# 1

# Introduction

> Laissez-faire was planned; planning was not.
>
> – Karl Polanyi, *The Great Transformation* (2001:145 [1944])

Several great shifts in the geography of global manufacturing occurred in the last sixty years. After World War II, US foreign economic policy contributed to a re-industrialization of Europe and Japan. Global shares of manufacturing capital moved outward from the United States following the war, generating robust conditions for Japan and Europe to boost exports in the decades to follow. Another major shift began with the de-industrialization of the United States in the 1970s and the acceleration of industrialization among numerous newly industrializing countries (NICs) that had previously engaged in strategic domestic industrial development (Dicken 2007). Over several decades, these global shifts – facilitated by trade liberalization, expanding multinational corporations, and the heightened role of finance – became nearly synonymous with globalization. Signaling this dramatic global movement of capital, the stock of worldwide foreign direct investment (FDI) as a share of total output increased from 5.92 percent in 1980 to 31.57 percent in 2010 (Fairbrother 2014). These multidecade processes culminated in China's becoming the largest manufacturing economy in the world by 2011. In each period, American trade policy had a direct role in these global shifts.

Initially, a policy of containment and market expansion in Europe and Japan – governed by the Bretton Woods framework – were significant features of economic globalization. The second wave of these transformations was characterized by increasing trade liberalization and a financialization of American capitalism.[1] Together, these developments uprooted manufacturing in America's industrial heartlands and propelled capital around the globe, a process that generated massive investment in China and numerous other NICs.

These broad features of globalization are well known. Variously depicted as the marvel of ordering a Big Mac in Kenya or with the dry recitation of trade growth figures, globalization is an enduring topic within both popular media and academia. In most of these accounts, human beings are presented as passive observers to a noisy revolution that appears, paradoxically, to be of its own making. Only rarely do the political roles of corporations and, specifically, the *class agency* of business leaders play a significant part within the broader narrative. This conceptual absence of class from the broader discussion comports with prevailing ideology but also limits our ability to describe (much less explain) the interactions between government and market actors in the historical spectacle of globalization. When viewed in this way – that is, as an impenetrable black box – the human and class-driven processes that underlie globalization are relegated to the shadows. On this point, while globalization is certainly larger than any single observer, we argue that its causal structure – the political logic that fashions its nodes of power and the course of future growth – is not so mysterious or diffuse as to wholly evade the investigator's lens. The primary purpose of this book, then, is to examine the important political role of American "corporate titans" (a group collectively referred to as "class agents") in the process of economic globalization. Chiefly of interest in this inquiry is the manner in which class actors forged enduring relationships with key national and international trade agencies in order to advance a *particular*, neoliberal vision of trade policy that would, ultimately, restructure the tapestry of modern capitalism.[2]

[1] In the introduction to his edited book on *Financialization and the World Economy*, Epstein explains that "financialization means the increasing role of financial motives, financial markets, financial actors and financial institutions in the operation of the domestic and international economies" (2005: 3). John Bellamy Foster, who has expressly linked the process of financialization to neoliberalism and globalization, argues that the financialization of capitalism represents "the shift in gravity of economic activity from production (and even from much of the growing service sector) to finance" (2007: 1). Our historical account identifies clear linkages between corporate advocacy for the liberalization of trade as well as finance from the 1970s forward.

[2] From the Caribbean Basin Initiative (CBI), to the North American Free Trade Agreement (NAFTA), the World Trade Organization, and more, American trade policy moved

Opening an inquiry into the political role of corporate actors involved in shaping globalization requires consideration of several related concerns. Most obviously, it requires a critical interrogation of the way that corporate leaders shape international markets through trade policy, closely interacting with state officials and institutions. No longer can the story of globalization be one of abstract "market forces" exerting quasi-natural laws on human societies. As Fligstein asserts, "globalization is not an impersonal force, but very much reflects the social and political construction of markets by firms and states" (2001: 222). But what does the political action of firms look like in the context of trade policy and globalization? If, as we qualify below, class political action is detectable from a rigorous social science approach, what does this mean for both theoretical and popular understandings of the relationship between government actors and market actors in reshaping the global economy?

Amid the global financial crisis of 2008, a new chapter in the history of neoliberal globalization emerged. Simple assumptions about markets as pure and neutral arbiters of economic transactions faced new challenges from beyond the pages of economic history and sociology. The apparent triumph of global capitalism came into temporary question, and with it, the reigning economic paradigm of neoliberalism.[3] From the left wing of US politics, a newly invigorated discourse of class and income inequality began to challenge corporate power with calls for greater accountability on Wall Street. The specter of the Occupy movement in 2011, with its sweeping critique of corporate power, took root in ways not seen in the United States since the 1999 World Trade Organization protests in Seattle. In response, proponents of neoliberalism heightened their demands for a market-governed society, further tax cuts, deregulation, trade liberalization, and more. From the GOP and Tea Party's politics of austerity arose a fresh defense of free market politics in the United States, as well as

markedly toward greater liberalization, hence the characterization of neoliberalism. Neoliberal markets, including the visions of international free trade, epitomize the classic-liberal utopia of an unregulated, free market society (see Polanyi 1944). Neoliberalism is thus defined as an encompassing perspective that claims that the "market allocates resources to all uses more efficiently than political institutions" (Przeworski 1990:15). See Harvey (2005: 4) for a "political-economic story of where neoliberalization came from and how it proliferated so comprehensively on the world stage" (see also Bourdieu 1994, 2005; Bourdieu and Wacquant 1992; Mudge 2008).

[3] When Alan Greenspan, then-chairman of America's Federal Reserve, and a leading spokesperson for financial market deregulation, announced in his 2008 Congressional testimony that there was a "flaw in the model of how I perceived the world works" (Kiel 2008), a quiet, but subtle crack was exposed on the edges of neoliberal ideology.

a reinvigorated denial of class as a structuring force in US society. These social tensions persist even as neoliberalism, as an ideology and a model for institutional restructuring, exhibits remarkable resilience.

Neoliberalism – which promises to efficiently generate wealth while disciplining states and bureaucracies with market forces – took shape over the course of decades. As a kind of governing philosophy, it has been offered, variously, as a remedy for economic stagnation, bureaucratic bloat, corruption, inflation, and more (Bourdieu 1999; Mirowski and Plehwe 2009; Mudge 2008). From the early 1980s onward, it provided the basic policy framework for "structural adjustment" in the global south, for "rescuing" the welfare state in the global north, and as a vision for a global economy unbound from centrally planned markets, dying industries, or rent-seeking interest groups. One cornerstone of this paradigm that remains mostly unchallenged among political elites is the principal of "free trade." Broadly speaking, neoliberalism and free trade have provided the ideological framework for most reciprocal trade agreements since the early 1980s, when President Reagan initiated a wave of new trade policies in February 1982 during a speech to the Organization of American States (OAS). There, Reagan unilaterally called for a Caribbean Basin Initiative (CBI) that would "make use of the magic of the marketplace of the Americas, to earn their own way toward self-sustaining growth" (quoted in Polanyi-Levitt 1985: 232).[4] This formulaic discourse of free markets, free trade, and personal liberty – hallmark features of Reagan's popular rhetoric – also captured what would later be acknowledged as core principles of an incipient neoliberal ideology that promised a restoration of US economic hegemony (Mudge 2008). Domestically and internationally, neoliberal trade proposals were generally presented in tandem with calls for privatization, deregulation, and a reduction in the size of government spending as a share of GDP.[5]

[4] The CBI was a unilateral program enacted into law on January 1, 1984. It was extended by NAFTA in 2000 to achieve parity with the larger, continental pact. It was the first of several tariff-reducing regional free trade programs in the hemisphere. Provisions in the act enabled US trade authorities to deny the reduced tariffs to countries judged to be under Communist influence or that had expropriated US commercial properties, hence the "free market" arrangements were quite political in their form, Office of the United States Trade Representative, CBI Page, Oct. 20, 2012, www.ustr.gov/archive/Trade_Development/Preference_Programs/CBI/Section_Index.html.

[5] A critical distinction is made between neoliberal "free trade" and open and fair world markets (see Chapter 3). As critics of neoliberal trade policy have argued for decades, the policy choice is not necessarily between protectionism and free trade. Instead, commonly recognized production standards are already part of the construction of world markets

Although a large and varied group of economists, policy wonks, and government leaders supported the general principles of neoliberal globalization, the "market fever" of the 1980s did not spread simply because certain individuals espoused free trade and domestic deregulation. The fact that many of these noncorporate actors assume a central role in many popular and academic accounts of this era does not reduce the many empirical problems with this view. In particular, the problem with this "triumphant" vision of neoliberal history is the manner in which the very *engines* of capital behind the market mania – globalizing corporations – *appear* as liberated historical agents acting out their market freedoms, not as class political actors foisting new institutional realities on the world. We contest this prevailing view and instead ask who liberated, or in Blyth's (2002) terminology, "disembedded," these markets from national social and political institutions? Was it the fever pitch of a new policy ideology acted out by government partisans and policy makers committed to its mantra? Or did the very economic actors benefitting from market liberalization act politically and concertedly to unleash it? And if so, did this coordinated corporate political campaign arise from a reorganized and newly emboldened economic *class*, or simply through ad hoc alignments created by shared organizational interests? Specifically, can we detect class political signatures on the wave of free trade policies, like the CBI, the North American Free Trade Agreement (NAFTA), or the World Trade Organization (WTO), that erected the institutional framework of neoliberal globalization?[6]

considered as "free trade" (Quark 2011), and phytosanitary workplace standards have been negotiated into the NAFTA and other agreements. The extension of market standards to include basic labor and workplace standards (already recognized in the ILO) or consumer and environmental protections need not diminish the ability to build open and fair markets. The difference, as critics of neoliberalism maintain, is between a neoliberal program of downward harmonization (a "race to the bottom" of labor, consumer, and environmental standards) versus a program of fair trade, with an upward harmonization of standards with market-enforceable mechanisms at the global or regional level.

[6] While "globalization" has been the subject of considerable debate, efforts to define the term and analyze its consequences have been stymied by the lack of a universally accepted conceptual framework within which to analyze it (Cohen et al. 2003: 313). Because the focus of this study is corporate involvement in US trade liberalization, it is probably sufficient to employ the most common meaning of the term, that is, growth in the global trade of goods and services. Even as we qualify the character of contemporary globalization as "neoliberal" and restrict our attention to the economic dimensions of globalization that pertain to the growth of international commerce, it should be noted that research on globalization encompasses a much broader range of cultural and social phenomena (McMichael 2012; Rupert 2003).

The answer to these questions and, in particular, the role of class agency within these macroeconomic shifts, is not simply a question of whether one likes Karl Marx or Adam Smith. Notwithstanding the recent tendency to equate the mention of class with "class warfare," it is our contention that removing class from accounts of recent economic history creates, at best, a narrow and distorted perspective on this important era. The primary purpose of this book, then, is to introduce and empirically validate a concept of class agency that deepens our understanding of both the trade policy-making apparatus as well as the neoliberal globalization "project" more generally. We believe that our approach, rooted in the "elite studies" and "power structure" research traditions, expands (and, in some areas, corrects) conventional explanations of neoliberal trade and globalization that emphasize market, institutional, and ideological factors, while neglecting to incorporate a concept of class political action.

Our general line of argument historicizes US trade policy and neoliberal globalization, highlighting the active and at times contradictory processes that shape the state and class relationships responsible for propelling institutions, like the WTO, into existence. Following McMichael (2001: 207), we concur that globalization is best understood as a "*historical project* rather than a *culminating process*." Treating neoliberal trade policies as part of a much larger historical project – made and remade by collective actors – offers a more realistic and empirically grounded framework for exploring the intersection of class and state actors in the political articulation of globalization.

Whereas much of the literature on globalization assigns an important role to the *economic* activity of multinational corporations, the force of their *collective* political agency in pressuring states to ratify trade agreements and enact institutional reforms is mostly attributed to narrow sectoral interests, like factor mobility, economies of scale, or various industry-specific characteristics.[7] This disconnect in the literature creates

[7] Exceptions include the relatively new genre of empirically oriented scholarship on transnational capitalist class networks (Carroll 2004, 2010; Kentor and Suk Jang 2004; Murray and Scott 2012; Sklair 2001, 2002b; Staples 2006, 2007). This research generally aims to empirically document and explain the organizational dynamics of transnational corporate boards and their interaction with transnational governance institutions, cultures, and production processes. Interest in the "transnational practices" (Sklair 2001, 2002b) of corporations and transnational bureaucrats certainly has a place in clarifying accounts of globalization and transnational institution building. This focus *beyond* the nation state, however, misses a crucial dynamic *within* national state institutions: globalizing corporations can penetrate and transform state agendas to advance transnational prerogatives (see Robinson 2004). Empirically, we direct our attention to dynamics within US state

a paradox for theories of globalization: on one hand, global markets are characterized as independent, impersonal forces governed by abstract rules that constrain states. In this view, global markets "act" on the state and governments consequently "react" to these impersonal economic forces. On the other hand, in the policy and international relations literature, state actors are viewed as the principal actors in the construction of global market institutions. State actors, in this view, ostensibly ascertain the economic interests of key industries and promote trade policies that strengthen the relative economic power of the country based on their rational-strategic evaluations. Paradoxically, state actors seem independently responsible for creating transnational institutions that mitigate or supersede the state's authority, from consumer safety to investor property rights (Boyer and Drache 1996; Dicken 2007; Strange 1996). Consequently, neoliberal globalization appears to advance in two steps, with states either following capital markets or markets expanding through states.

The broadly held assumption that the diverse economic interests of large corporations create "irreconcilable" political fractions contributes to this seeming paradox. In the extreme version of this perspective, competitive market dynamics are thought to create permanent divisions among corporations and their managing elite; only autonomous political elites holding the "unfettered" version of free trade orthodoxy are capable of creating rational systems to govern international transactions and capital flows (Block 1987; Lindblom 1977). Chapter 2 illustrates how the logic of this perspective – which emphasizes corporate political fragmentation stemming from economic competition – is rooted in epistemological orientations that view corporate political action through an atomistic, as opposed to relational, lens (see Emirbayer 1997). Corporate political action, within this framework, is reduced to a multiplicity of competing economic interests

institutions responsible for constructing transnational trade governance systems. We therefore invert the typical orientation of theories of global capitalism that focus on transnational and global processes and practices and bring attention to the active role of both state and class actors in constructing those transnational structures. We focus on the network embeddedness of US-based corporations and the interpenetration of these corporate power structures with trade policy processes within US government institutions, not transnational institutions. Our approach retains a distinct focus on measuring and testing forms of class cohesion among corporate political actors at the national level. The particular emphasis on measuring state-level outcomes for corporate political action also rests on a view that states matter, that transnational environments are suspended, in part, through the actions of states, and that explanations of corporate class power at the national level can be appreciably improved.

incapable of sustaining political unity to press broader classwide aims. When and if corporate solidarity prevails, it is conceptualized as a temporary, issue-based fix amid a larger sea of competitive flux. In the end, classwide business interests detach from the political behavior of corporations, leaving state actors and associated private regulatory agencies to determine international trade policy.

This perspective – where states direct a fragmented private sector toward trade liberalization – creates a rupture in political theories of globalization and, in particular, confuses the relative historic roles of class and state actors. This book presents an alternative thesis. Building on previous research, we highlight the *interaction* between state and class actors – measured, principally, through complex corporate, policy, and political networks – in the construction of global market institutions over time. Rather than assuming that the economic interests of corporations are simply "known" by state actors independent of corporate political action, and that these state actors are relatively "autonomous" from outside influence, we focus on how the two interact *politically* to advance a particular form of neoliberal globalization, one that defines the contours of an historical era. In this view, neither the political "shape" of globalization nor the "interests" of its primary actors are simple derivatives of reified macroeconomic theories or purely material concerns stemming from market interests. Instead, we argue that state and class actors work in concert, not singularly, to produce the trade institutions of neoliberal globalization, significantly altering the societies in which these markets are embedded.

Throughout this book we develop, test, and expand upon two interrelated bodies of literature concerning corporate political power and neoliberal trade policy. The first draws from elite studies in sociology and is concerned with the mechanisms and relative importance of the "intercorporate network." The part of this literature that is of particular interest for our analysis is the manner in which existing "nodes" in the intercorporate network (e.g., the Business Roundtable) have expanded their engagement with "the neoliberal project" and, in many instances, spawned new centers of influence within the trade-policy formation process (as with the various trade coalitions we discuss later).

The second body of literature we examine are those which incorporate a more strictly "interest group" conceptualization of corporate political action within the trade-policy formation and advocacy process. While corporate interest group coalitions (e.g., among firms in the same sector) are an important part of trade policy formation in the United States, in general we find these interest-centered accounts insufficient on two grounds. First, the concept of "interest groups" does not capture the unique power, resources, and bargaining position of large corporations in modern political systems. For example, institutionalist and interest group theories of corporate trade politics generally place sustained trade policy activism by large multinational corporations in the same category as gun or environmental advocacy groups. This, we think, betrays the historical significance of corporate collective action as well as the *incomparable* resources these organizations channel into the US political system. As the central hubs of capital, large corporations exert leverage within multiple social, economic, and political processes, impacting everything from labor markets to cultural aspirations. We take this to mean that as a starting point, a critical evaluation of the "interest group" concept – in this context – is warranted.

Collectively, the empirical observations presented in this book challenge "interest group" centered accounts of corporate advocacy for neoliberal trade policy. While sectoral interests are certainly an important driver of neoliberal policy activism among large corporations, our empirical models also highlight the influence of numerous unifying, intersectoral corporate and state associations.[8] The exclusivity, resources, and influence of these organizations, together with the dense social and political networks that connect the executives from many large US firms, warrants a careful juxtaposition of "interest group" and class-cohesion perspectives on corporate political behavior. In terms of US trade policy and, more generally, neoliberal globalization, we advance a restatement of *unified* corporate political action as *class agency*. This concept rests on the work of C.W. Mills (1956) and his understanding of the relationship between the corporate rich and the power elite.

It is our contention that a concept of class agency *enhances* institutionalist, historical, and interest group accounts of American trade policy and neoliberal globalization. A concept of class agency is presented in Chapter 2 that connects the uniquely resourceful characteristic of modern corporations with theories of organizational contingency, societal conflict, and institutionally specific political action over neoliberal trade policy.[9]

[8] Such as the Business Roundtable and the Advisory Committee on Trade Policy and Negotiations to the President (ACTPN).

[9] Prechel's (2000) research develops a theoretical framework rooted in a series of empirical investigations examining the historically contingent class organization of the steel industry. His work is discussed further in Chapter 2.

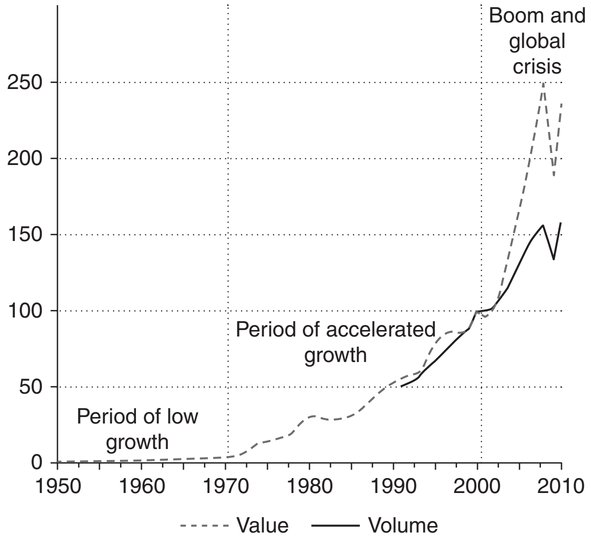


FIGURE 1.1 Long-Term Trends in Value and Volume of Merchandise Exports, 1950–2010 (Index Numbers, 2000 = 100)
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## NEOLIBERALISM, TRADE EXPANSION, AND CLASS AGENCY

A great deal of literature on globalization describes the growth of world trade as a purely economic phenomenon. Ostensibly, this growth possesses "a mind of its own" and takes states, localities, and organizations along for the ride. In much of this literature, growth in world merchandise exports (see Figure 1.1) is viewed as an important proxy for deepening networks of economic exchange and integration. While growth in the trade of goods and services is certainly an important part of globalization, concluding, as much of the literature on globalization does, that this growth is mostly a function of economics, not politics, is a mistake. To put the matter plainly: markets cannot exist apart from the active participation of states (Fligstein 2001; Polanyi 2001 [1944]). Whether one views the market and its various gyrations (e.g., toward more trade) positively or negatively is quite secondary to this basic observation about the role of the state and its important function with the project of neoliberal globalization.

The most straightforward manner in which states transform the conditions for international trade is through import and export tariffs (or