

## Understanding the American State

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**Two recent books, focusing on the American corporate elite & high-technology innovation in the US, reveal much about the particular characteristics and operation of the US state. With diverging but compatible approaches, they provide bases for understanding why the US is in decline.**

Reviewed: *The Fracturing of the American Corporate Elite*, by Mark S. Mizruchi. Cambridge: Harvard University Press, 2013. *America Inc.? Innovation and Enterprise in the National Security State*, by Linda Weiss. Ithaca: Cornell University Press, 2014.

The American state is strong yet often ineffective. The United States is militarily hegemonic, enjoying a margin of force and technological superiority over other nations that is unprecedented in world history, even as the US seems incapable of winning wars and as other countries increasingly defy American dictates. US economic growth was declining even before the 2008 financial collapse, and the poor condition of American infrastructure is obvious to any one who drives an auto or lands at an airport in the US. American educational attainment and health are at the levels of much poorer countries and are falling ever further behind European standards. Inequality, while rising in most of the world, is more extreme in the US than in other rich countries.

How can we explain those contradictions and understand America's particular trajectory? The two books reviewed here approach these questions with different methodologies and offer distinct arguments. Yet, taken together, they go far in explaining the particular characteristics and operation of the US state.

Mark Mizruchi's 2013 book, *The Fracturing of the American Corporate Elite*, is a seminal contribution to our understanding of the nature and transformation of US elites over the past century. Mizruchi offers a new argument, supported by massive historical and empirical work, of how the corporate elite became the crucial actor in disrupting the post-1945 balance of power among the state, unions and corporations, and what effect that disruption has had on both the structure of the corporate elite and upon the US political system. This book should become central to debates among historians, sociologists and political scientists about US politics and more broadly about how democratic capitalist political systems are structured and how they are transformed.

Mizruchi is one of the leading scholars of ‘director interlocks,’ the common practice of an officer of one corporation serving on the board of another firm. Such interlocks create ties among firms, and Mizruchi has studied how the structure of relations among US firms, as defined by director interlocks, has changed. From the 1950s until the 1970s, banks were the central nodes of relations among firms. Bank officers served on the boards of numerous firms (mainly for corporations to which they extended loans). Banks in that way were able to coordinate and discipline the actions of firms, in essence limiting competition among firms so as to safeguard those firms’ abilities to repay their bank loans.

Banks’ influence on the corporations to which they loaned money and on whose boards they served went beyond shaping their business strategies. Mizruchi finds that banks also moderated both firms’ political positions and relations with their workers. Mizruchi’s central argument is that corporate elites were constrained in the period from 1945 to the early 1970s by powerful unions, state regulation, and by large commercial banks that acted as the central nodes in director interlocks. Mizruchi explains, with far greater precision and empirical backing than any other scholar, how unions, state regulation and banks effected the decisions of leading executives in major corporations. The author examines the organizations in which corporate elites met to formulate and lobby for legislation and to influence governmental regulation. He identifies who belonged to those organizations, how and why at times those organizations worked in tandem and at others at cross-purposes.

### **Corporate autonomy without efficacy**

Mizruchi then goes on to explain how all three constraints on the corporate elite have weakened since the 1970s. He engages with the debates over the decline of progressivism in the United States to offer an original explanation for the weakening of the American state. The decline of unions, which represented a third of American workers as late as the 1960s and now only a tenth, has been noted by many commentators. Mizruchi shows that the absence of unions, along with the weakening of the state and the decline of banks moderating influence has allowed firm managers to (1) exploit their workers more egregiously, (2) loot their companies in ways that destabilize the financial system and endanger US global competitiveness in the long-term, and (3) make demands on government that serve their narrow and particular interests. Thus, elite disorganization, union decline, and state weakness are mutually reinforcing. As narrow self-centered elites undermine state regulatory powers, elites then gain greater freedom of maneuver, which allows them to further weaken state power and to mount ever more effective attacks on unions. Bank deregulation, pushed by corporate and financial elites alike, made it possible for commercial banks to shift their primary business from loans for big corporations to financial speculation. This greatly enriched banks, but also removed them from close involvement with industrial firms, as evidenced in the disappearance of bank officers for corporate boards, which Mizruchi documents.

The last chapters of *The Fracturing of the American Corporate Elite* explore the implications of the new freedom of action that the US corporate elite gained in the 1970s. Mizruchi exposes the great paradox of that freedom: while the corporate elite succeeded in weakening rival power centers, its success also undermined elite unity and so made the corporate elite passive in addressing the long-term structural problems that are undermining America's international competitiveness, that of the firms themselves, and also the capacity of the planet to support the billions of people who inhabit it. The paradox of corporate autonomy without efficacy is one of Mizruchi's original contributions. *The Fracturing of the American Corporate Elite* will have a powerful impact on how social scientists will think about power in the US and the future options for corporate elites and policymakers. I would hope that Mizruchi's analysis will affect public debates as well, but unfortunately it is difficult to predict which scholarly breakthroughs are recognized beyond the academy.

### **The national security state & military technological innovation**

Linda Weiss' focus is narrower than Mizruchi's. She seeks to explain why the US remains the "uncontested high-technology hegemon, leading the world in virtually all the major technologies that drive the modern economy and underpin its prosperity" (p. 2). Her answer is that since World War II the national security state has fostered almost all the major high-technology innovations that have allowed for-profit firms to enrich themselves and have made the US the font of computers, software, telecommunications, microelectronics, aviation, and biotechnology. She argues that the military has had to partner with private firms and universities, rather than produce innovations in government labs and factories, because antistatist ideology in the US has been and remains so powerful.

The national security state has created a system of what Weiss labels 'governed interdependence' in which government resources and contracts create incentives for private actors to develop the technologies that the US military needs to maintain its technological supremacy and that firms then can market to consumers. Weiss details the venture capital firms that have been established with Federal money. She makes an overwhelming case for her claim that the American venture capital industry both was created and continues to be subsidized by Federal investments, loans and contracts.

Weiss develops a sophisticated typology of the 'hybrid' organizations in which public and private funding, management, and customers are mixed in ways that generally manage to avoid criticism from politicians and citizens opposed to government involvement in research and production. Such hybrids are uniquely American and defy the simple opposition of public and private in most scholarship on the state and in neoliberal prescriptions for 'reforms.' Weiss, in her analysis of the relationship between the national security state and private firms, documents C. Wright Mills' long-ago assertion that private profit depends on government subsidy, and she updates and deepens his analysis of the ties between the individuals who staff and move among government and hybrid agencies and private firms. Weiss is precise in delineating the different types

of entities involved in research, and she has drawn upon a vast array of sources to document the organizations that span or confound the line between government and the private sector. Her work provides a base for future scholars to identify the private firms that have reaped the lion's share of profit from commercializing innovations that are largely government conceived and funded.

The Cold War created and justified a particular sort of American state, which plays a decisive role in the success of private firms whose success and very existence are the result of government risk-taking because the state, unlike private investors, is willing to invest for the long-term to develop genuinely new technologies. Government fosters innovation by creating demand for as-yet un-invented technologies. Government, in Weiss' words, engages in "technology procurement" by envisioning and then contracting for new technologies capable of meeting the military's desire to gain a new technological edge over rival powers.

### **A return to military research**

Weiss shows that the US government changed policy in the late 1970s to entice private technology firms, many of which had been created and fostered with Federal subsidies and contracts in the 1950s and 60s, to return to military research and production. Firms had become less eager to work for the military, first because they didn't want to be associated with the government agencies responsible for the Vietnam War and which were targets of protesters, and second because growing civilian demand for high tech products created a new source of profit for those firms. The government brought private firms back into business with the national security state by setting goals that would allow for both military and commercial applications. The government created a new path for technology firms to bid for and fulfill military contracts that was faster and less cumbersome than that still used for the largest defense firms that produce the most complex and expensive weapons. These inducements succeeded, and dual-use technological breakthroughs renewed US leadership in a range of high tech industries while providing commercial products that the gigantic defense firms could use to give the bespoke weapons they built for the Pentagon a technological edge.

The future of military-directed technological innovation is uncertain, in Weiss' view. On the one hand, today the US military is supporting, with investments and contracts, innovations in nanotechnology, robotics and green energy. Weiss throughout this book assumes that the investment of money always, sooner or later, yields significant innovation. The link between money and innovation is less certain and direct than Weiss assumes, witness the long and largely fruitless 'war on cancer' funded by the US government for the past half-century or the highly uneven development of innovations in automotive technology, which occurred rapidly through the 1920s, and then came to an almost total halt in the following forty years, despite being the largest manufacturing industry in the world. On the other hand, Weiss clearly identifies present-day political obstacles to innovation, especially in energy. Republicans, and more than a few Democrats, in Congress are lackeys of the oil and coal industries and vote to limit research and development funding and even military purchases of green energy.

Weiss argues that the diffuseness and technological backwardness of current US enemies in the 'war on terror' has undermined the urgency with which technological supremacy was pursued during the Cold War against the scientifically advanced Soviet Union, although at other points in the book she sees asymmetrical warfare between the US state and terror organizations as a spur to government investment in innovation. Weiss' uncertainty on this point illustrates the difficulty in predicting the future of US military-based technological innovation.

### **Diverging but compatible arguments**

Weiss notes but does not attempt to identify any reasons for the loss of political support for innovation beyond the change in the character of US enemies. Here is where Mizruchi's work could be used in tandem with Weiss, even though the two authors appear to be making opposed arguments. Mizruchi sees the US state as fundamentally weakened, while Weiss sees the state as capable of guiding and subsidizing the world's leading high tech industry. Part of their difference can be explained by the long-standing autonomy of what C. Wright Mills called the military elite. The military side of the US state, at least since World War II, has enjoyed the capacity to commandeer immense resources and to defend its interests that is independent of and equal to that of the corporate elite. The US is not the first nation in which a powerful military has maintained its control over domestic resources and been able to sustain its geopolitical position for decades after the nation's domestic economy slid from the first rank.

Weiss argues that the US military is able to shape the civilian economy in ways that ensure global leadership in sectors beyond high tech. However, American dominance in technology has only limited, and declining, salience for the rest of the economy. High tech notoriously has created few jobs and has made it possible for other sectors to replace labor with machines (or algorithms) and to offshore production and jobs. The dominant sector, in terms of driving the booms and busts of the US economy, is finance.

Ultimately, Weiss and Mizruchi's arguments are compatible because they are analyzing different aspects of an enormous, and enormously complex, US state and polity. Weiss' dynamic and successful national security state and the high tech sector it spawns are able to coexist within a fragmented state that allows elites to pursue autarkic self-dealing that in the long-term starves the state of resources and the capacity to pursue strategies that could have allowed the US to maintain hegemony in sectors beyond the military and high tech.

Weiss points to the potential limits of the innovation model she so ably analyzes: "in the post-9/11 era of multiple asymmetric threats... lack [of] the strong geopolitical stimulus of a well-defined adversary, [can lead to the] softening [of the US national security state's] laser-like focus on advancing the technological frontier." Weiss identifies declining Federal spending on the military and science and technology, "rancorous politics, and an extreme offshoring movement that disconnects innovation from production" (p. 6) as sources, beyond shifting geopolitics, that could lead to US military

and technological decline. For Weiss, American politics and its effects on the budget and offshoring are just givens, facts of America's supposedly unique culture and institutions that she notes and discusses in terms of their effects on the military but whose causes are (understandably) beyond the scope of her book. Mizruchi's analysis of the transformation of American elite structure go far in helping us construct an explanation for American political conflict and stalemate and for the ability of other sectors of the US elite to pursue strategies that enrich themselves at the cost of the resources and the industrial base that remain essential to sustaining the dynamism that up until now has allowed the US military to be hegemonic in the world. Mizruchi brings temporal precision to Weiss' analysis, providing a way to explain why American politics threatens to disrupt the technological success of the national security state now, but did not do so in past decades when anti-statist ideology was just a strong.

These two books are essential for understanding the US state's trajectory over the last half century. They also provide bases for understanding why the US is in decline and for pinpointing the factors that will ensure that efforts to reform American politics and reverse decline are unlikely to succeed in the military or other sectors.

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