Robert Sherrill wrote in these pages [see “One Paper That Wouldn’t Shut Up,” May 17]. The New York Times has editorialized against “the lawyers who manipulate juries to win outlandish settlements—and fat contingency fees,” without bothering to explain or support its exaggerated verbs and adjectives. Meanwhile, insurance companies refuse to provide detailed financial information to substantiate their claims and rely instead on anecdotal cases. The Administration has joined the anecdotal war. For a while it cited the case of the three lobstermen who drowned at sea after acting on an erroneous weather report. A lower court awarded their estates $1.2 million in an action against the National Weather Service. This case apparently proved that the system was in disarray and should be changed.

Recently an appeals court overturned the award. Does that mean the system is just fine? No it doesn’t, no more than any single case can stand for an entire system. Aberrational verdicts will always occur. They prove nothing.

Our law should be periodically re-examined to assure that across the run of cases, results are just. We don’t need a crisis and we don’t need anecdotes to monitor the quality of our justice. Justice is a worthy product all by itself. The massive structural changes lately advocated by the Administration, the insurance industry and manufacturers have nothing to do with justice. They have to do with its opposite.

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**AMERICA MOVES RIGHT—II**

## Big Business Backs the Freeze

**THOMAS FERGUSON AND JOEL ROGERS**

As soon as the dust from Ronald Reagan’s election had settled, business Democrats regrouped. The most venerated of all the New Deal Democratic business leaders, investment banker Averell Harriman, had already begun putting together a new pressure group. Organized principally by his wife, Pamela, Democrats for the 80’s appeared in December 1980. On its board were Stuart Eizenstat, previously a top aide to Jimmy Carter and currently a director of Hercules, a major defense contractor; Harry McPherson, former counsel to Lyndon Johnson and Atlantic Institute director; and Robert Strauss, Carter’s former trade adviser, who of all the leading Democrats is perhaps the best connected to Wall Street and

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the multinationals. Another glittering bloc of multinational Democrats—including McPherson, former Secretary of State Cyrus Vance, Lazard Frères partner Felix Rohatyn, former Treasury Secretary and current Burroughs chief executive Michael Blumenthal, former Under Secretary of State Warren Christopher, and Washington “superlawyer” and Trilateral Commission member Lloyd Cutler—bulwarked the new Center for Democratic Policy, later renamed the Center for National Policy. Max Palevsky, who had been George McGovern’s major fund-raiser, had served as a member of Xerox’s executive committee and was now on the board of Intel, bankrolled a new journal, democracy.

With signs of discontent in the party rank and file rising rapidly, the Democratic business groups and labor leaders opened negotiations over the shape of a Democratic “alternative” to Reaganism. Their most important step was their first: the Democratic National Committee elected a new chair, Charles Manatt. A prominent lawyer and banker from California, whose law firm represented, or quickly acquired as clients, many companies with obvious interest in what happened in the Democratic Party (such as Nissan Motors and Northrup, a major defense contractor), Manatt swiftly embarked on a sweeping reorganization of the party.

His program was perfectly straightforward. Like most other business Democrats, Manatt wanted to strengthen the party’s ties with the business community, rather than those with blacks, community organizations or the poor. To that end, he and his allies deliberately sought out millionaires and other wealthy business figures to run as candidates. They also tried to shore up the party’s desperate financial condition. The Democratic Party was heavily in debt, and short-run relief required taking on more debt while struggling to pay off sums already run up. Under Manatt, who before becoming D.N.C. chair had been mentioned as a prospect to head the American Bankers Association, the party’s financial structure soon bore more than a faint resemblance to that of a debt-encumbered Third World country being run under International Monetary Fund surveillance. Major banks, including Bank of America and Chase Manhattan, helped float loans to the party, which prominent business leaders guaranteed.

But the most significant move Manatt and his allies made to reform the party’s finances was their organization of the Democratic Business Council (D.B.C.). Originally promoted by Byron Radaker (chief executive officer of Con-goleum, the huge New Hampshire holding company whose Bath Iron Works subsidiary has been a major naval contractor since the days of Adm. Alfred Thayer Mahan), the D.B.C. required annual contributions from each member of either $10,000 from personal funds or $15,000 from the member’s company. In return, the party invited members to participate in a regular series of task forces and study groups to develop party policies, as well as “quarterly meetings of a substantive nature held in Washington” and elsewhere, “where members can share their respective business, professional and political interest with the political leadership of America.”

With big business as a whole headed increasingly toward the Republicans, the venture was a bit of a gamble for the heavily indebted party. But it proved a highly successful one. As they had done ever since the New Deal, labor-intensive manufacturers stayed away completely. Although lower-ranking executives of Arco, Occidental, Chevron and a few independents eventually signed on, most of the oil industry also declined to join. However, vast numbers of executives from capital-intensive military contractors—including officials of United Technologies, Allied-Signal, Tiger International, General Dynamics, Boeing and Grumman Aerospace—snapped up the high-priced memberships. Leading financiers, including Bank of America board chair Leland Prussia, and many investment bankers also joined, as did a huge bloc of real estate magnates, some high-tech executives, a few mostly lower-ranking figures in various multinationals (such as General Electric) and many corporate lawyers. Executives from several natural gas companies—a sector that historically has been interested in regulatory policy and in détente—also took out membership.

Organizing the D.B.C. required considerable time. Throughout this period, however, the economy was collapsing, and a host of other issues—Central America, European relations and trade policy, among them—were generating new problems for the Reagan Administration. As a consequence, not only much of the public but also important segments of big business began turning against the President.

For the Democrats, the gradual disintegration of Reagan’s support in the business community presented both an opportunity and a danger. It was an opportunity because it brought many new recruits to the project of building a business-oriented alternative to Reaganomics. But it was also a danger because many of the firms suddenly interested in the party shared little beyond a disenchantment with Reagan’s policies; in the longer term they could as easily destabilize the party as strengthen it. For much of 1981 and 1982, however, the specific ways in which Reagan’s coalition was disintegrating meshed almost perfectly with traditional Democratic themes.

As a glance down the roster of the top Federal appointees of the Kennedy, Johnson and Carter administrations indicates, most top-level multinational Democrats came from companies that had a strong orientation toward Europe. Although in the 1970s the attention of American business as a whole began shifting from Europe to the Pacific Basin, the Middle East and other parts of the Third World, a disproportionate number of the old-line Democratic business executives who still dominated the party’s elite structure retained this orientation. Moreover, in early 1982 they, along with a handful of multinational allies who were hoping to do business with the Soviet Union, made up precisely the parts of the business community that had the biggest grievances against the Reagan Administration. For many reasons—the Administration’s huge military buildup (which included several systems denounced by critics as potential first-strike weapons that promised to destabilize the European theater), Reagan’s Evil Empire rhetoric, the disastrous effect high U.S. interest rates initially had on European growth, the
dispute with North Atlantic Treaty Organization allies over the construction of a pipeline to carry natural gas from the Soviet Union, American efforts to limit Europe's trade with the Eastern bloc, and the growing stalemate in arms control—a crisis was brewing in U.S.-European relations. In addition some leading multinationalists began having doubts about the Administration's aggressive Central American policies, doubts that were fanned by strong opposition from Europeans, criticism from friendly business elites in Latin America and the certainty that a U.S. invasion of Central America would lead to damage to the property of U.S. firms and massive protests around the world.

Traditionally Democratic business elites thus had an opportunity to do good and do well at the same time. Many seized it with relish. Harriman, Thomas J. Watson Jr. (whose family has long controlled I.B.M.) and other prominent Democrats in whose global vision and corporate strategies Europe has enjoyed a special place, sharply attacked the Reagan Administration for its neglect of arms control and relations with U.S. allies. Several leading multinational Democrats joined the board of the elite Arms Control Association, among them Robert McNamara (former Secretary of Defense and president of the World Bank, and now a director of Shell and many other multinationals, as well as a trustee of the Ford Foundation) and Adm. Bobby Inman (Deputy Director of Central Intelligence under Carter and by then the head of M.C.C., the computer consortium whose moving spirit was William Norris, the longtime Democratic head of Control Data, close friend of Walter Mondale and a champion of U.S.-Soviet trade). The association, rather quiet for some time, soon emerged as a strong and vocal critic of the Administration's arms-control policies.

The Rockefeller Foundation, whose president, Richard Lyman, was a Democrat, and whose board contained a generous sampling of multinational Democrats (notably McNamara, Brookings Institution board chair Robert Roosa and Carter's Defense Secretary, Harold Brown) and the few remaining liberal Republicans, instituted a major grant program for research on arms control. The Rockefeller Family Fund, organized by the Rockefeller grandchildren, set up another special arms control program. So did the Ford Foundation, the Carnegie Endowment for International Peace and the Chicago-based MacArthur Foundation, on whose board sat several longtime Democrats, including Jerome Wiesner (White House science adviser to John Kennedy, past president of the Massachusetts Institute of Technology and until recently a director of such multinationals as Schlumberger Ltd., the giant French oil-drilling concern). Several major environmental groups also announced they were adding nuclear issues to their list of concerns.

This new interest was reflected in a spectacular rise in major foundation funding for work on arms control and nuclear issues. A recent study of foundation funding related to issues of "international security and the prevention of nuclear war" found that, among the sixty-nine foundations studied, such grants more than tripled between 1982 and 1984, rising from $16.5 million to $52 million. A little less than 70 percent of this total was supplied by five big multinationally oriented foundations—MacArthur, Carnegie, Ford, Rockefeller and W. Alton Jones.

Because they are tax-exempt, the foundations and environmental organizations had to take care to be officially nonpartisan. But multinational Democrats also set up a number of organizations that were explicitly political. Paul Warnke, head of the Arms Control and Disarmament Agency under Carter and a partner of Washington superlawyer Clark Clifford, joined high-level officials of the Council for a Livable World, whose board included Wiesner, to establish Peace PAC, devoted to nuclear-war issues. Other organizations with ties to the multinational Democrats, such as the Union of Concerned Scientists (headed for many years by Henry Kendall, an M.I.T. physicist and Boston philanthropist whose father had chaired Roosevelt's Business Advisory Council at the height of the New Deal and helped found the Committee for Economic Development), renewed their longstanding campaigns on arms control and security issues.
At almost the same time Sol Linowitz (a prominent international lawyer with Coudert Brothers, for many years chair of Xerox and still a director of Time Inc. and many other concerns) began heading up an influential series of meetings between U.S. and Latin American elites. Financing for the project was provided, by among others, the Ford and Rockefeller foundations, the Rockefeller Brothers Fund, Chemical Bank, I.B.M.—America's Far East and Time Inc. This Inter-American Dialogue was quite critical of Reagan Administration policies in Central America.

By themselves, the multinational Democrats and their allies in the foundations and the predominantly Eastern, internationalist press were a force to be reckoned with. Their emphasis on arms control and the avoidance of armed intervention, moreover, laid the basis for a coalition with yet another powerful set of business groups that the Reagan policies were then alienating—urban real estate interests, particularly in the Northeast and the Midwest.

Because the Reagan tax bills made new investment so attractive, they could only accelerate the flight of business from central cities to the South and West. In addition, the Reagan budget presented in the fall of 1981 called for sweeping cuts in Federal spending on a wide range of urban programs—housing, transportation, state and local fiscal assistance, trade-adjustment assistance and urban infrastructure and development—which primarily benefited older cities and declining regions.

Such cuts would not only devastate the poor, blacks and blue-collar residents of these areas; together with the tax bill, they would also knock the props out from under many investments in real estate and other place-oriented business ventures. Real estate interests building in the downtown areas of large cities, for example, absolutely required mass transit to make their intensive development projects viable. Many projects, particularly for urban development, were counting on other forms of subsidy as well. Nor was real estate the only major business with a special stake in the economic viability of these urban regions. The media had to worry about shrinking local audiences for its lucrative flagship stations in the East. Local banks had to worry about protecting their deposit bases.

The result was, perhaps, inevitable. The elite concern with arms control and the military budget found a focus in the growing grass-roots campaign for a nuclear freeze. The multinational Democrats and the real estate interests coalesced behind efforts to reduce the Reagan arms budget by cutting—or, rather, restructuring—nuclear programs. From a decentralized campaign begun by a few committed activists, the movement for a freeze abruptly changed character. All of a sudden, Eastern real estate magnates with no known interest in military issues, such as the famous Donald Trump, began supporting a vaguely defined freeze movement. Foundations, investment bankers like Donald Petrie of Lazard Frères and many members of the Forbes 400 contributed to groups like the Council for a Livable World, which, along with the Union of Concerned Scientists, became a bridge between the freeze movement and the more conservative, establishment-oriented arms control movement.

With the same newspapers and television networks that criticized Reagan's budget proposals providing extraordinarily favorable coverage, the freeze movement took off. While professionals who were not directly threatened by the Reagan budget cuts (such as lawyers and accountants) generally held aloof, those in occupations that were threatened flocked to support activists who had previously worked on a shoestring. Physicians who never said a word about capping Medicare fees now joined Helen Caldicott in Physicians for Social Responsibility. Church groups that had temporized on the Vietnam War but that relied on Federal grants that the defense buildup placed in question, joined the movement. So did many teachers' unions and educators, who also faced big budget cuts if the Reagan military buildup continued.

By mid-1982 the antinuclear movement had become a powerful political force. But it had also moved far from the intentions of its original champions. Few of the business groups and foundations that now helped push it along wanted to explore the relations between multinational business, the use of force in U.S. foreign policy and social class. Accordingly, the critical content of the early freeze proposals largely evaporated. Allying with the freeze became little more than a way of expressing disapproval of a military buildup of the scale Reagan projected.

The height of the denaturing process was reached during the great antinuclear demonstrations of June 1982. Only days before millions marched in New York and Washington, the crisis in Lebanon occurred, and with it came the increased danger of a U.S.-Soviet confrontation. After a private debate, sponsors of the rallies agreed to make no public reference to the events in Lebanon.

By then, however, Manatt and other multinational Democrats were moving to affect the character of the antinuclear debate in a way that would still further strengthen the Democrats' ties with the business community. Democratic military strategists such as Robert Komer (a superhawk on Vietnam in the Kennedy and Johnson administrations and an Under Secretary of Defense under Carter) had long been arguing for the virtues of "coalition defense." During a period of nuclear stalemate between the superpowers, they wished to increase conventional capabilities through closer alliances and "burden sharing" with major allies. They were also agitated by the huge carrier-heavy naval buildup under the Reagan Administration. Although carriers were "splen-
did for Third World conflict," Komer argued, the United States already had enough of them; more resources should go into land and air forces. Other Democrats, including Samuel Huntington, went a step further. Thanks to revolutionary developments in electronics, the technologies available for conventional war were in rapid flux. A whole new generation of weapons—precision-guided munitions, pilotless drones and robots, supersophisticated tanks, battlefield missiles and all sorts of aircraft-delivered weapons—held out the promise of a new kind of very expensive land war. Huntington argued that the new technologies would enable the United States to strike at Soviet forces in Eastern Europe with devastating force.

In either version of the argument, the emphasis on conventional land and air forces, particularly in Europe, mandates less reliance on nuclear weapons and on an enormous Navy. This gave Manatt and company a providential way to square the circle. The Democrats could now endorse the freeze, which implied the cancellation or scaling down of some big-ticket nuclear programs, such as the MX missile, the B-1 bomber (manufactured by Rockwell International, which, unlike other contractors, had no executives on the Democratic Business Council) and perhaps the D-5 missile for the Trident submarine. Adding these savings to those gained by reversing the naval buildup, both the multinationalists, oriented toward Europe or potential accord with the Soviet Union, and the real estate and other regional interests would gain. And because a whole new field of conventional weaponry would open up, even many military contractors would be satisfied.

As explicit commitments to the freeze faded, many Democrats even abandoned the rhetoric, and (following the Administration) shifted in favor of "build down" proposals on nuclear weapons. Sponsored by a group of mostly Democratic officials with very close ties to weapons producers, the basic idea was for the United States and the Soviet Union to destroy a certain number of nuclear warheads for each addition they made to their nuclear forces. Because they provided for the destruction of some nuclear weapons, such initiatives could be plausibly passed off as freeze-inspired. In fact, they were formulas for the further modernization of strategic forces. Added to the arguments for more conventional defense, they seemed at the time to be a perfect answer to many Democratic needs.

Despite such positioning on the nuclear issue, however, the Democrats still lacked an important attraction: a distinctive economic alternative to the Reagan program that would command both business and popular support. To be sure, at close to the bottom of the Reagan recession—with imports devastating once-competitive business sectors, and interest payments exceeding corporate profits as a share of national income—an uneasy "industrial policy" compromise was patched together among the jumbled interests in the party. But this loose compromise, which reaffirmed the party's longstanding commitment to free trade while promising support for declining industries and unions, proved unstable. Almost as soon as it was constructed it shattered under the political pressures induced by the Reagan boom. □
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