

arms race and the cold war was preponderant. This is no longer the case. The Soviet Union has now achieved nuclear parity with the United States for the first time since the onset of the atomic era. This profoundly affects, among other things, Soviet ability to intervene in political and military conflicts outside its borders. The political pendulum has also swung in its favor. Compare the days when John Foster Dulles used to attack the nonaligned states for "immoral" neutrality with the recent conference of nonaligned countries in Havana where the policy of Washington's representatives was to *keep* the participants neutral (i.e., not aligned with the Soviet bloc).

These changes and the trend they represent make a realistic analysis of Soviet policies crucial for any political movement. Yet, in a special issue of *The Nation* concerned with "Intervention" (June 9), only one of ten articles was even partially devoted to the Soviet Union.* The article, by Michael Klare, employed a comparative analysis of U.S. and Soviet military forces to *discount* the impression that the Soviet Union is now or intends to become an interventionary power.

Klare achieved this feat by defining "interventionist forces" in such a restrictive manner as to exclude the Soviet invasion of Czechoslovakia and the occupation forces it maintains there, and by describing Soviet intervention in the Middle East, Africa and Asia as "aid" to "beleaguered allies"—in short, by taking a page from the apologists for American interventions. When Klare was compelled under his own ground rules to admit that some Soviet missions had the look of interventionist forces, he quickly denied the implication, saying, "... but it is important to remember that the units involved are seen by Moscow as being 'on loan' from their normal, defensive mission, and so would be recalled the moment they were needed at home." And so, presumably, would the U.S. "advisers" that began America's involvement in Vietnam, if they had been needed at home.

Failure to appreciate the world role of a major power—the depressing history of leftist apologies for that power aside—would be serious enough. But the Soviet Union, despite all the qualifying circumstances of its origins and development, is the country in which the revolutionary socialist solution—state ownership of the means of production—has been tested and found wanting. For this reason, far more than for the others, it requires radical attention. The point was forcefully made a few years ago by the Polish philosopher, Leszek Kolakowski:

Why the problems of the real and the only existing communism, which Leftist ideologists put aside so easily ("all right, this was done in exceptional circumstances, we won't imitate these patterns, we will do better" etc.), are crucial for socialist thought is because the experiences of the "new alternative society" have shown very convincingly that the only universal medicine these people have for social evils—state ownership of the means of production—is not only perfectly compatible with all disasters of the capitalist world, with exploitation, imperialism, pollution, misery, economic waste, national hatred and national oppression, but that it adds to them a series of disasters of its own: ineff-

iciency, lack of economic incentives and, above all, the unrestricted role of the omnipotent bureaucracy, a concentration of power never known before in human history.

Can the left take a really hard look at itself—the consequences of its failures, the credibility of its critiques, the viability of its goals? Can it begin to shed the arrogant cloak of self-righteousness that elevates it above its own history and makes it impervious to the lessons of experience?

In a previous essay, Kolakowski wrote that the left was defined by its "negation" of existing social reality. But not only this: "It is also defined by the direction of this negation, in fact by the nature of its utopia." Today, the left's utopia itself is in question. That is the real meaning of the crisis of Marxism. Yet, paradoxically, the way for the left to begin to regain its utopia, to fashion a new, more adequate vision of radical commitment and radical change, is to take a firmer grip on the ground under its feet. □

■ THE POLITICAL ECONOMY

How Business Saved the New Deal

THOMAS FERGUSON and JOEL ROGERS

For more than a generation, the political formula of New Deal liberalism has defined American public life. Now that formula is breaking down. The economic, political and social foundations of the New Deal are everywhere crumbling, battered beyond repair by double-digit stagflation, protectionist pressures and a chronically negative balance of payments.

Adjustment to the new world these changes intimate has proven widely traumatic. Signs of a collective identity crisis abound. Among the affluent: a fixation on the therapeutic functions of power and rewards of competition, a newly narcissistic concern for the Loved One, real estate speculation. Among the poor and the vulnerable at all levels of society: pentecostalism, fortune telling, satanism, astrology, disaster movies.

But not everyone has been incapacitated by the crisis. Parallel to the cultural experimentation of the rank and file has come a drastic restructuring of the internal relations among American elites, unnoticed by the press. With obsolete alliances breaking apart, they are scrambling after high ground, on the lookout for new institutions to service their needs and withstand the pressures of the 1980s. Although the realignment this entails is still in its early stages, parts of its infrastructure are already visible. The Business Roundtable, the Trilateral Commission and a score of defense-oriented, nationalist groups (most notably the Committee on the Present Danger) are especially prominent.

The next few installments of "The Political Economy"

Thomas Ferguson and Joel Rogers are members of the political science departments at the Massachusetts Institute of Technology and Princeton University, respectively.

*Another, by Gareth Porter, however, did admirably deal with Vietnam's invasion of Cambodia.

will focus on these new organizations, which embody most of the forces now competing for dominance in American politics: free traders and protectionists, high-technology and labor-intensive firms, energy sellers and energy users, advancing and declining sectors, weapons producers and commercial banks. They herald an emergent system of power, whose novelty becomes vividly apparent when contrasted to that of the New Deal. But because the New Deal itself has been systematically misperceived by liberal, revisionist, populist and orthodox Marxist observers alike, it requires a preliminary word.

What was enduringly significant about the New Deal cannot be grasped by concentrating, as so much commentary has, on the Orange Bowl parade of curious ideologies that successively informed it, on the foibles of the illustrious *Bourgeois Gentleman* who presided over it, or on the sequence in which the court retainers—Raymond Moley, Rexford Tugwell, Thomas Corcoran, et al.—brought F.D.R. his breakfast. These and the rest of the minor pieces only fall into place once the five central parts of the New Deal are fitted together:

§ The unique industrial structure of the United States in the 1930s—one dominated, for the first time in world history, by large, high-technology firms, of which giant, integrated petroleum companies were the most numerous and important.

§ An enormous financial sector that by the end of World War II wrested from Britain her hegemonic position in the world economy.

§ The manipulation of the American Federation of Labor to control the Congress of Industrial Organizations and, where the latter was too deeply entrenched to be dislodged, the selective promotion of “responsible” union leaders by government and industry.

§ The professionalization of many more occupations, and their integration into a vast, hierarchically ordered, capital-intensive and credential-based social management system.

§ A giant increase in the size and activity of large foundations and policy research institutes which cemented relationships between high-technology industries and professionals.

Of these five, the first two were pivotal. High-technology firms together with investment and commercial banks constituted an entirely new, distinctively modern kind of political coalition. Because they required less direct labor (and that often technical and scientific), these firms could afford to be less obsessively concerned with repressing the work force. And because they typically represented the latest wave of industrial innovations, they were vividly aware of how much they stood to gain from global free trade.

In the darkest moment of the New Deal, amid the collapse of the National Recovery Administration, swelling public criticism and spiraling class conflict, this hegemonic bloc asserted its power with dramatic effect. By intervening in support of the Second New Deal’s meliorative social policies, the most important of these firms spared President Roosevelt the choice between socialism and the termination

of a constitutional regime then being forced upon leaders of countries with far fewer large high-technology firms.

As the President vacillated, Walter Teagle of Standard Oil of New Jersey (now Exxon) and Gerard Swope of General Electric opened discussions with Senator Robert Wagner. Along with the Twentieth Century Fund, a handful of largely Northeastern textile firms threatened by the low wage standards enjoyed by their Southern competitors, and the mixed lot of social welfare and labor operatives usually credited with originating the Wagner Act, Teagle and Swope helped prepare the National Labor Relations Act, the cornerstone of all subsequent U.S. labor policy. In concert with many other top-level corporate executives, the same dynamic duo helped write and support the Social Security Act. And as prominent representatives of leading firms in income-elastic industries, they supported expansionary Keynesian budget policies as a way out of the Depression in the famous fiscal policy debate of the late 1930s.

These stabilizing social welfare initiatives, however, by no means exhaust the New Deal’s significance for the advanced sectors of American business. The Interstate Oil and Gas Compact fixed prices for a generation in the highest of the high-technology industries, while Roosevelt’s drive to lower tariff barriers, executed in stages after 1934, enchanted American financiers and high-technology firms. The latter move roused enthusiasm even from the House of Morgan, whose unique position in American banking had been destroyed by the earlier Glass-Steagall Act (to the great advantage of other investment banks and the Chase National Bank, whose president, Winthrop Aldrich, was the most important force behind the act).

Taken all together, these measures enabled Roosevelt to square the circle and successfully dramatize himself as the guardian of all the millions—both people and fortunes. They explain why, in the critical 1936 election, he garnered broad financial and organizational support from a glittering array of high-level business officials and individual firms. Prominent among these were Teagle’s Jersey Standard, Standard of California, Texaco (more ambiguously); a host of legendary independent oilmen, including Clint Murchison, Sid Richardson, Charlie Roesser and John Paul Getty; a veritable Milky Way of (non-Morgan!) investment banking stars, including Averell Harriman of Brown Brothers Harriman, Sidney Weinberg of Goldman Sachs, John Milton Hancock of Lehman Brothers and James Forrestal of Dillon Reed, and top management figures from General Electric, Zenith, International Harvester, Coca-Cola, the Bank of America and Manufacturers Trust. Last, if scarcely least, was the firm which incarnated multinational oil and international banking, the Chase National Bank. In amusing counterpoint to the “malefactors of great wealth” theme, Chase tided the Democratic National Committee over a period of notorious financial stringency with a \$100,000 loan.

Though in the end it not only prevailed but flourished, the dominance of the high-technology free-trade bloc in American life should not be exaggerated. Powerful opponents menaced it on both flanks. On the left, radical and even merely aggressive labor unions shadowed it enough to keep the top management of many large firms sentimental

Republicans, even as they increasingly became operational Democrats. On the right, there was a massive, affluent and totally committed—because mortally threatened—group of protectionist, generally labor-intensive industries harshly opposed to anything that smacked of the New Deal.

The threat from the left was met with a two-track strategy. The first track was the manipulation of the A.F.L. to undermine the growing strength of the more radical C.I.O. As Sidney Lens observes in his book *The Labor Wars*, this was typically done through “backdoor” contracts, which blunted C.I.O. organizing drives by awarding bargaining representation rights to the more docile A.F.L. unions. Where the C.I.O. tide could not be stemmed, government and industry promoted “moderate” labor leaders to head up strong, bureaucratically administered unions. In one striking effort at building up the more tractable Phillip Murray in place of John L. Lewis in the United Mine Workers union, Roosevelt personally advised U.S. Steel and the great bank that importantly influenced it, J.P. Morgan & Co., to grant wage increases. Administration of World War II labor policies had the same object. And the lugubrious involvement of the A.F.L.-dominated A.F.L.-C.I.O. with the Central Intelligence Agency and all manner of superpatriotic gore is too well known to require additional comment.

Subduing the right was more difficult. Indeed, if one considers the recent history of the Republican Party, the effort might be adjudged a long-run failure. But from a less sweeping perspective, there is no doubt that the deepest impulse of U.S. foreign economic policy since World War II has been toward freer trade. One source of the burgeoning support for this policy was doubtless the decision by some once fiercely protectionist industries, notably chemicals, to go multinational and invest in Europe. But it is abundantly clear that another buttress of the new expanded structure of world trade was the large foundations and policy research institutes. Some of these, including the Brookings Institution, the Council on Foreign Relations, the Twentieth Century Fund, or the various Carnegie, Rockefeller and Sage Funds, antedated the New Deal. But even back then, they shared one outstanding characteristic. For directors or staff, no textile, steel (unless Morgan-dominated U.S. Steel) or other protectionist industry figures need apply. From the start, these organizations made little effort to involve “business as a whole.” They were instruments of the free-trade-oriented foreign policy community.

In the New Deal they acquired new importance. Although not all the big foundations and policy institutes were as advanced as the Twentieth Century Fund (nor, save for the Council on Foreign Relations, were their policy initiatives as influential), none were implacably opposed to the New Deal for long and most were cautiously supportive, especially of free trade.

Brookings, which for years had on its board Frederick Delano, F.D.R.’s uncle and a former railroad magnate who also served as treasurer of the Carnegie Endowment and deputy chairman of the Federal Reserve Bank of Richmond, was perhaps the most restrained of the large policy institutes in its enthusiasm (always excepting the then nationally-oriented Conference Board). In the 1940s this brought it

some strong criticism from influential business figures, including the young David Rockefeller, who felt some of its studies were biased. But by the 1950s, Brookings, along with the Council on Foreign Relations and the Committee on Economic Development (formed in the 1940s) came to embody perfectly the high-technology free-trade synthesis. It became a place that brought businessmen and professionals together to celebrate free trade and discuss administered reform for and of the poor.

The importance of these links to professionals has been insufficiently appreciated, as has their role in securing the New Deal coalition. We would be the last to deny the significance of an organization such as the Business Council, the Big Business group organized during the New Deal (it grew out of a smaller circle that had met informally for about a year) to provide formal, high-level channels for Big Business input into government. No organization should be underrated that pressured Richard Nixon into adopting price controls (see *Dun’s Review*, December 1976) or whose chairman was among the handful of people Lyndon Johnson called to ask for support while still in flight from Dallas after President Kennedy’s assassination.

But the Business Council is organized deliberately to represent large firms across the spectrum, and so must tread softly around critical issues like free trade which divide big firms. Even more important, the Kafkaesque atmosphere of near-total secrecy that shrouds its closed deliberations with high-level government officials makes it unsuitable for openly lobbying Congress or winning public support over long periods of time.

By contrast, the great cumulative influence exercised by Brookings, the Committee on Economic Development, the Council on Foreign Relations, et al., was critically dependent on the business-professions nexus they institutionalized. With the enormous expansion of bureaucratic forms of control in the New Deal, this nexus became a crucial arena of power. These institutions redefined the aspirations and subtly affected the activity of the entire new administrative, scientific and technical class of credentialed professionals. By transmitting and amplifying business definitions of problems, and implicitly accepting commercial criteria for solving them, these organizations projected the high-technology free-trade synthesis to the most remote corners of American life, into universities, schools, churches and the press, places that would never credit a Brookings study signed by the Brookings Board of Directors instead of by a scholar.

While money remains the foundation of the foundations, the achievement transcends “mere” dollars, for high-technology industries have so far managed to escape the taint that shadowed the earlier industries of the Industrial Revolution. Whether defining the terms of budgetary debate at Brookings, promoting investment tax incentives at the Committee on Economic Development, or assessing alternative U.S. global strategies at the Council on Foreign Relations, their subalterns conceive of themselves as honoring human creativity rather than brute, insensible effort, as acting in the service more of science than of wealth.

Now, at the close of the 1970s, problems loom for these institutions. Like the New Deal synthesis itself, they are breaking down. Accustomed to solving the problems of a policy coalition that took for granted its control of both technology and the world economy, they have trouble adjusting when these conditions no longer apply. In the usual manner of organizations confronting novelty, they have merely added wrinkles to existing programs. They have largely failed to address the new patterns of conflict in the business community generated by a restructured world economy, regulatory and consumer challenges, technological obsolescence and declining productivity, worker disaffection and spiraling energy costs.

Our next few columns consider their competition, the policy organizations set up precisely to deal with the 1980s. □

Gush Emunim

(Continued From Front Cover)

outposts by bringing down Begin's coalition Government. On a recent visit to Israel, I talked to some of them in their West Bank homes. What I heard did not make me optimistic about the future.

One of the first Gush Emunim settlements to gain formal recognition from the new Begin Government was Ophra, which had been given de facto recognition by the Labor Government in May 1976 after Gush Emunim members had successfully but illegally planted themselves on the soil of the rocky terrain. Built on the remains of a former Jordanian Army base, Ophra lies twenty minutes north of Jerusalem and only five minutes away from Arab Ramallah. The land is truly beautiful, but it is not empty. Surrounding the Israeli settlement are fields that are farmed by villagers from the neighboring Arab towns. The Book of Joshua mentions the existence of a Hebrew settlement called Ophra. The people who now live in Ophra say they have come to rebuild the ancient Jewish town. But they have settled in the wrong place. They know that biblical Ophra is now occupied by an Arab village, but they have settled as close by as they could: Ophra means "doe" in Hebrew; in Arabic it closely resembles the name of a mythological demon. Long ago, the Arabs purged the monster when they renamed their town Taibe, meaning "good."

As Begin promised, Ophra has prospered during the two and a half years of his rule. In that short time, the Gush Emunim settlers have transformed the abandoned military camp into a small village of box-shaped one-story garden apartments, a place that sixty families, about 300 people, now call home. Wells have been dug, electric lines hung, telephones installed. The road that wraps about and through the settlement connecting it to the main highway

has been paved. Walkways of concrete have replaced the mud paths. The influx of new buildings, made possible by governmental grants, has given the settlement a helter-skelter shape. The synagogue, the only building with bars on its windows (a mark of its former service as a Jordanian barracks), no longer stands in the center. The dormitories at the top of the hill, which housed a yeshiva when Ophra was first established, are now leased to the Nature Society, which brings Israeli schoolchildren to the West Bank on outings. The yeshiva has moved on to Beth-el, a nearby Gush Emunim settlement established soon after Anwar el-Sadat's arrival in Jerusalem. The cluster of trailers just beyond the hill, along the main road, which once housed a *garin*, or nucleus, of Gush Emunim activists waiting for permission to occupy a new site, is gone. The occupants have since taken possession of nearby Shiloh, whose establishment in the guise of an archeological dig in March 1977 sparked a crisis in Israeli-American relations.

In short, Ophra looks like a new kibbutz or *moshav* within the borders of Israel proper. While all the elements that go into the settlement's social foundation can be found in "mainland" Israel, Ophra represents a unique form of settlement: although it has a strong community life and structure, it is not a collective or cooperative farm. The land, which belongs to the Kingdom of Jordan, has been turned over to the settlers by the Israeli military government which administers it in the absence of Israeli sovereignty. The buildings, built by the Israeli Government, are owned by a corporation to which all members belong. They pay rent to the corporation, which in turn provides them with basic services and community social activities, such as courses in Arabic, homemaking, Torah and arts and crafts. There is a democratic procedure for community decisions. Although many of the members are graduates of the B'nai Akiva youth movement, which encourages its members to settle in religious kibbutzim, the people of Ophra do not live collectively. "A religious kibbutz is a redundancy," says one member. "Our religion provides all the social ethics we need." The local industries, mostly subsidized by Government grants and loans, include chicken coops, beehives, dye-making and metal shops, a data processing firm and a mushroom farm that is being built on the settlement's northeast corner. More than half the members, however, work in the big cities of Tel Aviv or Jerusalem, giving the lie to their claim of being "pioneers" in the classic mold of the founders of Israel's original kibbutzim. There is a school, part of the state-supported religious educational system, that teaches the local children until the fifth grade, after which they ride the school bus to Jerusalem. There is a clinic, supported by the National Federation of Labor's health fund, to provide for the sick. Until recently, the members of Ophra did not pay income tax since, technically speaking, they do not work within the borders of Israel. Angry at the implications of this situation, they have insisted and have since been allowed to pay their taxes, just like their fellow Israelis in Tel Aviv or Jerusalem.

I first visited Ophra in November 1977 when Sadat was in Jerusalem. I wanted to measure the impact of the Egyptian leader's magnanimous step. I returned a year and a half

Arthur H. Samuelson is an editor at Schocken Books Inc. and writes frequently on issues concerning the Middle East and the American Jewish community. His article on the origins and current significance of the Gush Emunim will appear in the February issue of Harper's.