THE POLITICAL ECONOMY

The Knights of The Roundtable

THOMAS FERGUSON and JOEL ROGERS

In early 1978, as they fine-tuned an attack on the Consumer Protection Agency bill then pending in the House, two staff members of the Business Roundtable discussed the upcoming vote in a conversation later reported by Fortune:

Thomas Ferguson and Joel Rogers are members of the political science departments of the Massachusetts Institute of Technology and Princeton University, respectively.
Henry Gonzalez of San Antonio . . . should we use Sears? We have problems with Jake Pickle on this. I'm not sure we can get him . . . OK, let's ask Sears about Gonzalez . . .

Delaney of Long Island . . . well, Delaney's a character, still he was helpful as chairman of the Rules Committee . . .

Bristol-Myers is close to Delaney, let Bill Greif handle that . . .

Gaydos of Pennsylvania . . . ask Alcoa if they'll do it, John Harper was very enthusiastic about this one . . .

Hatfield of Continental could do it but I hate to have to ask him . . .

Marks of Sharon, Pennsylvania . . . ask Ferguson of General Foods to call Kirby of Westinghouse about Marks . . .

Gore of Tennessee . . . Carrier Corp. and TRW . . . do we really have a chance with Gore? We really think we do? Ask Lloyd Hand of TRW . . .

Let's be careful . . . but if we haven't done our job by now . . . we have, we've got the votes and we know it.

Combined with pressure on top Administration figures and an intensive publicity campaign of cartoons and canned editorials sent to some 4,000 newspapers, Roundtable Congressional lobbying against the proposed agency was spectacularly successful. Despite the support of a broad coalition of consumer groups, the bill was defeated overwhelmingly in the House. As Fortune noted, "The agency is now only a ghostly heap of rubble—a war memorial to the new firepower of business on Capitol Hill."

Since its formation in 1972, the Business Roundtable has emerged as the leading political organization of corporate America. Composed of the chief executive officers of some 200 of America's largest (predominantly manufacturing) firms, the Roundtable has repeatedly demonstrated its ability to lobby the Congress, advise the President, change the law and initiate legislation with equal authority, ease and success. The Roundtable is more powerful than the small-enterprise-dominated National Association of Manufacturers and United States Chamber of Commerce, more visible and broadly active than the Business Council, more capable of mounting a far-reaching program of Big Business demands than any of the flourishing single-issue groups. In the past few years it has worked in an extraordinary range of public policy areas: destroying the Labor Law Reform Bill, undermining the consumer protection agency proposal, turning back common situs picketing initiatives, rewording one of the clean air acts, designing the first Carter tax program, promoting natural gas price deregulation, blocking attempts to audit the Federal Reserve, bottling up antitrust bills in the House and Senate, even excising all references to antitrust from Carter's 1979 State of the Union Message.

In an age obsessed with the multiplication of single-issue pieties is distinguishing itself as a single group with multiple issues making a unified attempt to control the agenda of national legislative politics. Massive, centralized and tightly coordinated, this legislative intervention represents a sharp break with the practice of more than a generation of formal Big Business political organizations content to operate chiefly within the executive branch.

That Big Business should now need to make such a continuing, centralized intervention in the legislature is a striking indicator of how different the politics of the 1980s will be from the days of the New Deal. It suggests the great gulf between the present age and that simpler time when America dominated the world economy, energy was cheap, labor and capital were partners in industrial progress, executive authority was unquestioned and the cash flow to professionals was not yet enough to strain seriously their relations with Big Business.

The decisive factor in bringing that era to an end, and eventually inspiring formation of the Roundtable, was the great boom of the middle and late 1960s. By cutting unemployment, this unprecedented period of prosperity upset the delicate balance of power between labor and capital that had been institutionalized in the later stages of the New Deal. By sharpening competition among firms, it eroded traditional business community cohesion, and compelled the reorganization of corporate power.

Much of the conflict produced by this shifting pattern of trade union power and business response centered in the
construction industry. With its huge size (10 percent of the G.N.P.) and cyclical growth, construction provided the most extreme example of the dangers of boom economics to business bargaining power. Not surprisingly, the industry was a major target of the Roundtable's early organizational efforts.

Even in normal times, the highly skilled, virtually preindustrial character of some work in construction confers unique advantages on unions. Through the hiring hall, the building trades control manpower allocation. Through union-administered apprenticeship programs, they control labor market entry. And the decentralized character of much of the industry has historically limited the force of industrywide bargaining, and given union locals unusual autonomy.

The boom further enhanced the strong bargaining position of the building trades. Especially after 1965, wage increases in construction ran far ahead of other industrial sectors. With demand astronomical, and job assignment controlled by the unions, building tradesmen could repeatedly strike one construction site, assign workers to another, and wait for the construction user (i.e., the firm commissioning the contractor) to put pressure on the contractor to settle on terms advantageous to the union. They could also insist on rigorous interpretations of job descriptions and jurisdictional claims, and enforce controversial work rules.

As construction costs continued their upward spiral during the late 1960s, calls for cooperation between construction users and contractors mounted in a succession of conferences and task force reports sponsored by the Chamber of Commerce and the National Association of Manufacturers, speeches by big-firm representatives such as Shell's Richard McCurdy, and even the Federal Reserve, which urged Fed banks to impose a moratorium on nonessential construction.

Despite these initiatives, chaos in the industry persisted. A striking example of disorder in the business ranks, and the event that finally goaded major users into organizing, was the construction of General Motors' notorious superautomated Vega and small truck plant in Lordstown, Ohio. Lucrative overtime at the site became a magnet for construction workers all over the Midwest, squeezing other contractors in the region. The Associated General Contractors (the nation's largest contractor association), along with regional contractor groups, complained bitterly to G.M. without result. The main regional contractor association went so far as to propose a "total boycott" of G.M. products by construction management, and attacked the company in a letter to Paul W. McCracken, the chairman of Nixon's Council of Economic Advisors.

Soon afterward, a Roundtable prototype emerged. Urged on by members of the Business Council, Roger Blough (former chairman of both the Business Council and U.S. Steel, then a partner in White & Case, the law firm long associated with U.S. Steel) announced the formation of the Construction Users Anti-Inflation Roundtable in August 1969. With its glittering membership of high-level officials from many of the largest corporations in America, including Fred Borch of General Electric, J.K. Jamieson of Exxon, Frank Milliken of Kennecott Copper, James Roche of G.M., Warren Shaver of U.S. Steel and John Oliver of Du Pont, the Users Roundtable offered promise of big-user cooperation with contractors unmatched by previous efforts.

Its influence within construction grew steadily. Over the next few years the original membership of some fifty firms more than doubled. The organizational structure of a rotating policy committee and a network of special task forces evolved, which with some modification continues in the current Roundtable. And more than fifty mini-Roundtables of local user groups were organized throughout the country.

The Users Roundtable attacked on many fronts. It pushed for regional multicontractor-multitraded bargaining to help overcome industry fragmentation. It developed an extensive information system for coordinating local user action to avoid incidents like that at Lordstown. And it furthered the politicization of the courts by mounting an extremely broad, aggressive litigation campaign directed against union power.

In its litigation efforts, the Users Roundtable often cooperated with the Labor Law Study Group, a notably unpublicized association of representatives from some fifty major firms (including A.T.&T., Bethlehem Steel, Chase, Citibank, Du Pont, Ford, General Dynamics, G.M., Humble Oil, Sears, Roebuck and U.S. Steel) formed in response to organized labor's 1965 attempt to repeal the 14b "right to work" section of the Taft-Hartley Act. Initiating or joining suits as "friends of the court," the Labor Law Study Group and Users Roundtable (and later, the Business Roundtable they became) broke new ground in labor law in more than fifty major cases. Among other things, these cases enabled companies to get injunctions in state courts when unions violate no-strike agreements, relieved an employer from liability under a contract made by a predecessor, limited First Amendment union freedoms, attacked union rights to prehire agreements and tightened the definition of (illegal) secondary picketing and boycotting. Other suits curtailed welfare and unemployment benefits for striking workers, opened union associations to antitrust action and increased international union liability for picket-line and other union-related violence.

At the local level, the Users Roundtable urged member firms to open bidding on construction projects to nonunion contractors. Local user groups funneled a number of large construction contracts to the biggest open-shop company, Brown & Root (more than doubling its billings between 1972 and 1973), experimented with personnel allocation alternatives to the union-controlled hiring hall and sponsored a series of in-house studies on administrative remedies for jurisdictional disputes, reformation of the hiring hall, elimination of costly overtime practices and development of uniform management-oriented contract language for use in regional bargaining. (This last move raises interesting questions of industry collusion, although the notoriously infirm section 20 of the Clayton Act renders successful antitrust prosecution of the Roundtable a doubtful prospect.)

On the legislative front, the Roundtable repeatedly joined
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with other business groups to beat back common situs picketing bills, which would have permitted secondary activity by unions on multi-employer construction sites. It also launched a massive attack on Federal and state Davis-Bacon acts, which bind contractors on government-funded construction projects to pay the wage prevailing in the region where the construction takes place.

In March 1973, the Roundtable announced that it would “help make possible two important studies of the construction industry by an interested agency possessing high professional repute.” The two studies duly appeared two years later: *Open Shop Construction* by Prof. Herbert Northrup of the Wharton School of Business, and *The Davis-Bacon Act* by Armand Thiebaut of the University of Maryland. Both cited the historic importance of Davis-Bacon in consolidating union power. Thiebaut denounced the Federal regulation as an inefficient anachronism of New Deal politics. This impartial assessment was later endorsed by the General Accounting Office, *The New York Times* and *The Chicago Tribune*.

The Roundtable also worked up its own study of the problem, *Coming to Grips With Some Major Problems in the Construction Industry*, which concluded that although the “ultimate remedy would be the outright repeal of the Davis-Bacon Act itself,” “political reality” made such repeal unlikely in the immediate future. The report advised adopting a dual strategy: try to repeal the Federal law entirely, but also attack the way the law is administered and push for repeal of the state wage-standards acts known as “little Davis-Bacons.”

This proposed dual strategy has since been avidly pursued by the local user groups, operating at the state and regional level, and by the Roundtable member firms’ Washington representatives working on Capitol Hill. In the last two years, more than twenty state legislatures have opened deliberations on repeal of a little Davis-Bacon regulations, and repeal bills have been introduced in eleven states, passed in two (vetoed in one of them) and will come up again next year. In Congress, in addition to three different measures urging total repeal, the Roundtable sought to chip away at the Federal act by excluding from its protection a number of appropriation and procurement bills, including appropriations for the Department of Housing and Urban Development and the Department of Defense; transplanting administration of the act from the Department of Labor to the more tractable Office of Federal Procurement Policy, and amending a number of the conditions of its application, including requisite contract size and percentage of Federal funding. These efforts failed in the past session of Congress (although barely in a number of instances), but they will provide guidelines for action in the Congress about to be elected.

As a result of the Roundtable’s offensive, in many areas of the country the once powerful building trades unions are reeling. The dollar volume and industry percentage of non-unionized construction has grown all through the decade. Many once exclusively union contractors are now open shop, or operate both union and nonunion companies in so-called “double-breasted” operations. The Associated Builders and Contractors (the major open-shop trade association) estimates that open-shop contractors will account for 60 percent of new construction next year, compared with the roughly 30 percent of the market they commanded at the time of the Roundtable’s formation.

The metamorphosis of the Construction Users Anti-Inflation Roundtable into the Business Roundtable began with the emergence of the March Group in the early 1970s. This relatively informal gathering of chief executive officers from several top firms was prompted by sharp business anxiety over the declining position of the United States in a newly competitive world economy. Their concern was shared by prominent members of the Business Council and such Administration figures as Treasury Secretary John Connally (a former Halliburton director) and Federal Reserve Board Chairman Arthur Burns. First chaired by G.E.’s Borch, the group also attempted to achieve some consensus about business strategies in several broad areas of public policy, including taxation, consumerism, the environment and international trade.

Some two-thirds of the corporate members of the March Group were also members of the Users Roundtable, which in turn had a substantial membership overlap with the Labor Law Study Group. A high percentage of firms in all three groups were members of the Business Council. The Business Council had represented Big Business in Washington since the New Deal, working largely through direct, quiet contacts with the White House, key executive agencies and select members of Congress. But with widespread hostility to Big Business taking increasingly sharp Congressional expression, the need for a Big Business group that could aggressively and openly lobby both Congress and the public became apparent.

With some background prompting from Connally, the three new groups moved toward merger. The Labor Law Study Group affiliated with the Users Roundtable in November 1972. The March Group came on board the following May. The expanded group announced itself as the Business Roundtable. In this, its final incarnation, the Roundtable absorbed and expanded on most of the programs of all three prior organizations, while preserving the basic institutional structure of the Users Roundtable. But it also committed substantial resources to areas outside construction, litigation and Congressional lobbying.

It has, for example, made a major effort to advertise its own version of how the American economy works. At the first annual meeting of the Roundtable in June 1973, C.B. McCoy (chairman and president of Du Pont) proposed that the organization develop a “program to advance economic literacy,” especially “at the secondary school level.” The Roundtable has subsequently channeled its efforts through the Joint Council on Economic Education (J.C.E.E.), which has in the past been a vehicle for the educational efforts of the Committee on Economic Development (which has considerable membership overlap with the Roundtable). The J.C.E.E. has been active in forty-five states, and with
the strong endorsement of the Roundtable is promoting the teaching of economics from kindergarten on up. The Roundtable has also urged member firms to make greater use of the press, meet informally with journalists and news commentators, and advertise their political program more extensively among their own employees, stockholders and communities. Among its other efforts to promote pro-business sentiment, the Roundtable sponsored a series of articles on the virtues of free enterprise and high worker productivity and the evils of inflation that ran first in the Reader's Digest, and was then sold to member firms at bulk rate for distribution to workers.

The Roundtable has also extensively promoted capital formation as a national issue. It has criticized government policies that it maintains hold down the rate of savings and investment. It has strongly backed tax bills which, like President Carter's recent bill, reduced corporate taxes. Hailing the Carter tax measure that passed last year, the chairman of the Roundtable's Taxation Task Force, G.E.'s Reginald Jones, observed that "considering the untidy nature of the democratic process, and the need to respond to the legitimate interests of so many different constituencies in our society, the Congress managed to produce an improved Federal tax structure." Jones added that "now it is important that we maintain the momentum in the next Congress, with emphasis on further reductions in corporate tax rates, measures to overcome the effects of underdepreciation, a solution to the double taxation of dividends, and retention—indeed expansion—of the tax provisions that help keep this country competitive in the battle for exports and foreign source income." Widespread recent discussion of investment tax credits, the delay in proposed abolition of foreign tax credits and the recently introduced bills sharply accelerating industrial plant depreciation schedules indicate that the Roundtable is still busy.

Not all Roundtable initiatives have been as successful. In the mid-1970s, a proposed merger of the U.S. Chamber of Commerce and the National Association of Manufacturers, which the Roundtable had supported, fell through. As stories of the Roundtable's involvement in the merger negotiations leaked to the press, smaller firms in the other two organizations complained of big-firm domination and strongly resisted the move. And within the Roundtable itself, plenty of divisions exist.

The December 1973 announcement of the formation of an Energy Users Task Force and a correlate, but deliberately distinct, Energy Suppliers Consulting Group hinted at a split between member firms that later oil price rises have exacerbated. (Indeed, at least one oil company refused for a time even to join the Roundtable.) Though the Roundtable has thus far managed to preserve a united front in public, tension between the oil companies and some Roundtable firms, notably G.E., is rising. Such tensions are sure to be compounded as the enormous cash flows of the oil companies lead to a sharp increase in their bids to take over other firms.

Foreign policy and international trade are also areas in which substantial disagreements exist among member firms. Managing the conflicts within a business community bitterly divided between free traders and protectionists poses a continuing, probably insuperable problem. In a decade marked by extensive business organization around the issue of international trade, the Roundtable has only intermittently had a task force on the subject. It endorsed the recent Multilateral Trade Negotiation ("Tokyo Round") agreement, but so many ancillary understandings concerning import limitations for specific industries were attached to that package that almost no one opposed it in its final form. The Roundtable has formulated no major public statement on such other divisive issues as trade with the Communist economic bloc and China or national defense spending. Nor will mounting interest rates ease the tensions between manufacturers and the banks that have traditionally loaned to them. This is an especially painful matter for the Roundtable, most of whose members are manufacturers, although for some of them alternative financing schemes presented by the Eurodollar and other financial markets may cushion the impact of tight money in the United States.

Whatever the extent and ultimate impact of these internal divisions, the Roundtable represents an extraordinary consolidation of corporate political power. Big Business is now capable of a degree of coordinated, disciplined intervention and guidance of policy outcomes inside the Congress that it had previously exercised only within the institutions of executive authority. This enhanced centralized power of Big Business has accrued at the direct expense of labor, which has thus far been unable to develop a comparably unified political program.

As divisions within a weakened labor movement proliferate, the politics of clientelism flourish. After a decade of defeat for the trade union movement, Lane Kirkland and other "enlightened" labor statesmen are now negotiating with key Roundtable figures for a separate peace. With this final twist, the New Deal comes full circle. In the late 1970s, as in the late 1920s, the business of America is business, and the populace cannot imagine it otherwise.