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Take Me to Your Leader: The Rot of the American Ruling Class

For more than three centuries, something has been going horribly wrong at the top of our society, and we're all suffering for it.

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Global Research, June 18, 2021
Jacobin 27 April 2021

Region: USA
Theme: History

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Back in the George W. Bush years, I began thinking the US ruling class had entered a serious phase of rot. After a round of tax cuts skewed toward the very rich, Bush and his cronies launched a horribly destructive and expensive war on Iraq that greatly damaged the reputation and finances of the United States on its own imperial terms.

The president and his cronies seemed reckless, vain, and out of control. Bush adviser Karl Rove dismissed the critiques of "the reality-based community," with its conclusions drawn from "the judicious study of discernible reality." Instead, Rove asserted, "We're an empire now, and when we act, we create our own reality." One waited in vain for the grown-ups to appear on the scene and right the imperial ship, but, if they existed at all, they were too busy celebrating their tax cuts and pumping up the housing bubble to bother.

After that bubble burst, creating the financial crisis and the Great Recession, the smooth and cerebral Barack Obama seemed like a stabilizing force. That's not what many of his more fervent supporters expected of his presidency; they were hoping for a more peaceful and egalitarian world, but they got neither. Facing the greatest economic crisis since the 1930s, one like that depression driven in large part by Wall Street, Obama was not about to do anything on the scale of the New Deal. There was the early and underpowered stimulus package, but beyond that, there would be no major reregulation of finance and no programs of public investment, income security, or redistribution. Unlike the Franklin Roosevelt administration, or even John F. Kennedy's, for that matter, there was little political ferment around the White House, even though the Democratic policy elites came out of the same Ivy League circles as their ancestors.Image on the right: President George W. Bush and Karl Rove on August 13, 2007. (Joyce N. Boghosian / Wikimedia Commons)

The disappointments of the Obama years prepared the way for Donald Trump. Throughout the 2016 presidential campaign, many people (including sometimes me) thought the establishment would somehow keep Trump from winning. Hillary Clinton, the product of Wellesley College and Yale Law School, would stop the vulgarian who cheated his way into Wharton from entering the Oval Office. But her brand of status-quo politics failed to inspire.

Trump was not the bourgeoisie's favorite candidate. He had support from provincial plutocrats but not from the executive suite at Goldman Sachs. When he took office and immediately began ransacking, one wondered if the deep state would rein him in. Maybe the CIA would even arrange a malfunction in Air Force One's fuel line. But it was not to be. Tax cuts and deregulation made capital forget all their reservations about Trump, and the stock market made 128 fresh daily highs — on average, one every six days — between inauguration and the onset of the coronavirus crisis. It took his encouragement of an attack on the US Capitol for the big bourgeoisie to complain openly — 99 percent of the way through his time in office.

Fish rots from the head, they say, and it's tempting to think the same about US society. We've always had a brutal ruling class — more brutal at certain times (the years of slavery and Jim Crow) than others (the New Deal). But despite the brutality, there was usually a great economic and cultural dynamism. That now seems long past, and I'm not just talking about the era of Trump and the coronavirus. Something has gone badly wrong at the top of this society, and all of us are suffering for it.

One doesn't want to idealize the ruling classes of the past. For all of history, their wealth and status have depended on exploiting those below them — and they've never shied away from extreme measures if they feel that those things are threatened. But the present configuration of the American ruling class is having a hard time performing the tasks it's supposed to in order to keep the capitalist machine running. It's not investing, and it's allowing the basic institutions of society — notably the state but also instruments of cultural reproduction like universities — to decay.

Capitalists have long been driven by shortsightedness and greed. But it feels like we've entered what Christian Parenti calls the necrotic phase of American capitalism.

Lest anyone misunderstand, this isn't an argument for a better elite or a "true" meritocracy; it's ultimately an argument for a different society, one not dependent on the rule of plutocrats and their hired hands.

A core concept of Marxism is class struggle, but the tradition exhibits a strange dearth of investigation of the ruling class. When I first started getting interested in elite studies, I asked the Marxist political scientist Bertell Ollman whose writing he liked on the issue. He thought a moment and said, “Marxists don’t write about the ruling class.” When I asked why not, he said, “They think it’s obvious.”

You could say the ruling class is the capitalist class, of course, but what does that mean? CEOs of Fortune 500 companies? Their shareholders, to whom they allegedly answer? What about the owner of a chain of franchised auto parts stores in the Midwest? The owner may be able to get his congressperson on the phone — a senator might be harder — to get a tax break slipped unobtrusively into a larger bill, but what influence does he have over larger state policy? Are car dealers part of the ruling class? If so, what about new versus used? And what about someone like Henry Kissinger, a man who started as a clever functionary and ended up shaping US foreign policy in much of the 1970s, and who still has an influence over how diplomats and politicians think? How about less grand politicians and high government officials? Are they employees of the ruling class or its partners — or shapers, even? It’s not at all obvious.

Before proceeding, I should say I’m not taking seriously the idea that there is no ruling class — that there are voters in a democracy who may be divided into interest groups but none are dominant. Yes, the constrained democracy we live under is a lot better than a dictatorship would be; elections do act as a limit on elite power. But that’s a long way from the popular self-government socialists dream of. Nor am I taking seriously conceptions of a ruling class that center on PC-obsessed, organic-food-eating urban elites. That set has some influence, especially among the liberal wing of the consciousness industry, but it doesn’t shape the political economy.Image below: Secretary of State Henry Kissinger in 1976. (Library of Congress)

I’d say the ruling class consists of a politically engaged capitalist class, operating through lobbying groups, financial support for politicians, think tanks, and publicity, that meshes with a senior political class that directs the machinery of the state. (You could say something similar about regional, state, and local capitalists and the relevant machinery.) But we shouldn’t underestimate the importance of the political branch of the ruling class in shaping the thinking of the capitalists, who are too busy making money to think much on their own or even organize in their collective interest.

One way to approach the question of a ruling class is through Italian elite theory, namely the work of Vilfredo Pareto, Gaetano Mosca, and Robert Michels. In his four-volume warhorse *The Mind and Society*, Pareto laid out a clear vision of society:

> "Ignoring exceptions, which are few in number and of short duration, one finds everywhere a governing class of relatively few individuals that keeps itself in power partly by force and partly by the consent of the subject class, which is much more populous.

To preserve its power, that governing class must be "adept in the shrewd use of chicanery, fraud, corruption."

Individual governing elites do not last: "History is a graveyard of aristocracies," Pareto declared. Contributing to their passing is a loss in vigor, an effect of the decadence of the well-established and the failure to invigorate the stock by recruiting from below. For Pareto, a healthy governing class is able to absorb the leaders of the "governed" and thereby neutralize them. "Left without leadership, without talent, disorganized, the subject class is almost always powerless to set up any lasting régime." (Karl Marx said something similar: "The more a ruling class is able to assimilate the foremost minds of a ruled class, the more stable and dangerous becomes its rule.") But if the governing class is overcome by "humanitarian sentiments" and is unable to absorb the natural leaders of the oppressed, it could be overthrown, especially if "the subject class contains a number of individuals disposed to use force."

Image on the right: Gaetano Mosca (Wikimedia Commons)

Mosca wrote at some length about strata below the ruling elite. The one just below it, which plays the officer corps to the enlisted personnel of the masses, is crucial to the health of the system and functions as the backbone of political stability. Should it erode, morally or intellectually, then society will unravel. It can tolerate foolishness at the top if the stratum just one level below is in good order — one thinks of Trump and the grown-up problem.

Mosca saw clearly the profound relation of the family to political and economic power, something modern conservatives understand (and people who wonder about the coexistence of "family values" and neoliberal politics don't). Upper-class parents do their best to prepare their children for rule, and there's always a heavy dose of inheritance in social power. In an exuberant moment, Mosca wrote:

> In order to abolish privileges of birth entirely, it would be necessary to go one step farther, to abolish the family, recognize a vagrant Venus and drop humanity to the level of the lowest animalism. In the *Republic* Plato proposed abolishing the family as an almost necessary consequence of the abolition of private property.

Further down, Mosca lamented the state of the European middle classes in the 1930s. He warned, "If the economic decline of [the middle] class should continue for a whole generation, an intellectual decline in all our countries would inevitably follow." They are "great repositories of independent opinion and disinterested public spirit," without which:

> we would have either a plutocratic dictatorship, or else a bureaucratico-military dictatorship, or else a demagogic dictatorship by a few experts in mob leadership, who would know the arts of wheedling the masses and of satisfying their envies and their predatory instincts in every possible way, to the certain damage of the general interest.

He didn't define the "general interest," a concept often confused with what's good for the upper orders, but the erosion of the US middle ranks over the last few decades has had a trajectory not unlike what Mosca worried about.

Of the Italian trio, Michels is the most interesting, not least because so much of his attention is paid to the Left formations to which he once belonged. His most famous contribution is known as the "iron law of oligarchy," a belief that organizations will always evolve into hierarchies, even parties ostensibly trying to overthrow the hierarchies of bourgeois society. Marx was right about class struggle as the motor of history, Michels conceded, but every new class coming to power will itself evolve a new hierarchy. Even syndicalists, argued Michels, who criticize the oligarchic tendencies in socialist parties and favor instead direct strike action by organized workers, need leaders. "Syndicalism is even more than socialism a fighting party. It loves the great battlefield. Can we be surprised that the syndicalists need leaders yet more than do the socialists?"

Within socialist parties and organization, Michels pointed to the prominence of traitors to the bourgeoisie. Most of the prominent nineteenth-century socialist writers, Marx and Engels most famously, were bourgeois intellectuals; Pierre-Joseph Proudhon was a rare exception. So, too, the revolutionary leaders of the twentieth century: Vladimir Lenin came out of a middle-class family and was educated as a lawyer; Leon Trotsky was born to a rich farming family and educated in cosmopolitan Odessa; Che Guevara was another child of the middle class who was surrounded by books and political conversation as he grew up. No doubt the descendants of the old syndicalists would argue that these relatively elite origins contributed to the ossification of the Russian and Cuban revolutions — but one could cite Michels's retort about the necessity of leaders to the syndicalists in response to that critique. Growing up bourgeois confers some advantages — time to study, as well as exposure to the nature of power — often denied to people further down the social hierarchy. Instead of lambasting their "privilege," it might be better to welcome these class traitors.This doesn't mean one should be complacent about them, or about the concept of leadership in general. Many on the Left have resisted applying Michels's iron law to our parties and occasionally our governments, but it would be better to acknowledge the power of the tendency and figure out the best way to keep those leaders accountable through what Michels called "a serene and frank examination of the oligarchical dangers of democracy." It's better to be open about the reality of hierarchies than to pretend they don't exist; even professedly leaderless organizations are subject to domination by the charismatic.

The Italians focus primarily on politics and the state as the sites of rule, without much interest in their relations with capitalists. For an American, that seems like a serious deficit. But in some senses, the focus on politics is clarifying. That's where class conflicts are often crystallized, sharpened to a point — more so than in the workplace, which can appear to be the site of interaction among individuals rather than classes. As the Marxist political theorist Nicos Poulantzas put it, through relations with the state, the complex and diffuse relation between classes "assumes the relatively simple form of relations between the dominant and the dominated, governors and governed."

We once had a coherent ruling class, the White Anglo-Saxon Protestants (WASPs), who more or less owned and ran the United States from its founding through the 1970s. Based largely in the Northeast, with offshoots in the Upper Midwest, WASPs went to the same elite schools and colleges, belonged to the same clubs, married out of the same pool, and vacationed in the same favorite rural retreats. There were Southern WASPs, descendants of the slave-owning gentry, but they never had the social weight of their northern relatives — though they did rule their region and enjoy an outsize role in Congress for decades.

Visiting crew team at the Groton School on the Nashua River. (National Archives at College Park)

At the rank-and-file level, men worked in genteel law firms and brokerages or as executives in old-line manufacturing firms, and women did volunteer work for museums and charities and maintained the social relations that kept the group functioning together as a class. At the high end, WASPs played a role in government far out of proportion to their numbers, most notably in foreign policy. The Council on Foreign Relations (CFR), target of innumerable conspiracy theories generated from left and right for its prominent role in shaping imperial policy, traces its origins to the end of World War I, when a delegation of British and American diplomats and scholars decided to preserve the transatlantic comity of the war years and form a council whose purpose was, in the words of Peter Gosse's official history, "to convene dinner meetings, to make contact with distinguished foreign visitors under conditions congenial to future commerce." The CFR didn't begin to influence policy until the 1930s, when its fellows and members helped plot the takeover of the British Empire, a concern of the Franklin Roosevelt administration.

That special identification with England has been foundational to WASP identity from the first. But it took waves of fresh immigration from Southern and Eastern Europe, people with strange customs and sometimes dangerous politics, for the formation to come to energized self-consciousness as a class, beginning in the 1880s. That decade brought the obsession with finding one's old-stock roots, the first country clubs, the founding of the *Social Register*, and, quite importantly, the opening of the Groton School by Endicott Peabody, which shaped generations of the wellborn as well as the children of arrivistes who wanted to learn the ways of the wellborn. Peabody's vision was one of "Muscular Christianity," popular among elites of the time, who were worried about a loss of manliness in an increasingly urban society — austere, disciplined, athletic. FDR said that the influence of Peabody and his wife meant more to him than "any other people next to my father and mother."

Coming out of World War II, elite WASPs like Averell Harriman (son of a robber baron) and Dean Acheson (son of the Episcopal bishop of Connecticut, who learned how to row crew from Harriman at Groton), supplemented by recruits like George Kennan (son of a Milwaukee lawyer) and John McCloy (a poor kid from Philly who learned the ways of the elite at an early age and got certified with a Harvard Law degree), shaped what would become the US empire. Their skill can't be denied; that empire has had a long and successful run, though it now looks to be coming unglued. (The competitive pressures of having the USSR as rival, and having socialism as a plausible alternative to capitalism in the twentieth century, did bring out some of the talent in the upper crust.)

McCloy, despite being a recruit, earned the title of "chairman of the American establishment" for having run postwar Germany and becoming a name partner of the law firm that represented the Rockefellers, Chase, and Big Oil (from which he took a break to run the young World Bank, which he kept safe for Wall Street). At one point, he was simultaneously chair of Chase, the Ford Foundation, and the Council on Foreign Relations and partner at the elite law firm Milbank, Tweed, where he basically ran US Middle Eastern policy.

Cast into political exile in the Eisenhower years, the WASPs returned with the status-anxious John F. Kennedy, desperate for the approval of a stratum suspicious of Irish Catholics. Kennedy, who was denounced by WASP columnist Lucius Beebe as "a rich mick from the Boston lace curtain district," went to Choate and Harvard to learn the manner of the upper orders. As president, he brought back the older patrician crew and added the notorious McGeorge Bundy, another Groton product, who would be one of the most enthusiastic promoters of the Vietnam War, a disaster that pretty much ended that caste's dominance of foreign policy.

Image below: John F. Kennedy at Harvard University, circa 1939.

Fresh from helping wreck Southeast Asia, Bundy went on to run the Ford Foundation, where, among other things, he applied counterinsurgency techniques developed in Vietnam to the urban crisis of the 1970s. Bundy's strategy, as Karen Ferguson recounts in *Top Down: The Ford Foundation, Black Power, and the Reinvention of Racial Liberalism*, was to split off the "natural" leadership of the black community and incorporate it into the ruling class, then encourage the separate development of black schools and cultural institutions on an apartheid model, because the broad population just wasn't advanced enough to join white society. The Italian elite theorists would have been proud of him.

As the twentieth century rolled on, WASP predominance eroded in spheres other than foreign policy. The 1970s saw a mini genre of "decline of the WASP" books and articles crop up, as Jews, Eastern and Southern European ethnics, and even blacks and Latinos began to permeate cultural, political, and business elites. At the same time, the old-line manufacturing companies, headquartered not only in New York but also in outposts of the WASP archipelago like Pittsburgh and Cleveland, fell to Japanese competition and squeezed profits. Inflation and multiple generations of inheritance ate away at old WASP fortunes. And the deregulation of Wall Street that began in the mid-1970s turned the genteel world of white-shoe investment banking (and associated law firms) into a ruthlessly competitive one. Gone were the days when a well-bred young man could pop out of Yale and into a quiet job as a bond salesman.

To use the language of finance theory, the transaction replaced the relationship. All those old WASP ties of blood and club were replaced by principles of pure profit maximization. Firms that had dealt with the same investment bank for decades shopped around to find out who could give them the best deal. The stable world of the immediate postwar decades, in which the same companies dominated the Fortune 500 and trading on the New York Stock Exchange, was transformed by a massive wave of takeovers and business failures.This new competitive structure destroyed the WASP dominance at the same time that it created fresh fortunes: oil and natural resources in the South and the West, and takeover artists like Henry Kravis and Carl Icahn. At the center of the turbulence was the investment banking firm of Drexel Burnham Lambert, which, though it bore a pedigreed name — the firm's founder, Anthony Drexel, was a partner of J. P. Morgan and a member of Philadelphia's aristocracy — had turned into a machine for borrowing lots of money and powering a fresh generation of arrivistes. But with the aristocracy in decline, the new arrivals had little to be assimilated into, unlike in Peabody's days. Instead, the 1980s brought us stylized remnants of the old order like *The Official Preppy Handbook*, a guide to dressing and acting like the aristocracy, and Anglophilic clothing designed by Ralph Lauren (born in the Bronx as Ralph Lifshitz).

Though always a major part of American life, money was about to take a starring role. It's hard to believe now, but when *Forbes* compiled its first list of the 400 richest Americans in 1982, there were just over a dozen billionaires among them, and the minimum price of entry was $100 million, or $270 million in 2020 dollars. Oil and real estate tycoons were prominent among them. Now, tech and finance dominate the list, and the fortunes are far larger — the minimum price of entry in 2020 was $2.1 billion. The five richest 2020 members were worth $520 billion; in 1982, the top five were worth $11 billion, or $26 billion in current dollars. A 2015 study of the *Forbes* list over the years found a decreasing prominence of inherited wealth and a rise in self-made fortunes — though the new arrivals were more likely to depart the list than the pedigreed.

The economic and financial forces that helped destroy the WASPs and create a new capitalist class deserve close attention. Much of it revolved around the stock market, as the 1970s became the 1980s. The entire model of how to run large corporations was transformed.Stock markets are peculiar institutions. They're touted in the media as economic thermometers, to a public that has little idea what they do. Few people have deep ownership interest in the markets; only about half of American households have retirement accounts, with an average holding of $65,000. The richest 1 percent own 55 percent of stocks; the next 9 percent own 39 percent, leaving all of 6 percent for the bottom 90 percent. The market's behavior can seem bizarre to outsiders and connoisseurs alike, swinging from extremes of joy to despair. Its reaction to news can be perplexing, but it's a realm where people are all trying "to beat the gun," an American phrase that John Maynard Keynes adopted in *The General Theory of Employment, Interest and Money* to describe the logic of speculative markets.

As frivolous as the market can seem, there's a serious business going on under all the froth. Much of the productive apparatus of the United States is owned by public corporations — that is, ones whose stock is widely held and traded on exchanges. Those shares represent ownership interests in those corporations. As detached as the stock market may appear from reality, it's actually an institution central to class formation — the way an owning elite stakes its ownership claims on an economy's means of production as a whole. That's in contrast to the nineteenth century, when industrial firms were owned by individual capitalists or small partnerships. As those firms grew, they became too big to be run and funded by a small circle; their organizational form gave way to the professionally managed corporation owned by outside shareholders. That became the dominant form of economic activity in the early twentieth century.

But the owners — the shareholders — don't know the first thing about how to run corporations, so they have to hire specialists to do the work for them. This presents what's known in the trade as an agency problem: the owners are dependent on hired hands to run their companies for them, but how do they know the executives are running the firms in the shareholders' interests and not their own? Yes, shareholders elect the board of directors, and boards hire and fire top management, but in practice, it's not easy for disperse shareholders to supervise a board, and crafty CEOs can turn boards into rubber stamps. If the market were working in accordance with official theology, it would be disciplining actors into the proper profit-maximizing behavior, but clearly that's not enough.

A classic work on the topic is Adolf Berle and Gardiner Means's *The Modern Corporation and Private Property*, published at the depths of the Depression in 1932, when capitalism was in deep disrepute. Berle and Means, both advisers to FDR, saw the large, publicly owned corporation — ever since nicknamed the Berle-Means corporation, marked by what they call the “dissolution of the atom of property” — as a profound innovation. It was about to become, if it wasn’t already, “the dominant institution of the modern world.”

There were many perils in this new arrangement. As Berle and Means noted, “out of professional pride,” managers could choose to “maintain labor standards above those required by competitive conditions and business foresight or . . . improve quality above the point which, over a period, is likely to yield optimum returns to the stockholders.” This would benefit other stakeholders, as we call them today, namely workers and customers, but it would be in “opposition to the interests of ownership.”

But that was not without political promise. As good New Dealers, they thought this new capitalism could be managed responsibly after the reckless high jinks of the 1920s. Gone were the rabid profit maximizers of the robber baron era; why push to maximize profits when they’ll only be passed along to shareholders? With the profit maximizing incentive gone, under a regime of proper state regulation and enlightened management, the system was evolving into a “collective capitalism,” as Berle called it in the preface to the revised 1967 edition. Or, as the authors put it in the original text, the modern corporation is “approach[ing] toward communist modalities.” It would be more accurate to say that this view aimed to make socialism obsolete and irrelevant now that the days of Jay Gould and J. P. Morgan had given way to the man in the gray flannel suit.

As the legal historian Mark Roe argues, the Berle-Means corporation emerged out of a nineteenth-century populist distrust of concentrated financial power. Better dispersed ownership, the thinking went, than bank ownership. These trends were reinforced by the New Deal, which broke up banks, took them largely out of the stock ownership game, and made it harder for financial operators to interfere in corporate management.

There was a clear political intent here. As Roe notes, the New Deal leashing of finance moved issues of ownership and class division off the political agenda, issues that were hot in the 1930s. FDR was explicit about the need to break up “private socialism” — concentrated corporate and financial power — in order to prevent “government socialism.” For New Dealers — many of them renegade WASPs rebelling against their kind’s Republicanism — the point of regulation wasn’t to stifle capital, it was to legitimate it by making financial power seem transparent and disinterested.

For the first few postwar decades, the New Deal model was standard liberal doctrine. In *The New Industrial State*, John Kenneth Galbraith argued that rapacious profit maximization had been replaced by a secure mediocrity, and greedy capitalists by a “technostructure.” Top managers, who were well paid but on nothing like today’s scale, saw little point in risk-taking; they wanted sales growth and prestige, not the paychecks that would later populate the Forbes 400. Today’s paychecks are driven by stock prices; in the 1950s, top executives were paid mostly straight salaries. Shareholders had become vestigial; if they didn’t like the performance of firms they held stock in, they’d just sell the shares. No one ever troubled management.

The New York Stock Exchange and portraits of capitalists and financiers, 1903. (New York Public Library)

That comfortable world began falling apart in the 1970s, as profits stumbled, financial markets performed miserably, and inflation rose inexorably. As we'll see later, the corporate class organized to address this politically, but there was also a fierce fight within the capitalist class as shareholders began demanding more.

Enabling that demand for more was the major shift in the ownership of stocks. In the early 1950s, households (mostly rich ones, of course) owned over 90 percent of stock; now it's under 40 percent. Large institutional holders like pension funds and mutual funds owned about 2 percent of all stock in the 1950s; now it's around 30 percent. While the household owners of the mid-twentieth century had common interests in rising share prices and stable, generous dividends, they had no means of organizing to influence the corporations they owned. Today's institutional owners have plenty of means. The diffuse, passive shareholders of the past have given way to the professional money managers of recent decades.

Deteriorating economic and financial performance, combined with the change in ownership, provided rich material for the shareholder revolution. Beginning in the 1970s, financial theorists, notably Harvard's Michael Jensen, began to query the Berle-Means corporation. In a 1976 paper, Jensen and coauthor William Meckling noted the oddity of the public corporate form: "How does it happen that millions of individuals are willing to turn over a significant fraction of their wealth to organizations run by managers who have so little interest in their welfare?" Having raised the question, they let the arrangement off the hook, essentially saying that it's worked well so far. Jensen turned more aggressive in the 1980s, denouncing corporate managers as inefficient wastrels sorely in need of outside discipline. He particularly liked debt as a form of discipline; if a company had big debts to pay, it would concentrate managerial minds on maximizing profitability by cutting costs and closing or selling weaker divisions.

Theorists revived interest in a 1965 paper by law professor Henry Manne, who argued that efficiency — by which he meant profitability — would best be served by having corporations constantly up for auction to the highest bidder. What came to be known as the "liquid market for corporate control" would discipline managers, forcing them to concentrate on profits and stock prices at the expense of all those old New Deal considerations.

As theorists like Jensen did their work, financiers developed the practice: a debt-driven restructuring of corporate America. A wave of takeovers undertaken by investment boutiques like Kohlberg Kravis Roberts (KKR) and individual takeover artists like Icahn was launched at "underperforming" firms. While details vary, the model involved borrowing lots of money, taking over target firms against management's wishes, and forcing a sale to the operator or some third party. Corporate indebtedness rose massively and fed the broad attack on labor that was underway in the 1980s; the quickest way to cut costs and raise your stock price was to do mass layoffs. The larger point of all these exercises was to center the stock price in managerial consciousness. That would solve the agency problem: make managers think like shareholders, relentlessly cutting costs and raising profits.

The takeover wave of the 1980s completely disrupted the corporate landscape, bringing down a lot of old names and, with them, an old corporate culture. The renegades were initially seen as disreputable and greedy, conducting an assault on old values — the "barbarians at the gate," as Bryan Burrough and John Helyar called their book on the battle for RJR Nabisco. Texas oilman turned financial operator T. Boone Pickens framed his 1983 takeover attempt on Gulf as an attack on a pampered corporate elite. Pickens never took over Gulf; it ended up being bought by SOCAL (Standard Oil of California), but he made over $700 million by selling the stock he'd accumulated in the attempt. Another casualty of the deal was to diminish the old WASPy Pittsburgh corporate elite, of which Gulf was a pillar. And, as *Fortune* noted in an admiring 2019 obituary for Pickens, raids like his changed the way managers did business; the constant fear of a hostile takeover was "revolutionary, forever changing the way companies interacted with their shareholders."

As often happens, the debt mania came to a bad end when too much money was borrowed to buy bad assets at excessive prices. The model collapsed in a wave of bankruptcies and a long recession in the early 1990s. But later in that decade, shareholders came up with a new ploy to press their interests: pension-fund activism, perversely led by public funds like the California Public Employees' Retirement System (CalPERS). (Curiously, KKR, one of the pioneers of the 1980s takeover movement, which had initially been seen as reckless and maybe scandalous, was legitimated on Wall Street when it won an investment from the Oregon state pension fund; the second K, Henry Kravis, still publicly thanks the fund for helping launch them. Everywhere you look, you can see that states shape markets.) CalPERS would draw up lists of underperforming companies and lobby management to tighten the ship — meaning cut costs and boost the stock price. When I interviewed the chief counsel of CalPERS in the mid-1990s, I asked him about the propriety of using funds held in workers' names to pursue an anti-worker agenda; he said they just cared about maximizing returns.The result of all this was to turn the stock market into an ever-updating grade on corporate performance. To induce managers to think like shareholders, their compensation was increasingly linked to the stock price. The intra-capitalist family fight looked to have been resolved in favor of shareholders. Predictable mediocrity, the lodestar of the 1950s and 1960s, had given way to the cult of the profit-seeking CEO with a 25

percent return on equity.
The shareholder revolution of the 1980s was supposed to make the passive investor a thing of the past. No longer would management run companies as private fiefdoms with little outside supervision: they'd be disciplined by activist investors and real-time report cards provided by stock prices.That was the case for quite a while, but the intraclass peace treaty after the shareholder revolution has brought back several aspects of that old world. Two are especially important: the growth of index funds and the explosion in stock buybacks, through which corporations have shoveled trillions of dollars into their shareholders' pockets.

Financial theory from the 1960s onward argued convincingly that it's nearly impossible to beat the market. Sure, there are star investors like George Soros and Warren Buffett, but most people aren't them. Instead of trying to beat the market, many investors decided to settle for matching it. Big money managers like Vanguard began offering mutual funds that replicated prominent stock market indexes, notably the S&P 500, by investing in the component stocks in proportion to their weights in the index. Because the management of an index fund is almost automatic, fees are very low compared to actively managed funds, which require the attention of highly paid specialists (who rarely deserve their compensation given how many of them lag the averages they're supposed to beat).

Image on the right: BlackRock building in New York. (Wikimedia Commons)

Over the last decade, law professors Lucian Bebchuk and Scott Hirst report, 95 percent of all inflows into investment funds have gone to passively managed funds, like mutual funds. The lion's share has gone into funds managed by the Big Three (BlackRock, Vanguard, and State Street), and that proportion has been rising. In 1998, those three firms held about 5 percent of the total capitalization of the S&P 500, an index made up of the stocks of the largest blue chip corporations. That share is now 21 percent, and it's almost certain to keep growing. Managers of index funds rarely challenge management — and why would CEOs listen to them if they couldn't, by definition, sell their stock? And while managers of passive funds swear that they care deeply about their corporate governance responsibilities — high-mindedly called "stewardship" in the literature — they have little economic incentive to do much. Any improvement caused by an indexer's stewardship would accrue to other indexers as well, which would violate all norms of capitalist rationality. And with fees as low as they are, there's not much money around to pay the stewards. Those entrusted with that task have about half a day for every company they cover. Index fund managers sometimes say they engage in behind-the-scenes lobbying of corporate managers, but the Big Three had no engagement at all with more than 90 percent of the firms in their portfolios.

Of course, the kinds of supervision that authors like Bebchuk and Hirst long for, like dismantling defenses against hostile takeovers, aren't good for the working class. But this does represent a significant departure from the early hopes of the shareholder revolutionaries. There are still activist hedge funds that take positions in companies they see as underperforming to provoke management changes or takeovers, but they've become a lot rarer than they were in the 1980s, when CEOs routinely felt like they were under siege.

If you can't buy and sell stocks based on corporate performance, there's less discipline coming from the stock price. A financial world in which index funds dominate is one where the stock market plays almost no role in how corporations are run. That prompts the question: Who needs outside stockholders?

In 2016, Inigo Fraser Jenkins, an analyst with the investment house Bernstein, declared indexing "worse than Marxism." Central planning is bad enough, he argued, but a system in which capital allocation was purely formulaic looks backward rather than shaping the future, which will damage innovation. Soon after writing that, Fraser Jenkins was diagnosed with lymphoma, and when he returned from his brush with death, he wrote a near-four-thousand-word essay musing on whether what he does for a living is worth it. Both those positions are worth taking seriously. With stockholders tending in the direction of autopilot, are they irrelevant?

This new unity of purpose between managers and shareholders has produced some perverse results, notably an eagerness to shower the shareholders with corporate cash. In both academic and popular theory, the stock market is supposed to be a way to fund corporate investment; shareholders are providing capital to firms in need of it. In fact, the stock market does very little of that. According to statistics collected by finance professor Jay Ritter, US corporations raised just over $755 billion in initial public offerings (IPOs) — first sales of stock to the public by previously private corporations — between 1998 and 2020. That pales in comparison to the $8.5 trillion firms spent buying back their own stock over the same period, which is still only half their profits. Such stock buybacks — which were mostly illegal before 1982 — are intended to boost prices and make shareholders happy. But since CEOs and other top executives are now paid mainly in stock, buybacks make them happy, too. (Research by the *Washington Post* and the Securities and Exchange Commission has found that corporate executives often sell into a buyback program, profiting off the lift all the corporate purchases give to prices.) The Berle-Means corporation has been transformed into a machine for stuffing vast sums into the wallets of shareholders and CEOs.

A study by Germán Gutiérrez and Thomas Philippon shows that buybacks have depressed investment, and that firms with high share ownership by index funds and other broad mutual funds that hold stocks rather than trading them aggressively (which, it should be said, makes excellent financial sense) do more buybacks and stint more on investment. Another reason to ask why we need outside shareholders.

The capitalist class is showing faint signs of rethinking the shareholder-first orthodoxy. In August 2019, the Business Roundtable, big capital's trade association, issued a statement signed by 181 CEOs declaring the business had social goals other than profit-making —

responsibilities to “all stakeholders — customers, employees, suppliers, communities and shareholders.” Commenting on the statement, JPMorgan Chase chair Jamie Dimon vowed “to push for an economy that serves all Americans,” a wish that is hard to square with his role in life. A subset of Wall Street money managers has been pushing for corporations to take environmental, social, and governance (ESG) factors into account when investing. That sounds nice, but a primer on ESG filters published by CNBC reports that such exemplars as Microsoft, Lyft, and Honeywell (which, among other things, makes parts for military aircraft) pass the worthiness test.Just after Joe Biden’s inauguration, BlackRock boss Larry Fink announced that because “climate risk is investment risk,” he would be voting shares under that firm’s management against boards and CEOs that failed to show “significant progress on the management and reporting of climate-related risk, including their transition plans to a net zero economy.” In that statement, Fink also expressed concern for those capitalism has forgotten to treat well, though he was sparing in detail on how he’d change things. After that high-minded display, however, Fink is finding some of Biden’s early climate moves a bit extreme. There’s the bottom line to consider.

While much of this is risible, considering the sources and their material interests, the rhetorical shift is noteworthy. The corporate class is feeling unloved in ways it hasn’t since the 1970s.

At the same time the stock market was acquiring a larger role in our economic life, so was a countermovement toward privatization. The number of public corporations has fallen dramatically — though their share of the economy has, if anything, grown — through mergers as well as the growth of private equity (PE), a form of business that hearkens back to the nineteenth century, before the emergence of the Berle-Means corporation.Curiously, modern PE traces its roots to some of the prime agents of the shareholder revolution, buyout boutiques like KKR. Of course, the 1980s buyout firms weren’t the first to prowl the financial landscape, armed mostly with other people’s money and looking to do deals — you could see J. P. Morgan himself as such an operator — but they were obscure players in the early postwar decades. The 1982 buyout of Gibson Greetings, led by former Treasury secretary (and avid right-wing propagandist) William E. Simon, made him and his partners millions of dollars when the company went public sixteen months later. It’s often credited as the deal that got the 1980s buyout movement going, but it was KKR, founded in 1976 by three alumni of the late investment bank Bear Stearns (which blew up in the 2008 financial crisis), that really made the headlines. Among KKR’s triumphs of the 1980s were the buyouts of Safeway — which led to mass layoffs, union-busting, and worker suicides — and RJR Nabisco, the deal that inspired the 1989 best-seller *Barbarians at the Gate.*

With the end of the “roaring ’80s,” the markets and the economy entered a period of doldrums that they didn’t emerge from until the middle of the next decade. Buyout activity slowed markedly, as corporate America tried to digest all the debt contracted during the period of extreme exuberance. There was a surge with the dot-com mania of the late 1990s, a retreat when it collapsed, another surge in the mid-2000s, a bigger retreat when the whole world nearly fell apart in 2008 (a year when a private equity titan, Bain’s Mitt Romney, ran for president), and yet another surge over the last decade.

The core structure of private equity is fairly simple. A small management team raises a pool of money from rich individuals and institutions, then cruises for deals. The outside investors don’t have much say in how things are run; they have to trust that the management team knows what it’s doing. The typical target is an established firm that has seen better days. The PE shop buys the firm and works it over, cutting costs — most notoriously through layoffs but also by selling or closing the weaker operations. The purchase usually involves a major amount of borrowed money — money contributed by the outside investors is just a foundation, on top of which sits copious amounts of debt — which means a good deal of the target's cash flow has to be devoted to paying off interest and principal. On top of that, the new PE owners often issue debt in the target's name and pay themselves rich dividends with the proceeds. Returns for the PE firm's principals can be very generous; outside investors, however, don't necessarily do so well after the principals take their cut. The goal is usually to sell the firm to someone else several years down the line, either to another PE firm or to the public with a stock offering.

Private equity has become a major employer — not directly, since their staffs are relatively small, but through the companies they own. The Carlyle Group, KKR, and Blackstone together employ close to 2 million people. It's odd to think about PE this way. As *Financial Times* columnist Gillian Tett put it a few years ago, because of "their ruthless focus on efficiency and profit," these companies are "better known for cutting jobs" than creating them.

Private equity's apologists say the model contributes to growth and employment, but lately, PE has been in the news for carnage in retail — chains like Toys "R" Us were killed in part by the enormous debt imposed by their PE owners — and for jacking up the price of health care, where the buyout artists have recently been working their magic. PE went from being little involved in health care twenty years ago to having a massive presence today. Hospitals, medical and dental practices, and ambulance operators were taken over and often "rolled up," as they say in the business, into large, heavily indebted regional or national behemoths. With the unexpected costs of the COVID-19 crisis, the PE model "amplified . . . salary cuts, layoffs, and bankruptcies across the health care industry," in the words of an article in, of all places, the *Journal of the American College of Radiology*. Faced with unexpected costs and little financial cushion, "the short-term focus of the PE model led to hard cost cutting rather than more in-depth planning for the future." Salaries and staff were slashed amid a profound health emergency.

But what's most striking about PE is how it's reconfigured the capitalist class — away, to some degree, from the dispersed ownership of the public company and back to a narrower ownership group. Curiously, many of the PE firms have themselves gone public, including KKR and Blackstone. Blackstone's IPO in 2007 was exquisitely timed, arriving as the first symptoms of the great financial crisis were revealing themselves; you'd suspect that the firm's two leading figures, Stephen Schwarzman and Hamilton "Tony" James (a member of Henry and William's family), surmised that things were about to go south and it'd be a good time to cash in on the exuberance of the investing public. Blackstone's principals kept all the voting shares and the right to set their own pay. Other PE firms have engaged in similar maneuvers to maintain tight management control. Even going public hasn't changed the industry's predilection for calling the shots with little external supervision.

A less malignant subset of PE is venture capital (VC), which provides money to start-ups, many of them in tech. It's not picking over "incumbent" old companies for unexploited values; it's trying to create new value, some of it fanciful.

In a world made flush with free Federal Reserve money — trillions of it after the 2008 financial crisis, and a few more trillions amid the COVID-19 crisis — VCs have had cash to burn. The characteristic creature of the time has been the "unicorn," if it achieved a billion-dollar valuation, and a "decacorn" if it managed ten times that. The exuberant funding of unprofitable firms was reminiscent of the late-1990s dot-com era, but unlike that time, the public didn't participate through the stock market — it was funded by VCs using money from institutional investors and billionaires.In the historiography of Wall Street, VCs and other "insiders" were the smart money who began selling off their investments to the masses through IPOs when it looked like time to get out. That was the spirit of the late 1990s, captured by star analyst Henry Blodget's characterization of a now-forgotten stock called 24/7 Media as a "piece of shit" even while his employer, Merrill Lynch, was urging clients to "accumulate." Blodget, who was fined $4 million and banned for life from the securities business, went on to be a financial journalist.

This time, though, the VCs held back, waiting years to go public. Word was that they and their beneficiaries didn't want all the scrutiny that came with an IPO — pesky shareholders wanting their say and their share. And when some of the big names finally made their debut, many initially fell on their faces. That didn't stop the IPOs, however; from 2018 onward, we've seen some of the most vigorous activity in initial offerings, though nothing like the late 1990s. The public company is far from dead, but it's not as alluring as it once was.

Recent decades have seen another throwback to nineteenth-century models: an increasing prominence for the owners of very profitable private firms. A study of US tax records, "Capitalists in the Twenty-First Century," by economist Matthew Smith and colleagues, finds that a large portion of the upper ranks — just over half of the proverbial 1 percent — is populated by the owners of closely held firms, rather than the public company CEOs who get so much of the press. Under American tax law, these are structured as pass-through entities, meaning their profits are untaxed at the firm level and distributed directly to their owners, either a single individual or a small partnership.

The form has grown sharply over the decades. Its share of total business income rose from 10 percent in the mid-1980s to 35 percent in recent years. Contributing to that growth are both a rise in value added per worker and an increasing share of that value taken by the owners.

Who are these owners? Most of them (85 percent) are "self-made," at least in the sense that their parents were not in the 1 percent — though the remaining 15 percent whose parents were is fifteen times their share of the population. They're unlikely to operate in capital-intensive industries, like manufacturing, which are more appropriate to conventional corporate forms. As the authors say:

> Typical firms owned by the top 1–0.1% are single-establishment firms in professional services (e.g., consultants, lawyers, specialty tradespeople) or health services (e.g., physicians, dentists). A typical firm owned by the top 0.1% is a regional business with $20M in sales and 100 employees, such as an auto dealer, beverage distributor, or a large law firm.

These enterprises yield a nice living for their owners, especially at the highest end. Firms owned by the top 0.1 percent (those with annual incomes of $1.6 million or more) have an average of seventy-four employees who yield a profit of $14,000 each for the boss — more than $10 million in total. Few of these owners have more than one business, which makes for some precarity, and few businesses survive their owners. Even at the high end, this is not "Big Capital," though it's fat personal income. But they make up much of the top 0.1

percent — 84 percent of it in all. That’s thirteen times the number who make their big incomes as officers of public corporations; in the aggregate, privateers make eight times as much as their corporate comrades.

An interesting take on regional elites — those who live outside metropolitan centers and own businesses that might be small by globalists’ standards but are big in local terms — comes from the historian Patrick Wyman. Wyman wrote about what he called the “local gentry” in his hometown of Yakima, a city of 94,000 in Washington’s fruit and wine country, a long 140 miles from cosmopolitan Seattle. They own the region’s orchards and vineyards, and the businesses that serve those industries. Many are quite rich — not private equity rich, but enough to fund, in Wyman’s words, “hilltop mansions, a few high-end restaurants, and a staggering array of expensive vacation homes in Hawaii, Palm Springs, and the San Juan Islands.” You can say the same of hundreds of small cities around the country — Jeep dealers, McDonald’s franchisees, construction companies.

This formation looks a lot like a major base for the Republican Party: fervent enemies of taxes and regulations who may be too dispersed to cohere independently as a class but who can be nurtured by conservative politicians, donor networks, and think tanks. As of late October 2020, Yakima’s contributions to Donald Trump exceeded those to Biden by two or three times — a sharp contrast with Seattle, where, in some zip codes, Biden was ahead by as much as a 72:1 margin (and with five times as many dollars as Yakima). Upper-class Yakima is part of a formation that has been around for a long time; they were the financial base of right-wing politics back when Richard Hofstadter was writing about the paranoid style, but they’ve gotten a lot richer.

It’s not just geographical, it’s also a sectoral angle to the class base for right-wing politics. The MyPillow guy, Mike Lindell, was the most charmingly visible of Trump’s marginal business supporters, but there are also characters like Marty Davis, whom the *Washington Post* described as a “quartz-countertop mogul” based in suburban Minneapolis, at whose lakefront house Trump held an indoor fundraiser just before his COVID diagnosis. Minneapolis is far from a backwater, but Davis operates in an industry that would never qualify for inclusion in the commanding heights of capitalism. Still, the Davis family, which diversified into countertops after a successful run in the dairy business, was rich enough to have made a brief appearance on *Forbes*’s 2015 list of America’s richest families, with $1.7 billion in net worth.

All these developments do have some things in common: the share-price-motivated and buyback-driven public corporation, the extractive private-equity model, and the more exploitative closely held firm that dies with its founder all aim to take out as much money as possible, without much consideration for the future.

The two-party system has undergone a remarkable transformation over the past several decades. Once the party of New Dealers and Southern segregationists, the Democrats have evolved into a coalition of the softer side of the metropolitan establishment and a progressive wing the party leadership hates. And the GOP, once the party of the northeastern WASP elite, has evolved into a coalition of plutocrats and an enraged provincial petite bourgeoisie (often mistaken for the “white working class”).Both transformations can be read as driven partly by circumstances and partly by conscious effort applied to parties themselves. For example, the decline of manufacturing weakened the Democrats’ labor base as well as the economic base of the old WASPs in the Republican Party. Democrat support for civil rights drove Dixiecrats out, and Richard Nixon’s Southern strategy welcomed them into a Republican Party that had once been fairly progressive on civil rights.

But there were also vigorous internal restructuring programs that transformed the ideological coloration of the parties. In the 1980s, the Democratic Leadership Council (DLC), led by the likes of Bill Clinton, aimed to reinvent the Democratic Party for the neoliberal era by purging it of progressive forces left over from the 1960s and 1970s. The goal was to make it friendly to Wall Street and the Pentagon while dropping the civil rights and tree-hugger talk, and it was largely successful, as the party found popular support among professionals in the nicer suburbs.

Without downplaying the importance of the transformation of the Democrats — always a party of capital that had to pretend not to be one for electoral purposes — it must be said that the change in the GOP and the growth of the Right are a far more interesting story, because that's where the organized energy among the bourgeoisie has been for decades.

In *The Paranoid Style in American Politics*, Richard Hofstadter quoted a woman who greeted Dwight Eisenhower's victory over Ohio senator Robert Taft at the 1952 Republican convention by saying, "This means eight more years of socialism." That seemed daft at the time, but now, many Republicans view Joe Biden and Kamala Harris as communists of some sort.

Back in the 1950s, the Right was basically a movement of intellectuals funded by provincial petit bourgeois industrialists — the owners of machine tool makers in Milwaukee and the like. They saw Walter Reuther's United Auto Workers (UAW) as socialism on the march, and Eisenhower as too accommodating of it. (Contempt for Eisenhower drove a lot of right-wing organizing in the 1950s.) The big bourgeoisie had made an unhappy peace with the New Deal. The corporate and Wall Street establishment, based in the Northeast, featuring marquee names like Rockefeller, du Pont, Pew, Mellon, and Whitney, and supplemented by small-town worthies from the Midwest, found political expression in Eisenhower's party, a formation that survived into the early 1960s. They were temperamentally conservative in the sense of being cautious, but not ideologically driven.

For most of the twentieth century, there was a great deal of ideological diversity within the two major parties. Though more conservative than the Democrats on economic issues, the Republican Party had a liberal wing, just as the Dems had a conservative one. Though it's hard to believe today, when the Republican Party routinely race-baits to win the votes of white bigots, the GOP of the 1950s and 1960s often had a stronger civil rights record than the Democrats, because they didn't have a large Southern component. Into the 1960s, the Republicans were frequently stronger than Democrats on civil liberties, too. There had long been far-right tendencies in the Republican Party — most notoriously Wisconsin senator Joseph McCarthy, who ended up disgraced after a wild run in the 1950s but whose obsessions, like hatred of upper-class Harvard-educated liberals, prefigured his modern descendants. But the party was dominated by northeastern WASPs. As Taft, a leader of the party's conservative Midwestern wing, put it in 1952 after losing the presidential nomination to Eisenhower, "Every Republican candidate for President since 1936 has been nominated by the Chase National Bank." Chase was a Rockefeller family enterprise, and it was certainly not socialist. But Eisenhower was not a reactionary. As he wrote to his brother:

> Should any political party attempt to abolish social security, unemployment insurance, and eliminate labor laws and farm programs, you would not hear of that party again in our political history. There is a tiny splinter group, of course, that believes that you can

> do these things . . . [but] their number is negligible and they are stupid.

The business branch of that "splinter group" had a material problem with the Eisenhower-era settlement: General Motors may have preferred life without the UAW, but it could afford to pay union rates, especially in exchange for labor peace. Smaller fries couldn't. They were caught in the petite bourgeoisie's classic position, squeezed by big labor and big capital. Their freedom was under siege, and they reacted by funding a right-wing insurgency. The John Birch Society was founded in 1958 by the retired CEO of a Massachusetts-based candy company, Robert Welch, who'd made a fortune off lollipops and Junior Mints. Welch was rich, but he was no Rockefeller or Mellon.

Three years earlier, William F. Buckley, a few years out of Yale, founded *National Review*, with the mission of "stand[ing] athwart history, yelling Stop," as he wrote in the magazine's first issue in November 1955. As incredible as this may sound now, Buckley had trouble raising money for the magazine and needed help from his father, a small-time oil baron. As Buckley later put it, the capitalists didn't seem all that interested in the project of saving capitalism.Eisenhower's tepidity and compromises energized the Right, whose insurgency was almost Bolshevist in its ideological and organizational discipline. The Bolshevik tendencies were no accident. There were not only intellectuals like James Burnham, a Trotskyist turned cofounder of *National Review*, but important organizers like Clif White and the ex-Communist Marvin Liebman, who consciously emulated Red tactics in organizing their insurgency, from organizational and ideological discipline to how to dominate a meeting. That rigor and energy dismayed and disoriented the moderates, who preferred politeness and compromise above all things.

The Birchite and Buckleyite tendencies would eventually split, sort of — but before they did, they united in their affection for Arizona senator Barry Goldwater as their political avatar. Continuing the provincial petit bourgeois theme, Goldwater was the grandson of the founder of a five-outlet department store chain based in Phoenix — a flyspeck next to the likes of Macy's. Goldwater — or, more accurately, Goldwater's supporters — launched a bid for the 1960 Republican nomination that failed badly and had victor Richard Nixon betray the Right in several ways, but most visibly with his choice of the Massachusetts aristocrat Henry Cabot Lodge Jr as his vice presidential candidate.

Goldwater tried again in 1964, and though he would eventually be crushed in the general election by Lyndon Johnson, the convention that nominated the Arizonan was an important rite of passage for the conservatives. As journalist Murray Kempton put it, "This convention is historic because it is the emancipation of the serfs . . . The serfs have seized the estate of their masters." New York governor Nelson Rockefeller, a leader of the moderate Republican faction whose name embodied the old elite's domination of the party, was shockingly heckled, a sign of the WASPs' impending decline. The party's transition on race was made crudely clear by insults directed against black attendees — one of whom saw his jacket deliberately burned with a cigarette. Jackie Robinson, who was a delegate, said that the performance made him feel like "a Jew in Hitler's Germany."

Movement conservatives were undeterred by Goldwater's massive loss and continued with their plot to take over the Republican Party. A year later, Buckley ran for mayor of New York on the Conservative Party ticket, with the conscious aim of drawing enough votes away from the liberal Republican John Lindsay to elect the Democratic candidate, Abraham Beame, and thereby weaken the GOP's left flank. (The contrast with left liberals, who condemn any third-party challenge that might lead their party to a loss, is a vivid symptom of their lack of conviction.) Buckley initially thought he'd harvest votes from the city's WASP elite, but they were put off by his social conservatism. Instead, he tapped into the growing backlash of white ethnics — the people at the end of the subway lines, as future Nixon adviser Kevin Phillips, lead architect of his anti–civil rights Southern strategy, put it. Buckley ended up with 13 percent of the vote — not huge, but a nontrivial amount for a third-party candidate, and a sign of things to come.

Though much of that backlash was driven by race, there was also a class angle that most center-left analysts overlook. Lindsay was a social liberal and very attentive to the concerns of black New Yorkers, but on economic policy, he worked largely on behalf of the city's powerful real estate industry, reflecting his patrician base. At the time, city policy was several years into accelerating the eviction of manufacturing and working-class housing from Manhattan and replacing it with offices and upscale residences. This was good for financiers, developers, and lawyers, but not for working-class whites — who expressed their resentment by lashing out at blacks and liberals rather than the less visible moneybags.

Nixon, elected in 1968, would work similar resentments on a national scale, developing a mass base for conservative politics. But he mostly governed to the left of his rhetoric. His time in office brought us food stamps, the Environmental Protection Agency, and a proposal for a guaranteed annual income. Those compromises with liberalism energized the Right the same way Eisenhower's had two decades earlier. (In the brief period when I was a young conservative, I cast my first presidential vote against Nixon because he was too liberal.) But Nixon provided longer-term assistance to the cause of the Republican right with his Southern strategy — appealing to the resentments of white Southerners (and their fellow thinkers in the urban North) over the social gains of black Americans.

During Nixon's final years as president, the Right began mobilizing in the extraparliamentary realm as well. Sidney Blumenthal's 1986 book *The Rise of the Counter-Establishment*traces the ascent of the insurgent right's policy infrastructure. The book is a reminder that while capitalists have a gut sense of their class interests, they can't really think in detail about policy. For that, they fund think tanks.Blumenthal highlights a shift within the capitalist class that led to a change in the political complexion of its hired intellectuals. For decades, the corporate establishment funded the likes of the Council on Foreign Relations (which has, among others, a David Rockefeller room); the Brookings Institution, a hotbed of Democratic centrism; and the American Enterprise Institute (AEI), which is conservative but, as Rockefeller once said, not "far out." According to Irving Shapiro, CEO of DuPont in the 1970s and one of the era's business statesmen, AEI shaped capitalist thought in that decade.

A new cadre of rising Sun Belt entrepreneurs rejected this establishmentarian order, lusting for something more muscular. As Blumenthal points out, many of the nouveaux riches ran their own firms, unlike the old elite, who were the heads of public corporations. To the new class, that traditional order was stagnant. In 1973, beer mogul Joseph Coors founded the conservative think tank the Heritage Foundation, which took some time to get going but eventually became a powerhouse as the Reagan revolution set in.

President Ronald Reagan and Nancy Reagan waving from the limousine during the Inaugural Parade on January 20, 1981, in Washington, DC. (White House Photographic Collection)

This new subclass brought a fresh worldview. As Blumenthal puts it, “The Sunbelt entrepreneurs possess neither authority endowed by inheritance nor authority stemming from bureaucratic function. For almost all Sunbelt entrepreneurs, social status is derived entirely from crisp new money.” Heritage, the intellectual avatar of this consciousness, spun forth multiple-volume briefings for the Reagan administration, much of which found its way into policy.

But the big capitalists weren’t screaming for Ronald Reagan. In Blumenthal’s telling, they had to be pulled in his direction, and the think tanks played an important role in that process. Walter Wriston, the influential chair of Citibank from 1967 to 1984, said that his East Coast business set underestimated Reagan’s skills. His crowd initially preferred a more orthodox candidate, like former Texas governor John Connally or George H. W. Bush, for the presidency in 1980. But they came around. David Rockefeller provided the ultimate blessing: “My enthusiasm has grown. I didn’t adequately recognize the strength of his leadership.” Rockefeller’s conversion came about despite the early conservative movement’s ire toward his family and institutions like the CFR that it endowed.

Blumenthal’s arrivistes held a mix of envy and contempt for the old establishment, resenting its prestige while lamenting its decadence. It’s curious how that view still pervades the American right, even though that old establishment is considerably reduced. Equally curious is how its institutions, the Ivy League universities, have become the boutique workshops for producing today’s meritocracy. While it’s tempting to point only at the Democratic side of that formation — the Clintons, Barack Obama — some of our leading right-populists have a similar institutional pedigree, a formation distinguished by its denunciation of elites. Josh Hawley went to Stanford and Yale Law; Mike Pompeo, Tom Cotton, Ted Cruz, and Ron DeSantis all went to Harvard Law. The former New Right, once the joint project of a rising subclass and movement conservatism, has aged into a game played by cynics.

Blumenthal’s account centers on movement conservatism, which the corporate establishment didn’t participate in. But it began mobilizing on its own, developing new institutions and reviving older ones to fight the inflation-prone, worker-friendly(ish) Keynesian order and impose what we would later call the neoliberal agenda.

As Benjamin Waterhouse emphasizes in *Lobbying America*, many of the businesspeople who pushed that neoliberal agenda in the 1970s were neither movement conservatives nor self-made entrepreneurs but career managers. They were often socially liberal. But they objected to the host of new demands coming from women and racial minorities, as well as to the explosive growth in regulation. This strained the accommodation with the New Deal and the Keynesian state beginning in the late 1960s, a discontent that intensified in the 1970s when inflation and fiscal recklessness seemed not like transient problems but the foundations of a new disorder. Deepening the hurt feelings of capitalists was perceived hostility to business in public opinion, popular culture, and, increasingly, among their employees.The major old-line business lobbies, the National Association of Manufacturers and the US Chamber of Commerce, had lost credibility and power in Washington because of their relentless anti-labor and anti–New Deal stances in the postwar decades, ceding ground to more accommodationist organizations.

It took some time for capital to mount its counterrevolution. Modern business political action committees (PACs) got their start in the early 1960s, but their ranks were thin and their legal status murky until the Federal Election Commission legalized them in 1975. The number of corporate PACs subsequently exploded.

You can’t tell the story of the new political consciousness of the 1970s business class without mentioning the Powell Memorandum, named after Lewis F. Powell, then a corporate lawyer and later a Supreme Court justice. Writing to the Chamber of Commerce in 1971, Powell worried about “the Communists, New Leftists and other revolutionaries who would destroy the entire system,” but he worried even more about the spread of antibusiness attitudes in previously respectable realms like academia, the media, and churches, and among intellectuals, artists, and even politicians. He lamented the passivity of business in the face of these existential threats and urged a massive ideological mobilization by capital to make a fundamental case for its legitimacy.

While the influence of the Powell memo is sometimes exaggerated, it did embody the business wisdom of the time and help inspire a quadrupling of the Chamber’s membership during the 1970s. Shedding its musty reputation but not its conservative politics, it reinvented itself as a slick, modern organization — but one railing against occupational safety inspectors and environmental regulations. It argued that business had no social responsibility, a position once associated with marginal figures like Milton Friedman, who was himself on the verge of becoming not at all marginal. The renascent Chamber became an important part of the Right’s institutional structure.

But capital was organizing on other fronts as well. The Business Roundtable, made up of the CEOs of 150 large corporations, was founded at a private club in Manhattan in 1973 to fight the antibusiness drift of American politics. But the founding wasn’t on the executives’ initiative — they needed political actors to organize them, as they often do. When visiting Washington in 1971, John Harper, CEO of Alcoa, was urged by Treasury secretary John Connally and Federal Reserve chair Arthur Burns to form a “nonpartisan” lobbying group for big business as a whole — something that had never existed before. There were specific trade associations but nothing to represent the whole crew. Harper and several colleagues founded the Roundtable in 1973, an early sign that capital was becoming a class “for itself,” one capable of consciously organizing to pursue its own power and interests. It was, unlike the Heritage Foundation crowd, bipartisan, pragmatic, and (by its own imagining) nonideological.

The Roundtable came into being just as the Right was founding its flagship think tanks: Heritage was born in the same year, 1973, and the Cato Institute four years later. For that relatively brief moment — the late 1970s into the early 1980s — productive parallel agitation by the mainstream business lobby and the newly mobilized right would result in moments of political triumph like the appointment of Paul Volcker to the chairmanship of the Federal Reserve and the election of Ronald Reagan as president. Together, Volcker and Reagan would end the “inflationary spiral” of the 1960s and 1970s and break the economic and political power of organized labor.

That triumph, however, would lead to a dissolution of capital’s broad political unity. As Lee Drutman shows in *The Business of America Is Lobbying*, his history of the industry, after creating an infrastructure for politicking, the focus of business narrowed dramatically, to sectoral and even firm-specific issues. Its fragmentation was so complete that it was unable or unwilling to mobilize when a posse of hopped-up reactionary GOP backbenchers shut down the government and threatened default on Treasury bonds. In an interview, Drutman explained this silence as a symptom of capital’s narrowing field of vision:

> It’s a business-wide issue, and they’re all looking out for their own narrow interests . . . Business rarely lobbies as a whole . . .Success has fractured them. When there was a lot at stake, it was easy to unify. They felt like they were up against Big Government and Big Labor. But once you don’t have a common enemy, the efforts become more diffuse . . . There’s not a sense of business organized as a responsible class.

Most of the organizational energy ever since has been on the Right. The most prominent figure in that agitation for decades has been Charles Koch, a rare case of a serious capitalist organizing independently on his class’s behalf. Along with his late brother David, Charles has led a small but very rich network of plutocrats who have pushed American politics to the right at every level of government over the last few years. The family’s money comes from control of a private company, Koch Enterprises, with $115 billion in annual revenues. Were it a public corporation, it would rank around seventeenth in the Fortune 500.

The Koch network organizes regular conferences for the like-minded, where they raise money and plot strategy, and their tentacles have spread into every state in the country. The circle — now with hundreds of major donors, distributing hundreds of millions of dollars every year — is thick with hedge fund managers and fossil fuel magnates, supplemented by a rank and file drawn from the pass-throughs in the top 0.1 percent. At the summit, financiers like Steven Cohen, Paul Singer, and Stephen Schwarzman — who mostly run their own investment funds rather than working for established banks — were drawn to the enterprise in the early Obama years, fearing he was a reincarnation of FDR about to crack down on their business models. (As it turned out, he never did much more than call them “fat cats” once, a remark many on Wall Street never forgave him for.) They were joined by carbon moguls who were afraid Obama was serious when he said, upon clinching the Democratic presidential nomination in 2008, “this was the moment when the rise of the oceans began to slow and our planet began to heal.” A big portion of the Koch network consists of financiers who own their own firms and not public corporations. They don’t like anyone telling them what to do — neither government nor outside shareholders.

Unlike many on the Left, Charles Koch has never seen a contradiction between electoral work and other organizing. His network showers cash on right-wing candidates up and down the ballot, but it also supports professors, think tanks, publications, and advocacy organizations — all as part of a coherent, long-term, and ideologically rigorous strategy. There's nothing remotely like them in US politics.

That's not to say there isn't some big money on the liberal left — just not as much, and not as ideologically coherent. The closest liberals come is the Democracy Alliance (DA), which was founded in 2005 and gets money from George Soros and other, less famous monied liberals. But it distributed only about $500 million in the first decade of its existence — less than the Koch network spends on one election cycle. And unlike the Koch network, whose spending is tightly controlled by the leadership, DA members decide where to spend their money.

For Koch, following the model laid down by Friedrich Hayek and his comrades, political ideas have a production chain. The Mont Pelerin Society, the organization of neoliberal economists convened in a village by that name in Switzerland in 1947 on Hayek's invitation, had a clear conception of how to spread its influence. Peak intellectuals, like Hayek, Ludwig von Mises, Milton Friedman, and other luminaries of the movement, would develop ideas, which would spread down to think tanks, then to politicians and journalists, and finally to the public. (Friedman spanned several levels of the hierarchy at once, writing books and papers that were influential in the economics profession at the same time he lobbied politicians and wrote a column for *Newsweek*.) As Burton Yale Pines of the Heritage Foundation put it back in the 1980s, "Our targets are the policy-makers and the opinion-making elite. Not the public. The public gets it from them."

One of the principal actors in the Koch family's intellectual production and distribution network has been Richard Fink. Fink, then an NYU grad student in economics, dropped in on Charles one day in the late 1970s and asked for money to found a libertarian institute. Koch wrote him a check, which he used to set up the Center for the Study of Market Processes at Rutgers. He soon relocated it to George Mason University (GMU), where it became the Mercatus Center. In 1985, the Koch-funded Institute for Humane Studies moved from California to join Mercatus at GMU. This sequence of events transformed a formerly obscure state university in the DC suburbs into the Vatican of libertarian intellectual life. They've reproduced the model at universities around the country, financing institutes and endowing chairs with considerable influence over the direction of research. Unlike many leftists, Koch and co. take academia seriously.

In a 1996 article, Fink outlined his master strategy: an intellectual economy of producer goods and consumer goods, as in the real economy, reminiscent of the Mont Pelerin structure. The intellectuals, often university-based, are the makers of the producer goods (ideas), which are then transformed into intermediate goods by think tanks, and ultimately into products for mass application by activists. Or, as Koch himself put it, "libertarians need an integrated strategy, vertically and horizontally integrated, to bring about social change, from idea creation to policy development to education to grassroots organizations to lobbying to litigation to political action." He's done a lot to make it happen.Think tanks are the middlemen in the production and dissemination of ideas. One of the most important has been the Cato Institute, founded in 1977 with Koch money. The name came from Murray Rothbard, the libertarian economist, who emphasized there was nothing "conservative" about the institute's mission: he dismissed conservatism as "a dying remnant of the ancien régime . . . ineluctably moribund, Fundamentalist, rural, small-town, white Anglo-Saxon

America.” For Rothbard — like Koch and Cato — libertarianism is a revolutionary doctrine. Koch money also funded the Reason Foundation, best known for its eponymous magazine. *Reason* was founded by a Boston University student in 1968 and published out of his dorm room in its early days. A decade later, Charles Koch agreed to finance it if it remained “uncompromisingly radical.”

All these Koch-fueled entities — GMU, Cato, *Reason* — busily schooled Republican politicians and operatives throughout the 1980s and 1990s on the wisdom of privatization and austerity.

There are other right-wing mega-donors, though none with the broad scope and vision of Koch. Hedge-fund billionaire Robert Mercer, who was originally part of the Koch network and then went off on his own, was a major funder of the Trump campaign and the Breitbart News operation. Another striking pair of characters is Richard and Elizabeth Uihlein. Richard inherited a bunch of Schlitz beer money and then built a second fortune in the Uline packaging business. They support media, like the *Federalist*, and candidates that some on the Right find a little hot to handle, like Roy Moore, the Alabama judge with a taste for teenage girls. They’re also major supporters of the Club for Growth and Scott Walker, former governor of their home state, Wisconsin.

Right-wing funders, led by the Koch network, have created scores of policy outlets around the country. The State Policy Network (SPN) has sixty-six affiliates and over eighty associates populating every state but North Dakota. Founded in 1992 by the industrialist Thomas A. Roe, who had set up the first of these think tanks in South Carolina six years earlier on a suggestion from Ronald Reagan (politicians in the lead again!), the SPN flock develops policies, disseminates propaganda, and trains personnel to promote “economic liberty, rule of law, property rights, and limited government,” which, in practice, means gutting regulations, cutting taxes and services, privatizing public schools and pension systems, and destroying unions.

Closely associated with the SPN is the American Legislative Exchange Council (ALEC), which shares funders and priorities but operates at the political ground level, writing bills and lobbying legislators. Since state and local governments often function in obscurity, with part-time legislators and thin staffs, having prewritten bills and trained politicians is a vital lubricant for the right-wing agenda. Aside from the usual right-wing funding sources, ALEC also draws from a wide variety of business interests, often by offering their assistance on a specific policy issue and then bringing the firms more permanently into the fold.

It’s an impressive network, running from the Oval Office all the way down to places like Schoharie County, New York, where a Mercer-funded think tank has been agitating. It’s been crucial to Republican control of statehouses across the country, influencing the shape of Congress because of their jurisdiction over districting and electoral law.

Despite this power, the Right has never achieved political hegemony, nor have its business patrons achieved economic hegemony. The Koch network is rich, but its wealth pales next to the Fortune 500’s cash flow. One way to make this point is to poke about their think tanks, where money is made into policy. There’s a decided lack of big names.

The board of the Cato Institute, despite its ties to the Koch world, is heavy with second-tier and third-tier capitalists — the chair of something called TAMKO Building Products, a Missouribased firm; a managing director with Susquehanna International Group, a money management firm based in Bala Cynwyd, Pennsylvania; and the former owner of the Tennessee-based Young Radiator Company. Koch aside, it's light on seriously elite connections.

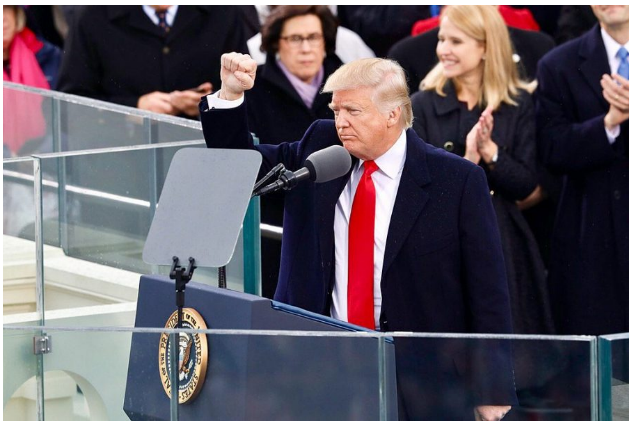
As is the Heritage Foundation. Its president, Kay C. James, was previously a dean at Regent University, the school founded by televangelist Pat Robertson. Another link to the educational right is board member Larry Arnn, president of Hillsdale College, a deeply conservative institution that takes no federal cash so Washington can't tell it what to do. Other trustees include a corporate headhunter with two degrees from Baptist colleges; a real estate developer and chair of a food service company, both of which almost no one has heard of; the chair of a small maker of wearable biosensors; the head of a small private equity firm; another PE guy who advertises himself as "a life member of MENSA and the NRA"; and "one of America's leading authorities on the development of human potential and personal effectiveness." Its major funders contain few recognizable names outside standard right-wing circles (Bradley, Coors, Scaife, Walton). Its lower order of funders includes some big names — ExxonMobil, GE, Google, Visa — but they're greatly outnumbered by much smaller ones.

Contrast this with the centrist Brookings Institution, whose board includes ambassadors from Goldman Sachs, Deutsche Bank, TD Bank, Duke Energy, and Young & Rubicam. Its top funders include the Gates Foundation, the Hewlett Foundation, the Carnegie Corporation, the Rockefeller Foundation, Comcast, Google, JPMorgan Chase, Chevron, Exxon-Mobil, Shell, Time Warner, Toyota, AIG, and the governments of Japan, Qatar, and the United Arab Emirates — and even the libertarian would-be secessionist Peter Thiel, who, like any big investor, knows the importance of diversification. Or take the Clintonite Dems' favorite think tank, the Center for American Progress, which has a "Business Alliance" — price of admission: $100,000 — that includes Comcast, Walmart, GM, GE, and Boeing.

But their relatively inferior class status still hasn't stopped the Right from winning lots of fights. As Blumenthal pointed out, the businessmen around Reagan were not heavyweights; they brought us Duracell batteries, the Diners Club credit card, and Lassie — two second-tier brands and a defunct fictional dog. Despite that light footprint, their intense organization and commitment have allowed the Right to punch way above its weight. These intrepid capitalists served as an avant-garde for their larger, more cautious comrades. It's a messy business, cutting taxes and regulations.

Another dimension of the Right's influence is what it does to the respectable left. As Thatcher adviser Sir Alan Walters told me at a conference twenty years ago, the Iron Lady's most lasting achievement was her transformation of the Labour Party, which had ceased to stand for much. Something analogous happened with the post-Reagan Democratic Party, which has played an enormous supporting role in the organizational and ideological collapse of New Deal/Great Society liberalism. The party turned its attention away from the urban working class (which was savaged by deindustrialization) and toward professionals in the suburbs. But you would never characterize this formation as brimming over with political or intellectual passion of any sort.

Trump is thankfully a fading memory, but his relation to the right-wing counter-establishment is worth a closer look. Most weren't all that interested in him; he certainly served part of their agenda, but the economic nationalism bothered these apostles of the free movement of goods, capital, and labor. An exception was Robert Mercer, the hedge fund billionaire famous for Cambridge Analytica (which turned out not to be some AI Svengali but rather a bit of a fraud), who threw Trump some money and brought Steve Bannon and David Bossie — the head of Citizens United, who mounted the famous legal case that opened politics to vast and secretive funding — into his orbit. Bannon and Bossie gave Trump, never much on political philosophy, some right-wing ideology (notably “America First nationalism”) and connections. The Koch set at first kept their distance from the new administration. But they did have an in through Marc Short, Mike Pence’s chief of staff, who headed a Koch front group called Freedom Partners from 2011 to 2015. Trump — or, given his ignorance of policy, more likely Pence — soon turned to the Koch network for advice on staffing his new administration.Image below: Donald Trump at his inauguruation on January 20, 2017. (Wikimedia Commons)



A well-organized force is ideally suited to fill a vacuum. The Koch touch was most visible in energy and environmental policy, but they had personnel placements elsewhere as well. Former CIA director and secretary of state Mike Pompeo was once known as “the congressman from Koch” when he represented the Wichita area in Congress from 2011 to 2016. Earlier, he had a business career in that city that was partly funded by Koch Industries.

The network’s influence extended to informal advisers as well. Trump took advice on energy from pals like fracking magnate Harold Hamm, whom Jane Mayer described as a “charter member of the Kochs’ donor circle.”

The Kochs won some victories in the Trump era: a generous loosening of energy and environmental regulation, friendly court appointments, and fat tax cuts. But they never did repeal Obamacare, and the tariffs and immigration restrictions were major losses. Trump’s rhetoric about immigration and Muslims were among the reasons Charles Koch refused to endorse him. Much of corporate America wasn’t happy with that part of Trump’s agenda either, but they were too happy with their tax cuts to do much about it until the Capitol riot.

But a new class fraction did find expression in, or at least had affinities with, the Trump administration. As I argued above, the business coalition that came together in the 1970s to lobby for deregulation and tax cuts largely dissolved as a united force when it got what it wanted. Rather than a broad agenda, the business lobby narrowed to focus on sectoral and individual corporate interests. The Chamber of Commerce, though purporting to speak for business in general, came to rent itself out to specific clients, often unsavory ones. Big capital is socially liberal — or it pretends to be. It has no interest in the Christian right’s moral agenda, nor is it nativist. Almost every Wall Street and Fortune 500 company has a diversity department, handling everything from anti-racist training sessions to the corporate float for the annual LGBT pride parade. Their worldview is little different from Hillary Clinton's — but they're not passionately engaged in politics. They write checks, but profits are high, and the tax rate they paid on those profits over the last few years was the lowest it's been since the early 1930s.

They're layabouts compared to the class fraction I'm describing, a gang made up of the owners of private companies as opposed to public ones, disproportionately in dirty industries. The financier wing comes largely out of "alternative investments," hedge funds and private equity, not big Wall Street banks or Silicon Valley VC firms. Most alternative investment operations are run as partnerships with a small staff, often under the direction of a single figure. Collectively, they look like freebooters more than corporate personalities, and asset-strippers more than builders, be it natural assets in the case of the carbon moguls or corporate assets in the case of the PE titans. Trump himself ran a real estate firm with a small staff and no outside shareholders. Like a private equity guy, Trump loaded up his casinos with debt and pocketed much of the proceeds.

The prominence of private ownership is striking, and it's politically reactionary. Lately, institutional investors have been lobbying for some action on climate — not profit-threatening action, of course, but something. Central bankers are starting to make similar noises; they're increasingly worried that a financial system reliant on carbon assets (which could easily collapse in value when they're recognized for the climate-killers they are) might run into serious trouble. Since they have no outside shareholders, the Kochs and Hamms of the world are spared having to listen to this chatter.

This alliance between the private corporate form and political reaction is a reminder of Marx's observations on the topic. He described the emergence of the corporation, with its separation of ownership and management, as "the abolition of the capitalist mode of production within the capitalist mode of production itself, and hence a self-abolishing contradiction." Workers could hire managers as easily as shareholders, or maybe perform the task themselves. The stockholder-owned public corporation was a stepping-stone to a truly public entity. Short of that ambition, public firms are more transparent and subject to outside pressure than those controlled by a small, secretive circle of owners.

But, as we've seen, such owners have proven highly capable of organizing as a political force. Corporate America isn't averse to working with Koch organizations. Exxon and Microsoft worked with the Koch-heavy Citizens for a Sound Economy to push very specific agendas. But these are usually temporary, targeted crusades; none have the durability and ubiquity that the Koch agenda itself has. And that agenda has a substantial toehold on state power.

Returning to the theories of Nicos Poulantzas, while there are often divisions within the capitalist class, its predominant bloc organizes a "general interest." The contradictions remain, but the hegemonic fraction creates sufficient consensus to rule by universalizing its worldview as part of its dominance (or, as Marx put it in a classic formulation, "the ideas of the ruling class are in every epoch the ruling ideas"). That kind of consensus seems to be missing in US politics in recent decades, a point that became very clear during the Trump era. The corporate and financial establishment, initially suspicious of rule by such a volatile incompetent, never tried to rein him in. He was never interested in a universalizing rhetoric, as Poulantzas's hegemonic fraction is supposed to be. Instead, he stoked division almost every time he tweeted.

Within the GOP, the petit bourgeois mass base — the car dealers and accountants — is in conflict with its big business wing, and neither can gain political or ideological hegemony over the whole society. (That intraclass conflict became sharp and visible during Trump's second impeachment hearing.) The Democrats, for that matter, look divided between the old centrist DLC faction — tied to parts of Wall Street and big capital, represented by Biden — and a younger, more leftish, and more energetic activist wing. It's much easier to imagine (to take some names from the fuzzy past) Everett Dirksen and Lyndon Johnson coexisting in the same universe than to picture Marjorie Taylor Greene and Ro Khanna as colleagues in governance. Until the 1990s, the federal government never shut down for any length of time because of the inability to pass a proper budget; since 1995, the US government has shut down to a significant degree five times, for a cumulative total of eighty days, and political leaders openly suggested that a default on Treasury securities might be a salutary measure. There's something fractured in a state that engages in periodic shutdowns.

Bourgeois pundits often lament "divided government" and the inability to compromise, which they attribute to partisanship or bad temperaments. A more fundamental reason may be that no fraction of capital, neither the older centrist kind nor the upstart right-leaning kind, is able to achieve hegemony. The Right has considerable strength at elite levels, but in the popular realm, it's only the Electoral College, voter suppression, and aggressive gerrymandering that keeps it electorally competitive. Its position is greatly aided, however, by the deep weakness of more centrist forces, who lack serious intellectual or political energy. As the Right discredits itself with ludicrous attacks on the Capitol and farcical QAnon conspiracies, the center-left is feeble. The geriatric nature of the mainstream Democrat leadership is a sign of exhaustion. We're a long way from when DLC-style politics, as terrible as they were, had at least the superficial appeal of novelty. Now we've got the No Malarkey Express parked in the Oval Office.

Elite division looks to be in stark contrast with the coherence and breadth of the WASPs, a relatively narrow, homogenous owning class bound by inherited wealth that married out of the same mating pool; went to the same schools; belonged to the same clubs; owned a lot of capital; ran the major industrial companies, law firms, and banks; ran major educational institutions like prep schools and universities; ran major cultural institutions like universities and museums, as well as the philanthropies that shaped social thought and cultural life; and defined the limits of liberal politics. WASPs also populated government, like C. Douglas Dillon in the Treasury or Dean Acheson at the State Department or Nelson Rockefeller as the governor of New York. We shouldn't be nostalgic for them; they were often deeply racist and driven by notions of the "white man's burden." But they had a unity and authority that our current rabble of grifters and parvenus lacks.

That stratum's leading analyst, the sociologist E. Digby Baltzell (himself a product of Philadelphia's Main Line) thought a society like ours needed an authoritative elite of the sort his brethren once were. As he put it:

> [U]nfortunately success is not synonymous with leadership, and affluence without authority breeds alienation . . . the inevitable alienation of the elite in a materialistic world where privilege is divorced from duty, authority is destroyed, and comfort becomes the only prize . . .
>
> The essential problem of social order, in turn, depends not on the elimination but the legitimation of social power. For power which is not legitimized tends to be either

> coercive or manipulative. Freedom, on the other hand, depends not in doing what one wants but on wanting to do what one ought because of one's faith in long-established authority.

For those of us who believe in democracy, this is an unacceptably hierarchical view of society. But in a society like ours, one deliberately structured to magnify elite authority and limit the power of the horde — if you don't believe me, check out Federalist No. 10, in which James Madison makes it quite explicit his constitution was designed to do just that — the quality of governance depends profoundly on the nature of that elite. Our contemporary pack of plutocrats and scammers looks incapable of legitimation or coherent rule — and it appears to be nowhere near up to the challenge of climate change. Maybe Biden's top economic adviser, Brian Deese, who came to the White House after handling ESG issues for BlackRock, will organize his class buddies into a significant force on addressing climate, but Larry Fink's objections to Biden's early executive orders suggest he'll have quite a task on his hands. And that's before the Koch network and the Freedom Caucus have gone to work.

Alas, it must be conceded that, until the bonds of that constitution are broken and something approaching a real democracy is instituted, Baltzell has a point about how the loss of ruling-class authority — a legitimation crisis — might lead to social tensions and disorder. With the center so weak, it does present an opportunity for the organized right to make gains — but it presents an opening for the Left, too.

Making revolution against the ruling class, however, is a hell of lot harder than making a revolution within it.

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