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# American Liberalism and the Neo-Consensus School

MELVYN STOKES

Until comparatively recently, there were three main ways of interpreting the history of modern American liberalism. Each was associated with a different school of historical thought. Scholars wrote about liberalism from either a progressive, a consensus or a New Left point of view and their analyses differed accordingly. Over the last few years, however, it has become possible to discern a fourth interpretation. Like the others, it reflects a particular way of viewing the past: in this case, from what might be described as a “neo-consensus” perspective. The purpose of the present essay is to assess the validity of this new interpretation. But first it is necessary to define it and explain the ways in which it differs from its predecessors.

During the first half of the twentieth century, American historical writing was dominated by the progressive legacy. Following in the footsteps of Turner, Beard and Parrington, historians saw much of their national history as the result of an ongoing struggle between two opposing forces, a clash of rival interests and ideologies punctuated by periodic upheavals or “revolutions.” The identity of the protagonists naturally changed over time, but one side generally represented the privileged and the other the less privileged sections of American society. From the progressive standpoint, it was not the function of the historian to be neutral in this conflict. Instead, he was to be *engagé*, a partisan figure who – by directing the attention of his readers to those aspects of the past which he considered most relevant and “useful” – could assist in the continuing fight to achieve a better and fairer society.

Progressive historians approached the subject of modern American liberalism in a warmly sympathetic way. They presented it as the latest phase of a long-running effort to protect the rights of the poorer members of society against the depredations of the business elite. The first liberals had believed that all that was needed to accomplish this was to prevent government from granting exclusive privileges to favoured groups. In a genuinely free market, everyone would enjoy the same rights and opportunities. This *laissez-faire* approach had been espoused by Jefferson and Jackson and given ideological edge by the work of the British “classical” economists. In practice, however, free market economics (or what passed for free market economics in a country with high protective tariffs and a tradition of government support for internal improvements) failed to function in the way its supporters had envisaged. It produced a society in which wealth

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and power were distributed in a profoundly unequal way. According to the progressive historians, liberalism of the modern variety had evolved in response to this situation. It was an attempt to prevent exploitation and equalize opportunity through novel means. Its adherents, in an apparent repudiation of *laissez-faire* ideas, called for legislation to protect workers and consumers and coupled this with a demand for government curbs upon business.<sup>1</sup>

Although the ideological foundations of twentieth-century liberalism had thus been laid, there was no agreement at first among liberals upon the nature of the role government should play or the precise extent of its powers. Progressive historians made this abundantly clear when they discussed the presidential campaign of 1912. The two main candidates in that election, Woodrow Wilson and Theodore Roosevelt, had very different views on state power and what it should be used to accomplish. Wilson, who distrusted both big business and big government, sought to use government only to break up concentrations of wealth and maintain fair competition. His “New Freedom” programme was intended to make it possible for individuals and small groups of individuals to compete on equal terms with larger enterprises. To Roosevelt, of course, this was little more than “rural Toryism.” Roosevelt’s own “New Nationalism” was based on the assumption that combination was an unassailable fact of economic life. The only solution was for a powerful government to regulate such combinations in the public interest. The election result of 1912 did not resolve this dilemma. Indeed, it was never completely resolved: Wilson in power found himself following Roosevelt’s policies while, as late as 1938, another Roosevelt reverted to the “New Freedom” approach by launching a major assault on the trusts. But, as the years went by, it was the “New Nationalist” perception of a strong government acting to protect the public welfare which came to dominate the liberal outlook. The crucial factor in encouraging this development was the great depression which followed the “Crash” of 1929. A collapsing economic system and the massive unemployment and distress which ensued prepared the ground for the New Deal which, among other innovations, placed unprecedented restraints on business activity and provided – for the first time – a Federal system of welfare. In the collectivism which it encouraged, indeed, the New Deal marked a decisive rejection of the individualistic tradition which had been the hall-mark of liberalism of both the nineteenth century and Wilsonian variety.<sup>2</sup>

This, in essence, was the interpretation of modern liberalism accepted by most historians at the beginning of the 1950s. But the next few years saw a movement away from the progressive approach to history on which it was based. A new

<sup>1</sup> This summary of the progressive interpretation of liberalism is based upon the following works: Dumas Malone’s biography of Jefferson, especially Vol. II, *Jefferson and the Rights of Man* (Boston, 1951); Arthur M. Schlesinger, Jr., *The Age of Jackson* (Boston, 1945); Harold U. Faulkner, *The Quest for Social Justice, 1898–1914* (New York, 1931), pp. 27–51, 110–29, 184–88, 236–38, and *The Decline of Laissez-faire, 1897–1914* (New York, 1951), pp. 153–86, 366–82; Eric F. Goldman, *Rendezvous with Destiny, A History of Modern American Reform* (New York, 1952), pp. 29–36, 71–76, 79–81, 83, 163.

<sup>2</sup> See George E. Mowry, *Theodore Roosevelt and the Progressive Movement* (Madison, Wisconsin, 1946); Ernest K. Lindley, *The Roosevelt Revolution, First Phase* (New York, 1933); Goldman, *Rendezvous*, pp. 189–219, 320–71.

school of “consensus” historians appeared. Unlike progressive writers, they chose to focus attention on what united Americans rather than on what divided them. Much of this new emphasis stemmed from the attempt to see American history in comparative perspective. Members of the “consensus” school saw their national development as being characterized by a degree of agreement and continuity which was remarkable when contrasted with the European experience. Lacking a feudal tradition, and the tensions which it engendered, Americans had remained significantly free of deep-seated class and ideological cleavages. American history, therefore, could best be seen as a product of consensus and continuity, a homogeneous progression in which even dissenters have usually accepted the major tenets of a common creed.

The most influential attempt to apply the consensus approach to the history of liberalism was made by Louis Hartz in *The Liberal Tradition in America* (1955). Hartz saw Americans as united because of the dominance of a single ideology, Lockian liberalism. Although he never spelt out precisely what he meant by this term, it has generally been understood to include a respect for individualism, property rights, the *laissez-faire* philosophy of a market economy and equality of opportunity. Having been “born equal,” in de Tocqueville’s phrase, with no European-style feudal inheritance, the United States had provided a uniquely favourable environment for these ideas to take root. Once established, they had spread so rapidly that neither socialism nor native Toryism had been able to challenge their ascendancy. They became, in Hartz’s view, all but synonymous with the American way of life, the universal ideology of a nation founded upon the twin pillars of capitalism and democracy. Because the progressive historians had had no understanding of this liberal unity, they had exaggerated the difference between reformers and conservatives. In reality, both reformers and their opponents had been operating within the framework of the same consensus.<sup>3</sup>

It was when Hartz turned from general theory to discuss specific aspects of modern liberal reform that the revisionist implications of his work became most apparent. Far from seeing progressives of the early twentieth century as representing a clear break with the liberal past, Hartz depicted them as essentially conservative. Their main preoccupation had been with the preservation of Horatio Alger-style individual opportunity in the face of growing business combination. Although they discarded *laissez-faire* for a policy of limited state interventionism, therefore, they had done so in pursuit of thoroughly Lockian ends. Hartz reduced disagreements amongst the progressives themselves to the status of a dispute over which particular variety of “democratic capitalism” should prevail. Viewed in this way, the differences between the “New Nationalism” and the “New Freedom” became picayune, a sham battle (as William Allen White suggested) between Tweedledum and Tweedledee. There were, of course, features of progressivism – hours laws and workmen’s compensation, for example – which fitted badly with this interpretation of the movement as a crusade to make the world safe for Horatio Alger. These Hartz simply dismissed, with the confidence of a man determined to let no facts mar his case, as “loose marginalia”

<sup>3</sup> Louis Hartz, *The Liberal Tradition in America, An Interpretation of American Political Thought Since the Revolution* (New York, 1955), pp. 3–23, 27–32.

quite inessential to the progressives' main purpose. The New Deal, on the face of it, offered a considerably greater challenge to any attempt to force it into the Procrustean bed of Lockian liberalism. For one thing, as Hartz himself conceded, many of the New Deal's experiments "involved substantive departures from the liberal faith of a considerable kind." But it was this very experimental quality of the New Deal, its pragmatic openness to fresh ideas which – in Hartz's opinion – had prevented it from mounting a direct attack on the Lockian consensus. Insisting that all they were doing was "solving problems" allowed the New Dealers to save American capitalism through collectivist means without any formal abandonment of their belief in traditional individualism.<sup>4</sup>

The consensus approach had replaced the progressive legacy as the major influence on the writing of American history by the beginning of the 1960s. But it was by no means universally accepted. Even before the fifties were over, it was being assailed for its tendency to homogenize American history by ignoring or downplaying important instances of conflict in the nation's past.<sup>5</sup> In subsequent years, it would come under attack for its association with political conservatism. Consensus history faithfully reflected the attitudes and values of the 1950s. It emphasized unity, stability and the limited nature of dissent. Such ideas struck a responsive chord amongst Americans brought together by their response to international communism, broadly content with themselves and their society, and as yet too much in awe of their new-found prosperity to question the way in which it had been achieved. In the 1960s, however, the rediscovery of poverty and racism, growing distrust of big business and increasing criticism of interventionism in Cuba and Vietnam encouraged a fundamental reappraisal of the assumptions on which consensus history was based. A group of historians appeared, soon to become known as the "New Left" to distinguish them from the old left tradition of the progressives, and began to chip away at the foundations of the consensus approach. From their point of view, consensus was the enemy. Instead of offering a realistic guide to the American past, it was a way of validating the 1950s *status quo*, with its political conservatism, conformist social attitudes and Cold War rhetoric. By depicting American society as uniquely free of class tensions and ideological conflicts, moreover, consensus writers were responsible for undermining the legitimacy of contemporary social criticism and pre-empting demands for radical change.

New Left historians rejected Hartz's idea of a universal liberal consensus. They returned to the progressive perception of liberalism as a crusading movement. But, unlike the progressives, they were conscious of its limitations and critical of its achievements. From their standpoint, liberalism had failed in two crucial respects: it had been unable to prevent the emergence of a political and economic system dominated by large business corporations, and it had not managed to make American society itself significantly more equal. The key to understanding the first of these failures, New Left writers argued, lay in a true appreciation of the role played by regulatory legislation. Progressive historians had seen this

<sup>4</sup> Hartz, *Liberal Tradition*, pp. 10, 205, 228, 229–30, 259–60, 263–64, 270.

<sup>5</sup> John Higham, "The Cult of the 'American Consensus,'" *Commentary*, 27 (1959), pp. 93–100.

legislation as a prolonged and on the whole successful attempt on the part of the liberals to use state power to make business corporations more socially responsible. New Left revisionists, analyzing the background and effects of such legislation, saw it as a means by which businessmen consolidated their power and acted to eliminate what they regarded as unfair competition.<sup>6</sup> In the New Left version of events, therefore, corporate business had succeeded in using government for its own ends and liberal reformers were made to appear irrelevant, off-pitch spectators of a game they were once presumed to have dominated. The second part of the New Left critique, dealing with the failure to secure a greater degree of equality, conceded liberals a more important role in politics but took them severely to task for using government to aid the middle-classes rather than the very poor, for having no understanding of the need for a major redistribution of wealth, and for ignoring the plight of American blacks.<sup>7</sup>

The New Left assault on consensus history was only partially successful. It stimulated a greater awareness of social and ideological cleavages in the nation's past. But it did not destroy the underlying conviction that, after all, American historical development had been attended by a good deal of consensus and continuity. Most Americans, for example, have traditionally accepted the ruling ideas and values of a profoundly capitalist culture. They have believed in private property, individual rights and the preservation of the free enterprise system. A number of recent left-wing historians, recognizing this fact, have endeavoured to come to terms with it. They acknowledge the existence of this capitalist consensus without approving of its effects, as they manifest themselves in American society and politics. These historians, whom I have described as "neo-consensus," are distinguished from New Left writers by their acceptance of the idea of consensus and from consensus scholars by their uncompromisingly radical stance. Their essential purpose has been to draw attention to the way in which the existence of a broad capitalist consensus facilitated the rise of the modern corporate state, with its marked inequalities of power and wealth. They have, in effect, accused the prevailing consensus of discouraging the development of alternative models of economic and political behaviour. Much of their work, therefore, has been concerned with what John L. Thomas in his Commonwealth Fund lecture of January 1986 referred to as "the road not taken."<sup>8</sup> It betrays a strong sense of lament for broken hopes and missed opportunities. This tone is particularly obvious in Lawrence Goodwyn's *Democratic Promise: the Populist Movement in America* (1976). Goodwyn, the first major neo-consensus historian,

<sup>6</sup> For this viewpoint, see Gabriel Kolko, *The Triumph of Conservatism, A Reinterpretation of American History, 1900-1916* (New York, 1963); Kolko, *Railroads and Regulation 1877-1916* (Princeton, 1965); James Weinstein, *The Corporate Ideal in the Liberal State: 1900-1918* (Boston, 1968); Stanley P. Caine, *The Myth of a Progressive Reform: Railroad Regulation in Wisconsin 1903-1910* (Madison, 1970).

<sup>7</sup> Barton J. Bernstein criticized the New Dealers in these terms in Bernstein, "The New Deal: The Conservative Achievements of Liberal Reform," in Bernstein, ed., *Towards a New Past, Dissenting Essays in American History* (New York, 1968), pp. 264, 274-75, 278-79, 281.

<sup>8</sup> John L. Thomas, "'The Road Not Taken': Perspectives on Post Frontier America, 1920-1940," lecture delivered at University College London, 17 Jan. 1986.

saw Populism as offering a viable democratic and co-operative alternative to the rise of the corporate state. But it had failed to establish itself in the face of business opposition and an indifferent, pro-capitalist ideological environment.<sup>9</sup>

Both the New Left and the neo-consensus school indict modern American liberalism for its failure to do more to prevent the corporatist advance. In so doing, of course, they reflect the intense disillusionment with liberalism which set in during the late 1960s and the tendency to condemn it for its role in the making of so many contemporary ills, including the war in Vietnam. It is almost certainly no accident that both R. Jeffrey Lustig and Larry G. Gerber, the first historians to write books about liberalism from the neo-consensus perspective, were graduate students at Berkeley during the period in which this reaction was at its height.<sup>10</sup> But whereas New Left writers criticized liberals primarily for their lack of appreciation of the facts of power, which made it impossible for them to see how businessmen were operating the machinery of government to their own advantage, neo-consensus revisionists blame them for actively assisting in the triumph of the corporatist idea. Lustig takes the increasing domination of business corporations over the American economy during the last few years of the nineteenth century as his starting-point. It confronted liberals, he argues, with a serious conflict between their inherited ideas and the reality of an emergent corporate society. They resolved this conflict by re-defining liberalism to make it compatible with the facts of corporate power. Lustig, not surprisingly, finds the philosophy that resulted to be fatally flawed. The dislike which the new liberals revealed for atomistic individualism and their enthusiasm for groups naturally predisposed them to think well of the corporation. But, as Lustig points out, the corporation was not a voluntarist organization. It offered most of its members no opportunity for autonomy or participation. Its social solidarity, therefore, could only be maintained by technical and bureaucratic means. The new liberalism, Lustig argues, operated in much the same way. In its efforts to adapt man to the corporate industrial world, it relied primarily upon administrative procedures and the application of the scientific method. This approach, as Lustig demonstrates, was a logical outcome of the new epistemology with which liberalism had become associated: the idea that knowledge was co-operative and social, and that it could be applied to the solution of common problems, eliminated the need for politics in the traditional sense. Voting and partisanship became irrelevant in a situation in which the real need was to translate such knowledge into workable social programmes. The difficulty with liberalism of this kind, however, Lustig charged, was that when willing assent to its policies failed, it was compelled to rely upon manipulation and coercion in order to achieve its objectives. Lacking the consent of the governed, it had no moral basis for its authority.<sup>11</sup>

<sup>9</sup> See Lawrence Goodwyn, *Democratic Promise: The Populist Movement in America* (New York, 1976), especially pp. xi-xv, xx, 110-11, 112-13, 129, 185, 195-97, 272, 359-60.

<sup>10</sup> R. Jeffrey Lustig, *Corporate Liberalism: The Origins of Modern American Political Theory, 1890-1920* (Berkeley: University of California Press, 1982); Larry G. Gerber, *The Limits of Liberalism: Josephus Daniels, Henry Stimson, Bernard Baruch, Donald Richberg, Felix Frankfurter and the Development of the Modern American Political Economy* (New York: New York University Press, 1983).

<sup>11</sup> Lustig, pp. 2, 90-93, 110-13, 116-40, 146-49, 151-55, 162-63, 166-67, 170-72, 183-91, 220-21, 227-29, 238-40, 243.

Lustig, standing the progressive interpretation of liberalism on its head, sees liberals as willing allies in the development of corporate power. Gerber does not go as far as this. Liberals, he argues, were condemned to become tools of corporatism because they failed to transcend the limitations of their own tradition. Long-standing assumptions concerning the lack of class divisions in American society, the desirability of the profit motive, the objectivity of market forces and the dangers to individual freedom implicit in the political direction of the economy made it impossible for them to develop a convincing alternative to corporate capitalism. Consequently the reforms they proposed proved vulnerable to co-optation by corporate interests and the final results were often the very reverse of what had been intended. Thus, Gerber maintains, the progressives' anti-trust policy, by discouraging monopoly, sanctioned and ultimately encouraged the growth of "oligopoly" (which he defines as "the control of a dominant share of a particular market by a handful of firms"). Their efforts at business regulation were similarly counter-productive, since the Federal Trade Commission established in 1914 saw its main task as being to co-operate with business in the elimination of "destructive" competition. Liberals were later faced with the task of mobilizing the American economy for war. Their ideology left them with no option but to do this through the existing structure of private enterprise. But something more would obviously be needed to ensure that war needs were met. The liberals' solution was to use government to set production priorities and negotiate pricing agreements with industrial leaders. These arrangements proved highly advantageous to big business. They enabled the nation's largest corporations to accumulate huge surpluses, thus creating the conditions for the further expansions and mergers of the 1920s. Once again, therefore, an expansion in the role and functions of government had encouraged a further concentration of corporate wealth and power. The inequalities this produced were a major cause of the Great Depression. Some New Dealers, Gerber points out, realized this. But since neither they nor their colleagues had any alternative to the existing economic system, their efforts had the effect of saving corporate capitalism without removing its flaws. The New Deal, while extending government supervision into many new areas of American life, failed either to reduce inequality or to cure the depression. In some cases, indeed, New Deal measures actually increased existing inequalities by helping the larger corporations to consolidate their position.<sup>12</sup>

The neo-consensus view of liberalism can, in essence, be reduced to a series of three linked propositions: that the American economy, since the 1890s, has fallen increasingly under the domination of large business corporations; that the effects of this domination have, on the whole, been unfortunate; and that liberalism has played a major role in helping the larger corporations to develop their power. The first proposition seems to this reviewer the least controversial.

<sup>12</sup> Gerber, pp. 44-46, 75, 77, 102, 132-33, 134-35, 138, 146-47, 149-150, 156, 166-67, 185, 242, 255, 283-85, 314-15, 338-39. The New Left and neo-consensus views of liberalism come closest together over the New Deal. Barton J. Bernstein, for example, anticipated Gerber in arguing that the effect of the New Deal had been to preserve the dominance of large-scale corporate capitalism. But whereas Bernstein saw this as a means of pre-empting more left-wing solutions, Gerber - true to the neo-consensus outlook - regards it as the result of flaws in a liberal ideology so pervasive as to rule out other alternatives. See Bernstein, "The New Deal," *op. cit.*, pp. 264, 267, 271-73.



It is clear, from Bureau of the Census statistics, that the twentieth century has seen a great expansion in the importance of the corporate sector of the economy compared to the non-corporate sector. By 1939, for example, although 26 percent of American businesses were organized as corporations, as opposed to partnerships or proprietorships, they accounted for no less than 77 percent of total business receipts. It is also clear, from the same source, that the corporate world itself has come to be dominated by a relatively small number of giant corporations. In 1939, the largest 5 percent of corporations were attracting 84.49 percent of total corporate income.<sup>13</sup> A simple syllogism can therefore be used to demonstrate the truth of the first proposition: the premisses that the economy as a whole was increasingly dominated by the corporate sector and that the corporate sector itself was increasingly under the domination of the larger corporations leading to the conclusion that the economy as a whole was falling more and more under the domination of the larger corporations.

The second proposition is harder to prove or disprove, involving as it does issues of historical judgment and perspective as well as economic fact. Lustig and Gerber, moreover, while agreeing that the effects of corporatist domination have been mainly bad, differ substantially in their assessment of what those effects have been. It is consequently necessary to consider each of their arguments in turn. Gerber's main preoccupation is with social justice. He sees American society, during the first four decades of the twentieth century, as being characterized by striking disparities of wealth and income, with a large percentage of the population living at or below the poverty line. He links this situation with the dominance enjoyed by a few large, privately-owned corporations over the American economy as a whole. Part of his critique is demonstrably true. Corporations did promote inequality. They provided an institutional means of transferring much of the wealth created by society in general into the hands of a relatively small, capitalist class. But it cannot be proved that they encouraged poverty. Inequality and poverty, as Gerber himself concedes, are two different things. From the evidence, indeed, it would be possible to make a good case that the corporations actually helped diminish the extent of poverty in American society. Even on Gerber's own figures, the proportion of Americans living below the poverty line actually decreased by almost a fifth between the first years of the century and 1941.<sup>14</sup> Moreover, the poor of the early '40s were qualitatively less poor than their predecessors had been in the 1900s. This fact reflected the sharp rise in living standards which had occurred between 1900 and 1940, and for which the corporations – in part at least – may be deemed responsible.<sup>15</sup> The record of corporatism, therefore, is far more mixed than Gerber allows. It did help

<sup>13</sup> The disparities here noted increased still further in subsequent years. By 1970, corporations making up less than 14% of the total number of businesses were attracting more than 84% of all business receipts. These figures are calculated on the basis of tables set out in *The Statistical History of the United States from Colonial Times to the Present*, published by the U.S. Bureau of the Census (New York, 1976), p. 911. The comparable figure on large corporations for 1918 had been 79.60%. *Ibid.*, p. 915.

<sup>14</sup> See Gerber, especially pp. 7–8, 90–91, 133–134, 239. According to estimates cited by Gerber, 37% of the American population lived below the poverty line at the beginning of the century. By 1941, this had declined to 32%. *Ibid.*, p. 8.

<sup>15</sup> See *ibid.*, pp. 6–7, 352, n. 11.

perpetuate economic inequality. But, by providing the organizational basis for the transformation of the U.S. economy into an economy of abundance, it was also responsible for providing most Americans with an unparalleled degree of material prosperity.

While Gerber is concerned with the economic impact of corporatism, Lustig is interested in its psychological consequences. The business corporation, he alleges, had acted as a school of anomie. It provided a means of bringing together large numbers of people, but the unity which this afforded was purely mechanical rather than organic. At bottom, the corporation existed in order to organize individuals who had been denied the capacity to organize themselves. There was little opportunity for most of its members to participate in decisions affecting the conduct of their daily lives or to develop a consciousness of common purpose out of the pursuit of shared objectives. This lack of autonomy and co-operative interaction stripped what they were doing of most of its meaning. Instead of deriving personal satisfaction from their work, corporate employees were held to their jobs only by the material rewards which they offered. The result was a profound sense of frustration and social alienation.<sup>16</sup> In Lustig's view, therefore, corporatism had been the major source of the psychological malaise and sense of maladjustment experienced by so many twentieth-century Americans. There are two problems with this thesis. The first is that it takes an extremely narrow view of the causes of social alienation. It ignores wider factors such as the impact of science and technology, the decline of religious faith, the break-up of traditional family ties and the absence of any meaningful sense of community in society at large in order to concentrate the blame on one institution: the corporation. The second problem is Lustig's assumption that working for a corporation is necessarily a stunting experience. Corporate employees may be "other-directed" rather than autonomous individuals, to use David Riesman's terminology, but they have often found fulfilment and personal satisfaction in their status as members of a bureaucratic body with a distinct identity of its own. Lustig's ideological hostility to corporatism blinds him to the possibility of such beneficent effects.

The third proposition advanced by the neo-consensus historians is that liberals, far from curbing the ambitions and activities of the larger corporations, had actually assisted them in strengthening their grip on the American economy. How had this come about? Lustig and Gerber offer differing explanations. Lustig sees it as a logical consequence of a major shift in liberal thought. Sometime during the early years of the twentieth century, he argues, liberalism turned on its axis: from being a creed revolving around individual liberty it became transformed into what he calls "corporate liberalism."<sup>17</sup> The catalyst for this change, he believes,

<sup>16</sup> See Lustig, especially pp. 243, 245, 247, 248.

<sup>17</sup> *Ibid.*, pp. x, 2, 4. The term "corporate liberalism", as Lustig himself points out, has been used in different ways by historians. It has been employed to describe a particular type of economy (one dominated by large monopolies) and a particular kind of political system (one under the control of corporate bodies but with certain "liberal" features). James Weinstein has used it, from a "New Left" perspective, to describe the programme of the most farsighted capitalists of the Progressive Era, who – he argues – set out to make the state into the conscious and willing instrument of corporate capitalism. Lustig himself

was a growing ethical disenchantment with the idea of individual egoism as the underlying basis of social life. Under the influence of positivist ideas, liberals began to emphasize the need for group solidarity. The large business corporation epitomized for them this transition from the individual to the group. According to Lustig, liberals not only welcomed its appearance but set about adjusting politics, law and government to the fact that business would henceforth be done by great combinations. Even Woodrow Wilson, he argues, shared this outlook and thus the main contrast in the election of 1912 was not between Wilson himself and Roosevelt, but between both men and what had gone before.<sup>18</sup> Lustig's book, therefore, is given over to an analysis of the ways in which – he claims – liberal thought become corporatist. It is concerned exclusively with ideas. Gerber, however, deals not only with liberal ideas but with the effects of those ideas when translated into public policy. In his view, liberals failed to move the nation towards a more equitable distribution of wealth and power because they remained committed to the preservation of a free enterprise economy. This precluded them from using government to direct the economy or move towards an economic system in which the public interest would be regarded as being of at least equal importance to the pursuit of private profit. Consequently, although liberals did manage to secure a great increase in the power and size of government between 1900 and 1940, this did not produce a society that was significantly fairer. At best, it lessened some of the more outrageous excesses of the new economic order. At worst, it led to the formation of government agencies (the War Industries Board set up in 1917 and the New Deal's NRA, for example) which strengthened and consolidated the power of the dominant corporations.<sup>19</sup>

Lustig and Gerber agree that liberalism encouraged the development of corporate power. But their views of why this happened, and indeed of the nature of liberalism itself, are so different that it is necessary to consider them separately. Lustig argues that liberalism, for reasons of its own, became transformed during the early years of the twentieth century into a philosophy which accepted, and even encouraged, the domination of large corporations over the American economy. In order to prove his case, he quotes from some thirty liberals. Many of these, however, are cited only briefly, at moments when their out-of-context ideas appear to justify the point Lustig is making. Often, the effect of such selectivity is to give a misleading impression of the man in question's thought.<sup>20</sup>

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defines corporate liberalism as the new variant of the liberal philosophy which evolved in the early years of the twentieth century and was responsible for creating "the altered theoretical climate in which we live." Lustig, *Corporate Liberalism*, pp. xi–xii.

<sup>18</sup> See *ibid.*, pp. 2, 29–31, 83–84, 110, 112, 116, 126, 128, 132, 142, 203–06.

<sup>19</sup> See Gerber, pp. 9, 44–45, 59, 66, 129, 134–35, 138, 146–49, 165–67, 185, 255, 283–85, 314–15, 335, 343.

<sup>20</sup> In attempting to show how liberals copied the corporations in their emphasis on bureaucratic administration, for example, Lustig depicts Lincoln Steffens as a champion of the idea of "the non-political ruler." This interpretation is based on the analysis of a single article by Steffens, on Mayor Seth Low of New York. As he revealed in other articles he wrote, notably those on Chicago and the reform of Ohio cities, however, Steffens never believed that politics could be replaced entirely by administration. See Lustig, pp. 151–52; Steffens, *The Shame of the Cities* (New York, 1904), pp. 162–214; Steffens, *The Struggle for Self-Government* (New York, 1906), pp. 161–208.

Thus, for example, Lustig maintains – on the basis of an examination of a tiny proportion of his published writings – that Woodrow Wilson was really a Hamiltonian who entertained few doubts about the way in which corporate capitalism was evolving.<sup>21</sup> He also resorts, on occasion, to quoting ideas expressed in books published long after the period he is supposedly discussing.<sup>22</sup> Lustig is compelled to adopt these essentially unhistorical techniques, it may be conjectured, because the weight of the evidence, normally applied, would not bear out his thesis. Although some of the liberals he mentions were converted to the merits of industrial bigness and efficiency, many were not and no major transformation in liberal thought of the kind Lustig describes took place. Far from welcoming the appearance of large corporations, indeed, many (perhaps most) of the liberals he cites continued to regard them with notable ambivalence. They could see that the corporations were efficient, that they were good at utilizing the methods of modern science and that they were immensely successful commercial enterprises. But they also distrusted them for their size, their lack of accountability, their political influence and their capacity to exploit both workers and consumers.

Gerber, unlike Lustig, does not believe that liberals consciously sought to aid the large corporations to consolidate their position. They were, he argues, primarily interested in using government to regulate such corporations in the public interest. But because they never questioned the traditional association between liberalism and capitalism, the measures they sponsored had the very opposite effect to the one they intended. The principal novelty of Gerber's book, therefore, does not lie in its analysis of liberal ideas, which for the most part does not differ markedly from that of the progressive historians. It is in its assessment of the deficiencies of those ideas when used as a basis for government action. Gerber uses the careers of five liberals, all of whom at some stage served in government, to drive home this point (Bernard Baruch, Josephus Daniels, Felix Frankfurter, Donald Richberg and Henry Stimson). His argument, however, is not entirely convincing. The effects of government regulation of business were often far more equivocal than he is prepared to allow. This becomes clear if we examine the three crucial stages in the evolution of twentieth-century liberal attitudes to business: progressivism, the First World War and the New Deal. Gerber alleges that the anti-trust actions and the early attempts at business regulation during the Progressive Era actually encouraged further corporate consolidation. It is by no means clear that this is true. Most of the main business mergers and consolidations took place in the period 1897–1903. As Gerber himself concedes, the pace of economic concentration slowed in the decade before the First World War.<sup>23</sup> This may, of course, have been primarily a result of economic factors. But it also suggests that progressive measures to control the corporations were having some effect. Corporate consolidation, of course, accelerated during

<sup>21</sup> See Lustig, pp. 29–30, 203–06.

<sup>22</sup> John Dewey is a particular victim of this technique. No fewer than three of his later books are referred to: *The Public and Its Problems* (1927), *Individualism, Old and New* (1930), and *Liberalism and Social Action* (1935). See Lustig, *Corporate Liberalism*, pp. 122–24, 140, 148, 163–64.

<sup>23</sup> Gerber, pp. 87, 132.

the First World War, but it is difficult to determine how much this was due to the war itself and how much to the work of agencies like the War Industries Board, established primarily by liberals to ensure that national priorities were met. Some of the policies of the WIB, notably price-fixing, did aid the larger and more dominant corporations. But Robert D. Cuff, the historian of the WIB, notes the differences that prevailed between different sectors of the economy and cautions against ignoring or underestimating the strength of those forces which were fundamentally opposed to business centralization and consolidation.<sup>24</sup> The record of the New Deal is even more mixed, as Thomas K. McCraw points out. For while it did encourage the bigger corporations to consolidate their position through the NRA, it also banned child labour, passed new food and drug laws, launched a major programme of anti-trust prosecutions, acted to break up public utility holding companies and at last brought corporate activities out of the backrooms into the daylight through laws requiring that all publicly owned companies should submit certified annual accounts.<sup>25</sup> Gerber has a satisfactory explanation for none of these things. His thesis, therefore, must be regarded as “non-proven.”

The neo-consensus view of liberalism ultimately tells us less about the past than it does about the present. Historians like Lustig and Gerber are plainly dissatisfied with many aspects of modern American life. They deplore the lack of genuine opportunity it affords for people to take decisions affecting their daily lives and the persistence of large pockets of poverty and deprivation. The main reason for both of these things, it seems to them, is the way in which the American economy is organized. The dominance of the large corporation militates against any attempt to develop a more democratic and egalitarian society. So, too, does the existence of a liberal consensus which makes it difficult to contemplate radical change. Lustig and Gerber themselves are not entirely clear on what kind of change they would like to see: Lustig seems to dream of a return to medieval concepts of associated activity, mutual co-operation and shared wealth-holding;<sup>26</sup> Gerber advocates the adoption of a socialized economy based on planning for public needs.<sup>27</sup> Both of them assume that the liberals they write about would have been better employed in fighting for these kinds of objectives than in doing what they did, in fact, do. Yet given the constraints imposed by the American political system, to advocate such solutions would have put liberals outside the mainstream and condemned them to exercise only marginal influence. Gerber argues that even this would have served America better than what actually happened: it would, at least, have begun the process of education on the need to transcend America's liberal tradition.<sup>28</sup> But he fails to take account of political realities and the character of the liberals themselves. For American liberals, the road not taken would always remain closed.

<sup>24</sup> Robert D. Cuff, *The War Industries Board, Business-Government Relations during World War I* (Baltimore, 1973), pp. 272, 274-75.

<sup>25</sup> Thomas K. McCraw, “The New Deal and the Mixed Economy,” in Harvard Sitkoff, ed., *Fifty Years Later, The New Deal Evaluated* (New York, 1985), pp. 57, 58.

<sup>26</sup> See Lustig, pp. 48, 247, 260-64.

<sup>27</sup> See Gerber, pp. 232, 255, 279, 337, 347.

<sup>28</sup> *Ibid.*, p. 349.