in 2015 that the Chamber’s domestic and international lobbying contradicted their own anti-tobacco and pro-climate action positions. Another measure of the organization’s misrepresentation of business is the fact that its 2,000 local and state chapters—a much smaller number than in the 1960s—are far outnumbered by the 5,000 or so that

96. Jim Vandehei, “Political Cover: Major Business Lobby Wins Back Its Clout by Dispensing Favors,” *Wall Street Journal*, September 11, 2001; Danny Hakim, “Big Tobacco’s Staunch Friend in Washington: U.S. Chamber of Commerce,” *New York Times*, October 9, 2015; Danny Hakim, “U.S. Chamber of Commerce Works Globally to Fight Antismoking Measures,” *New York Times*, June 30, 2015; Coral Davenport and Julie Hirschfeld Davis, “Move to Fight Obama’s Climate Plan Started Early,” *New York Times*, August 3, 2015.

97. Among other worrisome things for insurers was the fact that the Senate Finance Committee bill, soon to be voted on, foresaw inadequate subsidies for low income people to help them obey the individual mandate, and weak penalties for not doing so. Laundering their opposition money through the Chamber was consistent with a strategy to pressure for improvements, not evidence of a desire to block any and all reform. Ceci Connolly, “Insurance Group Says Health Bill Will Mean Higher Premiums,” *Washington Post*, October 12, 2009; Peter H. Stone, “Health Insurers Funded Chamber Attack Ads,” *National Journal*, January 12, 2010.

remain independent. Some of the chapters even “decry the Chamber’s combative culture.” Many state chambers of commerce have acted in line with members’ pragmatic economic self-interest in promoting the Affordable Care Act’s expansion of state Medicaid programs, sometimes tipping the scale in its favor in the face of intense, ideologically motivated Republican resistance. Furthermore, on labor issues, a poll commissioned in 2016 by the Council of State Chambers of Commerce found that majorities ranging from 72 to 80 percent of 1,000 top executives surveyed—nearly half of them owners—actually favored raising the minimum wage, expanding parental leave, requiring paid sick days, and banning “on-call” scheduling. That anyone might be surprised by these survey results attests to the enormous success of business organizations’ strategic deceptions over time. Not surprising is the fact that the national Chamber suppressed the results—as had the NAM with its 1965 survey showing only a modest minority opposing Medicare. The 2016 Chamber survey came to light only when it was leaked to the press.⁹⁸

Although many observers think otherwise, the NFIB is no more reliable as “the voice of small business”—as it claims—than NAM was for manufacturers in the early 1960s. Like the Chamber, the NFIB is a lobbying organization for hire by very high bidders. In 2012, it received \$1.25 million from Donor’s Trust, which is closely associated with the arch-conservative Koch brothers, Charles and David. Needless to say, Donor’s Trust is not an outfit servicing small businesses’ political needs. Also contributing was the Bradley Foundation, established by Harry Bradley, who was, along with father Fred Koch, one of the charter members of the “lunatic fringe” JBS, the NAM’s former ideological beacon. Together these two outfits bankrolled the NFIB’s expensive efforts as the lead and only major business plaintiff in the Supreme Court case against Obamacare, *NFIB v. Sebelius*; no other business organizations spoke up against it in *amicus curiae* briefs. Because the NFIB receives millions of dollars in secret “contributions” from a handful of big donors, accepting what it claims about the views of small businesspeople and the self-employed on the ACA, millions of whom (along with their employees) now buy insurance policies on government exchanges, is to take a particularly daring inferential leap. The same applies to the representativeness of the NFIB’s stand against

98. Danny Hakim, “U.S. Chamber Out of Step with Its Board,” *New York Times*, June 14, 2016; “The Chamber of Secrets,” *Economist*, April 21, 2012; Alexander Hertel-Fernandez, Theda Skocpol, and Daniel Lynch, “Business Associations, Conservative Networks, and the Ongoing Republican War over Medicaid Expansion,” *Journal of Health Politics, Policy and Law* 41, issue 2 (April 2016): 239–86; Robb Mandelbaum, “Leaked Poll Shows Chamber Members Support Higher Wages—Even Though the Chambers Don’t,” *Forbes*, April 24, 2016.

climate action and thus in favor of the Koch Industries' huge fossil fuel operations.⁹⁹

In sum, evidence from Medicare's passage and beyond proves that much more than shaky inferences from business organizations' policy positions is needed to support a class conflict view of the politics of health care. Medicare was not the result of a shift in the balance of class power against conservative capitalists. Other steps in the building of the American health care state reveal that Medicare was not an exception. The pattern is one of division within the business world and often solid support from powerful corporations that have direct lines of influence into the halls of power. Because of the economic interests involved, we can comfortably infer that their support was genuine. That inference is supported by a scattering of anonymous surveys and by the fact that the support was sometimes manifested even before any undesirable reform looked like a strong possibility. Generalizing from health care politics, it is reasonable, therefore, to reject the simplistic view that the welfare state is an arena of "political class conflict." The reality is more complicated and interesting.

In the future, research on business and the welfare state needs a wider range of evidence than is typically consulted. That will involve generating better data about individual companies and the business organizations that profess to represent them. That organization leaders often enjoy a great deal of policy autonomy relative to members because of oligarchic control must be taken seriously; internal democracy cannot be assumed or assurances about it from organization officials taken at face value. Also needed is a less prejudicial analytic perspective and therefore fewer shaky conclusions about strategic position taking by businesses and their organizations. Most important for interpreting business positions on welfare reforms is evidence about the real and diverse economic interests that might either be harmed or served by them. Without such evidence—especially when archival sources are lacking—it is nearly impossible to distinguish sincerity from subterfuge. With good evidence about economic interests, we can ultimately generate better historical accounts of welfare state development—and a deeper understanding of the power of capitalists in capitalist societies.

99. John Tozzi, "Is the Small Business Lobby Really All About Big Business?" *Bloomberg Businessweek*, September 26, 2012; Josh Harkinson, "Meet the Front Group Leading the Fight against Taxing the Rich," *Mother Jones*, July 23, 2012; Chris Frates, "Koch Bros.-Backed Group Gave Millions to Small Business Lobby," *CNN Politics*, November 21, 2013; Denise Robbins, "Meet the National Federation of Independent Business, the Corporate Front Group Claiming It's the Voice of Small Business," *Media Matters*, March 30, 2016; NFIB, "EPA's Clean Power Plan Is a Dirty Trick, Says Small Biz," October 27, 2015, <http://www.nfib.com/content/analysis/energy/epas-clean-power-plan-is-a-dirty-trick-says-small-biz-71425/>.