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Congress and Big Business

Money talks. Everyone knows that. It talks a lot to Congress. Well-heeled lobbyists, political action committees (PACs), expense-paid junkets, multimillion-dollar campaigns, and juicy honoraria are abiding elements of American political lore. Everyone knows, too, that the rich do better than other people at getting their opinions heard and their interests accommodated by legislators. Average citizens, political scientists, and the members of Congress themselves join in bewailing the excessive importance of money in politics.

Congressional politics is part of the fundamental social conflict in America. Congress is one arena in which this conflict takes place, but it is not an independent arena. Forces outside Congress influence what goes on inside it; in particular, if the Marxist theory is correct, Congress is influenced heavily by the economic structure of our society. Those who dominate the American economy dominate Congress as well. But Congress is also the most democratic part of our national government. Thus, oppressed social groups have found it the most permeable part of the state, often seeking to use congressional politics to advance their cause....

We can see the effect of economic structure when we compare the way Congress handles different issues. In 1977, with the nation suffering from an energy shortage that restricted economic growth, hurt the balance of trade, inflated the cost of living, and forced many poor people to go without heat in winter, President Jimmy Carter presented a comprehensive national energy plan to Congress. After two years of hearings, backroom negotiations, and public debate, Congress managed to pass only one part of the plan: It removed price controls from natural gas, thus making energy even more expensive.

In 1989 the wreck of the oil tanker Exxon *Valdez* killed thousands of waterfowl, fish, marine mammals, and plants, threatened the ecological balance of Prince William Sound, and infuriated the public. Individual members of Congress responded with thousands of dramatic public speeches; but it was sixteen months before Congress as a legislative body managed to pass a bill raising the limits on liability of negligent oil shippers from $150 to $1,200 per ton of oil. Although the final bill was considered a victory by environmental lobbyists, several concessions had to be made to the oil industry before it could be passed. Double-hull requirements for oil tankers were deferred until 2010 (and to 2015 for most barges and for ships unloading offshore to lighters), oil companies shipping oil in tankers owned by others were exempted, and state governors lost any power to determine when a cleanup was complete.

In the early 1980s a large number of savings and loan associations—known as thrift institutions, or simply "thrifts"—began to lose money; by 1987 many were in danger of failing. The Federal Savings and Loan Insurance Corporation (FSLIC), which insured thrift deposits of $100,000 or less, warned that it might not be able to pay all the claims. Congress gave the FSLIC another $10 billion in 1987, but otherwise did nothing until after the 1988 election. Then, in early 1989, Congress moved with remarkable speed to enact a complicated—and expensive—reorganization plan for the thrift industry. President George Bush proposed a plan on February 6 and signed a new law on August 9. The S&L Bailout—as it became known—would cost $50 billion by the end of 1991, and at least $110 billion by 1999; some of the money would be paid to the holders of insured accounts, but much of it would be used to subsidize healthier, more profitable banks and thrifts in taking over unhealthy ones.

In this case Congress acted not only quickly but ingeniously. Since the passage of the Gramm-Rudman-Hollings Deficit Reduction Act (GRH) in 1985, new spending programs had been difficult to create. The bill deftly evaded this problem. It simply labeled $30 billion "off-budget" and assigned the remaining $20 billion to a fiscal year that had already begun—and which therefore had already passed the GRH test.

One could argue that Congress acted so quickly and smoothly in the savings and loan case because it simply had to. The nation faced a crisis, and failure to act would have had unthinkable consequences. However, this line of thought leads to further questions. What is a crisis? What sort of consequences are unthinkable? In 1991 a cholera epidemic broke out in Peru, threatening to spread throughout South and Central America; it was expected to be hard to stop because the projected cost of the necessary sanitary improvements was prohibitive—$200 billion over twelve years, or about the same as the savings and loan bailout.

Closer to home, it has been argued that American public education is in crisis. Millions of young people fail to complete high school; millions more graduate unable to read, to multiply fractions, or to understand the basic nature of atoms and molecules. These consequences are unthinkably tragic, but they are happening, and Congress has not found the will to prevent them.

Marxists use the concept *of hegemony* to explain the differences between these two crises. Hegemony refers to the dominating power of a social class (or part of one) whose class interests have come to be widely accepted as equivalent to the interests of society as a whole. The United States today is dominated in this way by the giant multinational corporations.

The American economy is not just capitalist; it is dominated by a small number of gigantic capitalist corporations. In 1988, the 500 largest industrial corporations in the United States— the so-called Fortune 500—had total sales of over $2 trillion. One-fifth of this amount, $402,183,000,000, was produced by just five companies: General Motors (GM), Ford, Exxon, International Business Machines (IBM), and General Electric (GE). In the same year, there were about 3.5 million corporations, and 14 million nonfarm proprietorships and partnerships, in the United States. The three major automobile makers alone employed 1,270,000 people, had assets of $356 billion, and earned profits of $11.2 billion. The ten largest commercial banks—all but one of them located in New York City—had assets of $860 billion, with nearly one-quarter of that, $207 billion, held by one bank, New York's Citicorp.

These giants are so big that the rest of the country needs them to be healthy. When Chrysler Corporation, only the third largest automobile maker, faced possible bankruptcy, the federal government stepped in to save it. It stepped in again to avert the failure of Chicago-based Continental Bank Corporation, the fourteenth largest commercial bank. As this practice has become more common, it has acquired a name, the "too big to fail" doctrine. It is one example of *hegemony.*

When Charles E. ("Engine Charlie") Wilson went from president of General Motors to secretary of defense in the Eisenhower administration, he told a Senate committee that he was not worried about any possible conflict of interest because he had always believed that "what was good for our country was good for General Motors, and vice versa. The difference did not exist. Our company is too big. It goes with the welfare of the country."

In the largest sense, Wilson was dead wrong. GM has been a cumbersome, inefficient enterprise that has contributed greatly to a whole range of national problems, from low productivity to air pollution to worker alienation. But in the short run—that is, given that GM already existed—Wilson was right. GM's huge labor force, its annual sales, and its impact as a customer on other major industries were so great that a failure of GM—or of another giant corporation—might well have plunged the whole economy into recession.

Corporate Hegemony

Until sometime in the early 1970s the giant financial and industrial corporations were able to dominate America and much of the rest of the world. This domination gave them a sense of security and led some to conclude that they were more interested in stability than in profits. Since that time, however, their dominance has been threatened by growing international competition. The best-known example is the auto industry, in which the big three U.S. automakers have lost market share to Japanese and European competitors both at home and abroad; but the same thing has occurred in many other industries as well.

This new global competition has changed both the composition and the interests of the hegemonic bloc. By reviving the emphasis on profits it has reinforced the dominance of finance capital over industrial corporations. Such once-mighty giants as IBM have learned that Wall Street would rather shift its investments to other companies and industries than support them in fighting to preserve their corporate position. The willingness of many corporations to accept high wages and benefits and a certain amount of government regulation is likewise falling before international competitive pressure. These changes in the economic position of U.S. big business have had important political results; but the basic division between hegemonic and nonhegemonic sectors of the capitalist class remains.

Politics and ideology tend to reflect economics. Thus, the state (including Congress) tends to further the interests of the giant corporations; and public debate tends to be carried on in terms that incorporate those interests—as in 1990, When President Bush referred to protection of Exxon's oil supplies in the Persian Gulf as a defense of "our way of life." This is not automatically so. The nonhegemonic classes can and do organize themselves to contend for political power, and to change the terms of public discourse. But they find it harder to win; and unless they succeed in changing the economic structure as well, such political and ideological reforms are likely to be only temporary. Let us look at some concrete examples.

The crisis in the savings and loan industry threatened to destabilize the whole financial system, endangering giant banks along with small thrift institutions. It thus struck at the heart of corporate hegemony. The nature of this hegemony is missed by much left rhetoric. For example, Manning Marable has written recently:

> Is it right for a government to spend billions and billions for bailing out fat cats who profited from the savings and loan scam while millions of jobless Americans stand in unemployment lines desperate for work? Is it fair that billions of our dollars are allocated for the Pentagon's permanent war economy to obliterate the lives of millions of poor people from Panama to Iraq to Grenada to Vietnam, while two million Americans sleep in the streets and 37 million Americans lack any form of medical coverage?

The policies Marable decries are indeed neither right nor fair; but even those members of Congress who agree with this characterization fear that allowing the savings and loan industry to collapse, or (more debatably) cutting the military budget, would send even more millions to the unemployment lines or into the streets. For this reason, debate within Congress about the savings and loan crisis has centered on who should take the blame, not on whether to act.

By contrast, the crisis in education strikes at the U.S. working class, and cholera threatens workers and peasants in other countries. Millions of lives may be blighted, neighborhoods destabilized, and great human suffering caused, but most members of Congress still see a solution as optional—something we certainly ought to do if we can just find the money. Even the advocates of school reform find it useful to base their arguments on the need of capitalism for a more skilled labor force.

This is the theory of hegemony in its bare bones. Hegemonic interests are privileged in that Congress and the state act quickly and effectively to protect them; they find it more difficult to promote other interests that are equally vital in human terms. But students of politics must ask how this privilege is maintained. What is it about our political system—what is it about Congress—that makes it more responsive to hegemonic interests than to others?

In fact, the interests of the great corporations are well entrenched in the structure of American government. This structure is itself the product of past political struggles, dating back at least to the drafting of the Constitution. Some of these struggles have been won by the working class, farmers, and petty bourgeoisie; by women; by racial minorities; and by other democratizing forces. But on the whole, the trend has been toward the kind of state envisioned by Alexander Hamilton, a state dedicated to furthering business interests.

Corporate hegemony is built into the structure of Congress on at least three levels. First, it has become part of our basic legal order. Second, it is built into the separation of powers, which places the most crucial decisions outside of Congress's reach. Finally, it is part of the internal structure of

Congress itself. The end result of decades of conflict is that Congress finds it easy to act on behalf of corporate interests and difficult to act against them. These structural features are reinforced by the nature of the American electoral system, and by the weakness of anticapitalist ideology.

Americans think of our legal order as founded on individual rights. However, the meaning of these rights has been transformed since the U.S. Constitution was first written. On the one hand, rights have been broadened and extended in such a way that the universalistic language of the Declaration of Independence is now applied to the propertyless, to women, and to the descendants of slaves, none of whom had been included at first. On the other hand, the language of rights has been applied to big business, becoming a fundamental restraint on the power of Congress and other democratic institutions to regulate business in the public interest.

Perhaps the most important business victory was the extension of individual civil rights to corporations. Today this extension has become such a basic feature of our legal system that we tend not to notice it, but it came about only in the latter half of the nineteenth century. Through a combination of state and federal legislation and Supreme Court decisions, two legal doctrines became firmly established. First, corporations— which had been conceived of originally as quasi-state agencies chartered by the state in order to achieve an important public purpose, such as building a bridge or a canal, settling Massachusetts Bay, or conquering India—were transformed into a means of concentrating capital without exposing its individual owners to excessive risk, for the sole purpose of making money.

Second, these corporations gained the status *of persons* under the law, and as such won the legal rights granted to persons by the Fourteenth Amendment. This amendment had been designed to give federal protection to the freed slaves; but the Supreme Court ignored this purpose for seventy years, while using the amendment to protect corporations from government regulation. The Court has since backed away from some of its more extreme interpretations, but the basic legal structure of corporate rights continues to place many possible policies beyond the bounds of congressional or state legislative action.

Most recently, the Supreme Court has extended freedom of expression to corporate persons. The Court ruled in 1975 that the First Amendment applied to commercial advertising and, in 1980, extended it to cover political advocacy by businesses. A constitutional provision intended to protect human democracy and individualism thereby became a barrier to attempts to protect democratic discourse from the domination of capital.

The interests of giant corporations are also built into the operation of the constitutional separation of powers. Those who study the making of public policy know that the balance of power between Congress and the president varies with the issue at hand. The executive branch has the largest role in foreign policy, military action, and the regulation of the national economy. The president can order military action, recognize foreign governments, or sign Executive Agreements without congressional approval. Even when funds must be appropriated by Congress, he has considerable discretion to divert them to other purposes—and, as the *Iran-contra* case showed, he also has the *de facto* ability to exceed that discretion. He and his appointees also play the major role in attempts to regulate the national economy.

Congress, for its part, wields more detailed control over such issues as aid to education, environmental protection, housing, health, and welfare. In these areas, presidentially appointed officials must work with specific mandates and finite appropriations from Congress, and important issues are often decided by Congress, in committees or by floor amendments.

Some of these differences are rooted in the Constitution, whereas others have emerged since—as with the creation of the Federal Reserve System; but in general, those policy areas that are more vital to the interests of the great corporations are further removed from the influence of Congress.

Nonhegemonic classes and groups have better access to Congress than to the president and his inner cabinet, but this access does not give them proportional influence over those matters most important to the hegemonic fraction. The president can invade Grenada or Panama, go to war with Iraq, or sponsor terrorist attacks in Nicaragua, and Congress finds it hard to restrain him. The Federal Reserve system sets the nation's monetary policy, a key determinant of the fate of our economy, with little accountability to Congress or even to the president. In the case of foreign affairs, Congress's power is limited by the Constitution, which makes the president commander in chief of the armed forces; but it has been unable to resist the erosion of its own power to declare war. The United States fought both the Korean and Vietnam wars without formal declarations of war by Congress, and in the case of Vietnam the fighting continued long after Congress had turned against it. Finding itself unable to stop a war that was under way, Congress passed the War Powers Act of 1974; but this act has proved ineffective, having often been ignored by the president. However, the regulation of banking and currency are powers assigned to Congress; its loss of influence in these areas is the result of its own past decisions to create and maintain the Federal Reserve System. As a result, Congress must try to manage the economy—if it wishes to try at all—by raising or lowering federal taxes and spending, tools that are difficult to wield and uncertain in their effect. The powers to regulate interest rates and the money supply have proven more effective, but they have been removed from Congress and given to the Federal Reserve Board and the Federal Open Market Committee. In both cases, political struggles of the past have helped form structures that bias the political struggles of today.

The class basis of the separation of powers, and its changes over time, merit further study. As a simple approximation we could say that hegemonic interests dominate the presidency, whereas the influence of other social forces is confined to Congress. But hegemony operates within Congress as well. Congress has been unable to stop presidents from encroaching on its traditional powers partly because the interests that dominate the presidency also control the main levers of power within Congress.

Decisionmaking in each house of Congress is formally democratic, usually by majority vote. Yet small groups of members have always possessed the greatest share of power over decisions. Such power can come from control over the flow of bills to the floor, as with the party leaderships and the House Rules Committee; or from control over important legislative subject matter, as with the appropriations, tax-writing, and budget committees. The Appropriations, Rules, and Ways and Means committees in the House are called "exclusive committees"—because they are so important that their members are not supposed to serve on other standing committees at the same time (a rule often broken, as it happens).The House Budget Committee is a special case; it is formed of selected representatives from other committees, and its chair, rather than being chosen by seniority, is elected by the House and considered a member of the House leadership. The Senate also recognizes certain committees as having extra importance Appropriations, Budget, Finance (the Senate equivalent of House Ways and Means), and Foreign Relations (given special importance in the Senate because of that body's treaty ratification power). For ease of reference, all of these will be referred to from now on as *hegemonic committees.*

Both party leadership and hegemonic committee positions are almost always held by members who have incorporated the hegemonic ideology into their own outlooks. Several studies have shown that positions of power go to those members who have a "responsible legislative style," one of the essential elements of which is a willingness to put what is conceived of as the national interest ahead of narrow constituency interests.

For hegemonic committees, congressional leaders also prefer to pick members who come from seats that are relatively safe, so that they will be less subject to popular pressure on controversial decisions. There is also some self-selection of members. Richard Fenno, in a famous study of House committees, found that representatives were most likely to seek seats on the Ways and Means or Appropriations committees if they were more interested in achieving power as an end in itself than in promoting specific policies. Given the structure of American society, such power can best be pursued by choosing to side with big business.

These selection procedures do not work perfectly. However, potentially dissident committee members find themselves outnumbered and face strong pressure not to rock the boat. If they cooperate with hegemonic interests, they can use their committee positions to win significant benefits for their districts or for other interests they support; but if they come to be seen as troublemakers, such benefits are much harder to come by. Generally such pressures are enough to keep potential dissidents in line.

The hegemonic fraction does not dominate Congress through sheer force; its power is maintained only by the tacit, and sometimes open, support of a majority of the members, who could vote to change the structure at any time. One of the strengths of Congress is that its leaders understand this contingency and act consciously to maintain their support. "Responsibility" includes "reciprocity" and "accommodation"—the willingness of a member of Ways and Means, for example, to serve as a voice for interests in his or her region that want particular concessions in the tax code, and to cooperate with members from other regions with like interests. The willingness to grant such concessions from time to time provides the solid foundation for the Ways and Means Committee's ability at other times to gain acceptance of an omnibus tax bill under a closed rule.

As Fenno observes, the power of the hegemonic committees is reinforced by institutional pride. House members want the Ways and Means Committee to be strong, because its power is, to some extent, theirs as well.

In addition to a generalized willingness to be accommodating, hegemony within Congress can involve specific accommodations of particular groups. For example, the Rayburn-McCormack leadership of the House Democrats—whose successors, known as the Austin-Boston Axis, remained in control of the House Democratic leadership through the 1980s—won and maintained power on the basis both of a moderate New Deal ideology and of a very specific agreement that amendments to the tax code that were regarded unfavorably by Southwestern oil interests would not be allowed on the floor. The oil industry has since been forced to fight harder for its interests, but it continues to be well represented in the House and Senate tax-writing committees, and still receives tax treatment more favorable than that accorded to most other industries. This arrangement is a reflection of the central position of the oil companies in the American economy—their inclusion in the hegemonic bloc—but it is not an automatic result of that economic importance. Rather, it is the consequence of a series of political victories by which the representatives of the oil companies have gained control of some of the levers of congressional power.

These three structural factors—the basic legal order, the division of powers among the branches of government, and the power of the hegemonic committees within Congress— provide the terrain on which pluralist conflict takes place. This conflict is fought out with the usual weapons of democratic politics—namely, votes and money; but the giant corporations enter the battle already in possession of the commanding heights and are therefore much more likely to win.