Of Republicans and Recessions: Why Does Big Business Vote for Them?

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Abstract

[Excerpt] The wild enthusiasm business gave Nixon's new economic policy stems not only from a longstanding business preference for Republicans but a short-run expectation of profit windfalls. In a moment of economic crisis the President turned to business to clear up America's problems. In fact, if the record of the last quarter-century is to be believed, not only will the nation's trouble remain unsolved but business will not get the anticipated bonanza either. The politics of business is clearly Republican, but it is not so clear that the Republican Party is good for business.

Keywords
Nixon, republican, president, business, economic, crisis, voting

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The profit motive does not explain business support of the Republican Party. The fact is that business suffers when Republicans are in office.

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OF REPUBLICANS AND RECESSIONS:
Why Does Big Business Vote for Them?

The wild enthusiasm business gave Nixon’s new economic policy stems not only from a longstanding business preference for Republicans but a short-run expectation of profit windfalls. In a moment of economic crisis the President turned to business to clear up America’s problems. In fact, if the record of the last quarter-century is to be believed, not only will the nation’s trouble remain unsolved but business will not get the anticipated bonanza either. The politics of business is clearly Republican, but it is not so clear that the Republican Party is good for business.

According to a Fortune magazine survey two years ago, almost three-quarters of the chief business executives interviewed considered themselves Republicans; fewer than 10 percent said they were Democrats. Even when, almost two years later, the percentage calling themselves Republicans had fallen to 58, most of the dropouts considered themselves independents, not Democrats.

And, as Herbert E. Alexander demonstrates in his book Financing the 1968 Election, businessmen put their money where their mouths are. In 1968, officers and directors of General Motors gave $114,675 to Republicans and $1,000 to Democrats; Litton Industries executives donated a total of $151,000 to Republican candidates and gave nothing to Democrats. In their campaign donations, members of thirteen major trade associations favored the Republicans eight to one. These contributions during the 1968 election reflected trends that have been relatively consistent in American politics.

It is difficult to know for certain why businessmen support the Republicans so overwhelmingly. An obvious explanation is that it pays. But the obvious is deceptive, for the facts show the contrary.

THE ECONOMIC RECORD

It is worth remembering that in the last quarter-century four of the five postwar recessions have occurred under Republicans and that the real rate of economic growth, the best index of economic performance, has increased more under Democratic than Republican Presidents.*

For business these general trends show up in hard cash. According to the survey of corporate profits published by the First National City Bank, since World War II American business has had its best years under Truman, next best under Kennedy-Johnson, and worst while Eisenhower was President. Even big business, the Fortune 500, did better under Kennedy-Johnson

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than under Eisenhower. (No Fortune data were collected prior to 1954.) During the Nixon Presidency profit rates have turned down again. The difference in profit seems small when it is recorded as a percentage (the rate of return was 12.7 percent under Eisenhower), but actually amounts to billions of dollars.

It is curious that businessmen continue to invest in the Republican Party. Of course, it should be pointed out that a preference for Republicans is not a life-and-death choice for businessmen. Both major parties are committed to business values. In fact, many businessmen contribute to both Democrats and Republicans and make money no matter who is in the White House.

Social scientists, even economists, have long recognized that people are willing to pay a price for non-economic preferences. Perhaps a GOP victory is just such a preference. Reassuring Republican rhetoric, the ring of “sound dollars and balanced budgets,” appeals to the ears. These are the phrases to which businessmen have been conditioned to respond. When they hear Republican sounds, they are eager with anticipation even though, in the end, they may not get the reward. Eventually, with Pavlovian logic, the bell becomes the reward.

Another value for businessmen related to Republican ascendancy pertains to recognition and prestige—psychological benefits. When Republicans are in the White House, businessmen are treated with deference, even exalted. To a large extent the Democrats offer the same recognition, but in the latter case the spotlight has to be shared with other interest groups—labor leaders, minority spokesmen, and garden-variety outsiders.

Even more important than prestige is a sense of freedom from restraint, investigation, and harassment. Since many regulatory agencies were established during Democratic administrations, businessmen have the impression that Democrats are more vigorous in their regulatory activity. Freedom from restraint is important to the self-image of businessmen.

These, then, are values associated with Republicans that transcend economics yet are attractive, even compelling, to businessmen. Perhaps they form an ideological net that draws business to support the Republican Party.

SOME GAIN—OTHERS LOSE

Businessmen may indeed be moved by these non-economic factors, but a closer look at profit data suggests that some businesses have it both ways. Whereas most industries do not benefit financially from Republican administrations, some do. The Fortune data on the fifty largest commercial banks reveal that since 1956, the first year Fortune published these data, big banks have had a much better period under Eisenhower than under succeeding Democratic adminis-
"... what many businessmen seem to want is reaffirmation of their ideology. ... the ideology of the free enterprise system has become the businessman's opiate."