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STEEL AND THE STATE: INDUSTRY POLITICS AND BUSINESS POLICY FORMATION, 1940-1989*

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Whether states are autonomous and whether unity exists within the capitalist class are questions that have long been debated by political and historical sociologists. I suggest that these questions are historically contingent, and conceptualize the state as an organization that is affected by its own structure and agendas, and by the political coalitions in its environment. I evaluate competing explanations of state business policy formation by examining policies that affected the U.S. steel industry between 1940 and 1989. There are four major findings: (1) organizations that represent political coalitions of capitalist groups in the state's environment form the basis of collective action and constitute the means to exercise political and economic power; (2) differential rates of accumulation affect business unity; (3) business policy is affected by the state's structure and agendas and the way in which its agendas conflict or coincide with the interests of the steel industry; (4) as the state's authority extends over more areas of economic activity and as it establishes more complex enforcement structures, state autonomy declines because these new structures provide class segments with legitimate mechanisms within which class members can exercise their political power.

There is considerable disagreement among sociologists who investigate the political behavior of business as a determinant of state policy. Several studies that emphasized forces external to the state argued that agreement exists within the capitalist class, intraclass conflicts are resolved outside the state, and a coherent classwide rationality influences policy. Others have argued that the state is only semi-autonomous in its relationship with capitalist groups, and that the content of policy is the outcome of the state's efforts to mediate class and intraclass conflict. In rebuttal to these arguments, the state-centered perspective emphasizes the autonomous political action of the state.

After many years of debate and little progress toward resolution, it cannot be demonstrated that the capitalist class is unified or fragmented (see Mizruchi 1989a, p. 402; 1989b), or that states are autonomous or the instruments of the capitalist class. There are two important interrelated obstacles to the resolution of these debates. First, the concepts within each perspective are articulated in such a way that they cannot account for historical variation. Second, the empirical studies that document the "state-centered," "class-wide," and "class-segment" perspectives lack sufficient historical depth. That is, they do not operate within a sufficiently long time frame to determine the variations in these relationships in different historical contexts. What is needed, therefore, are modifications in the *conceptualization* of these variables, and historical studies that investigate the *conditions* under which class unity and state autonomy exist.

In this article I analyze historical data on the United States steel industry. My four objectives are to: (1) develop a theoretical perspective that emphasizes the organizational state and its environment and that accounts for historical variation, (2) describe the ways in which the accumulation process affects class unity under different historical conditions, (3) examine the effects on policy formation of the capitalist class and class segments and the state's structure and

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agendas, and (4) evaluate the competing explanations of business policy formation. I argue that the class-wide, class-segment, and state-centered perspectives are necessary to understand the policy formation *process* but, by themselves, are insufficient and that the *organizational state environment* perspective developed herein provides a more inclusive explanation of capital-state relations.

CLASS UNITY, CLASS SEGMENTS, AND STATE AUTONOMY AS INDEPENDENT PERSPECTIVES

The classwide rationality argument maintains that consensus exists within business (Miliband 1969, p. 47-8). Some adherents of this approach have argued that a dominant coalition of banks exercises hegemony over corporations and takes into account the long-run interest of the economy (Mintz and Schwartz 1985; Bearden 1987; Kotz 1978). Others have argued that class-wide rationality is articulated by an inner circle (e.g., Useem 1982, 1984) consisting of members of the capitalist class who sit on multiple corporate boards and act on the basis of what is best for business as a whole. This argument suggests that "by virtue of the intercorporate networks in which it rests, it [the inner circle] has the informal organizational ties, the formal organizational capacity, and the general vision of business needs to serve as a vehicle for class-wide political mobilization" (Useem 1983, p. 119-20).

In contrast, the class-segment perspective suggests that divisions emerge among major business sectors because of the differential rates of accumulation within the various segments of capital (Aglietta 1979, pp. 215-6; Offe 1975, p. 133; Poulantzas 1978). Class segments conform to the relationship each branch of capital has with the economy, and are strongest in industries where economic concentration is high (Baran and Sweezy 1966; Mizruchi and Koenig 1986). As a consequence of their distinct location in the social process of production, *class segments* have specific political economic requirements and concrete interests that may be contradictory to those of other class segments and, therefore, the potential to develop a specific variant of intraclass consciousness and common action in relation to other class segments (Zeitlin, Neuman, and Ratcliff, 1976 p. 1009; Zeitlin 1980, p. 6). As a result, whereas market constraints that are shared by economic sectors result in similar political behavior (Mizruchi 1989a, p. 412-15; Mizruchi and Koenig 1986), conflicting economic interests generate opposing political interests (Berg and Zald 1978). Moreover, the policy formation process itself generates political divisions among class segments because business policies do not affect all capitalist groups equally. Business policy designed to overcome blockages to accumulation in the economy as a whole or in one segment of capital often impedes accumulation in other segments. In summary, the class-segment argument suggests that just as the economic realm is not dominated by a unified logic of accumulation, the political realm is not occupied by a single class or class segment, but by several dominant class segments whose composition can vary historically (Poulantzas 1978, p. 93).

In contrast to the class-unity and class-segment perspectives, state-centered arguments suggest that the political action of the state is autonomous from these external forces and the state's organizational structure and agendas are important forces in shaping policy (e.g., Amenta and Carruthers 1988; Skocpol 1980).[1] States are conceived as organizations that formulate and pursue goals that are not simply a response to the demands or interests of social groups, classes, or society (Skocpol 1985, p. 9; Block 1980). The state is an organizational political power with a life and structure of its own that is independent of the dynamics of capital accumulation, and its responses to the economy are traceable to administrative arrangements, government institutions, and political parties (Skocpol 1980).

A REFORMULATION: HISTORY, THE ORGANIZATIONAL STATE, AND ITS ENVIRONMENT

Despite previous research, little progress has been made toward the resolution of these debates. For every empirical study that appears to demonstrate business unity, another can be offered that suggests the opposite (see Bauer, de

[1] Despite the emphasize state-centered arguments place on the autonomous state, they also suggests that state autonomy "can come and go" Skocpol (1985, p. 14). Block (1977) suggests that during serious depressions and postwar reconstruction periods state managers can pay less attention to business opinion and concentrate on responding to popular pressure.

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Sola Pool, and Dexter 1968; Pfeffer 1987). Although the debate over state autonomy has a shorter history, empirical studies also confirm both sides of this argument (see Martin 1989).

In part, these findings arise because state autonomy and class unity are too often interpreted as empirical absolutes, rather than understood as theoretical constructs. My point is that the central concepts in this debate — class unity and state autonomy — should be conceptualized as *ideal types* that exist only rarely at the empirical level, but that serve as abstractions that provide a *means* to aid in the description of the empirical level (Weber 1949, pp. 92-3). Class unity can be seen as existing at one end of a continuum, with class divisions at the other. Likewise, in a separate continuum state autonomy can be considered at the opposite end of the continuum from the concept of the state as an instrument of the capitalist class. The key issue to understand when considering capital-state relations is not whether class segments are united or divided, but rather the *conditions* under which the capitalist class is more or less unified or divided. Similarly, the key issue is not whether states are autonomous from the capitalist class or class segments but rather the *conditions* under which the state is more or less autonomous.

I adopt a perspective common in organizational theory. I conceptualize the process of policy formation within the state as affected by: (1) internal organizational arrangements, and (2) changes in the environment, which include the degree of economic power of single capitalist groups, political unity among capitalist groups, and the historical conditions under which these outside groups attempt to influence policy. I argue here that a useful view of the relationship between the capitalist class and the state is one that begins by explaining how capitalist groups might come to have different interests, and allowing for the possibility of conceptualizing class power and state power as independent variables whose relationship must be ascertained in specific historical circumstances.

Research that has been sensitive to historical variation in the relationship between the state and outside interests has demonstrated, for example, that the strength of specific class segments in Chile depended on the historical circumstances and on the nature of other relationships that differentiated or integrated the class segments (Zeitlin 1984). Historical variation in the constellation of dominant class segments also had an important effect on the final content of the Wagner Act (Domhoff 1987). Similarly, analyses of business policy formation during the late 1970s and early 1980s suggest that business unity was a response to the class-wide capitalist concern with the declining rate of accumulation in the economy as a whole. However, unity among business interests collapsed after conflict emerged over the solution to the 1981 recession and deficits that followed President Reagan's economic program (Akard 1988).

An explanation of how economic interests are expressed must also account for how economic groups mobilize politically (Dahl 1961). Organizations that represent powerful political coalitions (March and Olsen 1984; Therborn 1978, pp. 37-42) are the basis of collective action, and constitute the primary means to exercise power in modern society (Hall 1986, p 14; Offe and Wiesenthal 1980, pp. 76-80). However, organizations as political coalitions are not restricted to capitalist groups (e.g., Business Roundtable). They also represent noncapitalist (e.g., unions) and international political coalitions such as the European Economic Community (hereafter EEC). Organizations that represent political coalitions affect policy by pressuring the state to amend legislation when existing policies conflict with their economic interest, and provide the basis to forge alliances with other political coalitions when their interests coincide.

This emphasis on political actors in the state's environment is compatible with the thesis in organizational theory that structures and goals/agendas affect decisions (Simon 1957) and with the state-centered argument that state structures and goals/agendas affect policy. The state's *agendas* are defined by its claim to being the guardian of universal interests and its attempt to preserve the state's unity (Rueschemeyer and Evans 1985). Agendas that emerge from this claim include economic stability, international relations, and national defense. Although the state's agendas are often generated outside the state and are endorsed by the capitalist class as a whole, they may not be shared at all times by all capitalists groups because general policies may undermine the specific accumulation needs of class segments. For example, the state's agenda to maintain free-trade policies, which has been a key issue to ensure stable political relations with the EEC in the post World War

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II era (Cline 1983), may not be shared by capitalist groups whose market shares are eroded by imports from the EEC. Similarly, the capacity of capitalist groups in the state's environment to affect policy does not preclude state structures from affecting policy. Just as changes in the environment affect organizational decisions and structures, existing structures affect future action (March and Olsen 1976; Prechel forthcoming 1991). *Structure* includes the formal procedural rules, compliance procedures, and standard operating procedures that define the relationship among organizational units, and between the organization and its environment. The state's structure is important because legislation changes laws, rules, and procedures, which simultaneously alter the organizational structure by redefining the relationship among organizational units and the parameters of the state's formal authority (also see Clegg 1981). Existing structures are important, first, because they establish the parameters for future policy. Second, existing structures affect policy through the alignment they provide for competing interests both inside and outside the state, which has consequences for implementation. State structures that do not specify adequately procedural rules that define jurisdictions within the state often result in conflict over policy implementation. Policies that can only be implemented with great difficulty have less chance of acceptance than those whose implementation is more straightforward (Beetham 1987).

In summary, this *organizational state environment* perspective conceptualizes the *state* as an organization that is affected by its own structure and agendas and by political coalitions in its environment. The state is a complex organization with agendas and with a structure that includes separate large "supra-units" (i.e., executive, judicial, legislative) and disparate subunits (e.g., treasury, commerce). Whereas the organizational arrangements within the state become the accumulated product of a history of past policies, these arrangements develop into an organizational structure and a network of interests both inside and outside the state that constrain present choices.

This analysis evaluates four propositions. First, during recessions and depressions the capitalist class unifies behind a business policy favorable to accumulation. Despite the potential loss of confidence in the capitalist class during economic downturns, the state's agenda to ensure economic stability, in conjunction with capitalist class unity,[2] results in business policies that are favorable to conditions of accumulation in the dominant economic sectors. Second, during periods of steady economic growth, when there is less threat to economic stability, class segments pursue their independent economic agendas, which reduces political unity. Under these conditions powerful capitalist class segments influence business policy by pursuing a logic of accumulation that may conflict with the state's goals to ensure accumulation in the economy as a whole, through their ability to develop coalitions with other political actors and their capacity to manipulate the state structure in such a way that the enforcement of existing laws interferes with the state's agendas. Third, despite the lack of unity among capitalist class segments, the state is least autonomous during periods of rapid economic growth. When the rate of accumulation is at acceptable levels, the state has less power over class-segments because they are not dependent on the state to ensure accumulation. Fourth, as the state's authority is extended over more areas of economic activity and more complex enforcement structures are established (e.g., laws, rules, procedures), state autonomy may decline because these new structures provide class segments with legitimate mechanisms within which to exercise their political power.

THE CASE STUDY

This paper analyzes legislation that affected the integrated steel industry (which manufactures steel from raw materials) during the middle and late stages of the oligopolistic era (1940-1961) through the era of global competition (1962-1989).[3] The steel industry was selected for three reasons. First, it represents a large segment of capital. The steel industry generated the largest

[2] Class unity and class power are conceptualized as independent variables. Hence, this analysis does not suggest that when the capitalist class is unified it always has the capacity to influence business policy. Rather, capitalist class segments unify because they do not have the political clout to independently influence business policy.

[3] Whereas the integrated steel industry manufactures steel from raw materials (e.g., limestone, coal, iron ore), minimills produce steel from scrap and, therefore, have significantly lower capital investments, a different social organization of production, and a narrower product line and market niche. As a result, they have different political economic requirements and concrete interest.

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proportion of the Gross National Product (GNP) in the manufacturing sector between 1929 and 1958 and only two industries had a higher share of the GNP in 1974 (U.S. Department of Commerce 1960-1979). Second, the political and economic actions of the steel industry have implications for industrial output and employment, accumulation in other sectors of the economy, and defense preparedness. Third, economic concentration is high in the steel industry. In 1947, the eight largest steel corporations shipped 66 percent of the total value of steel shipments (U.S. Census of Manufacturers 1972), and by 1950 they accounted for more than 75 percent of all domestic steel production (U.S. Federal Trade Commission 1977, p. 53). The high degree of economic concentration in the steel industry makes it an appropriate object of analysis to determine whether class segments that control large segments of capital have the capacity to organize politically and influence business policy.

If classwide rationality is correct, the business community will be in agreement on policies that affect the steel industry, and there will be few disagreements within the state over the content of legislation affecting the steel industry. In contrast, the class-segment argument will be confirmed if political conflict over business policy emerges among capitalist class segments and if the state mediates economic conflict among capitalist class segments by formulating new policies or redefining existing policies. The state-centered argument will be supported if the state's responses to the economy appear to be autonomous and traceable to the state's agendas and administrative arrangements. The organizational state-environment argument will be supported if the conditions of accumulation affect capitalist class unity, class segments manipulate the organizational structure of the state to achieve desired outcomes, and new legislation is affected by state agendas, existing legislation, and the organizational structure of the state.

THE INTEGRATED STEEL INDUSTRY AS A CLASS SEGMENT, AND ITS ACCUMULATION STRATEGY

The integrated steel industry is a class segment because it is a group within a class that shares interests with the class as a whole but, by virtue of its common and specific relations to the means of production, also has interests that often conflict with those of other segments of the same class. The high degree of internal economic concentration and the number of interlocking networks (Fusfield 1958; Scheuerman 1986) allowed for extensive planning and coordination, which provided the steel industry with the capacity to unify its economic and political power and act as a class segment. The way in which the steel industry pursued its political and economic interests resulted in particular relations to the accumulation process as a whole and to other capitalist groups.

The capacity of the steel industry to act as a class segment was established by the early 1900s when its oligopolistic market structure made it possible to pursue a coherent accumulation[4] strategy. The capital accumulation strategy included price setting, and coordination between production capability and market demand, which ensured a high *capability utilization rate*: the ratio between actual output and production capability. Since accumulation is closely tied to utilization rates, the steel industry resisted expansion during periods of economic growth because unused capability undermined accumulation on the downside of the business cycle. That is, because of its specific location in the social process of production, the steel industry had its own political economic requirements and concrete interests. As a result, under certain historical conditions the interests of the steel industry were contradictory to those of other capitalist groups. For example, the strategy of the steel industry to control production capability had important effects on other capitalist groups because steel was necessary to build the nation's infrastructure (e.g., roads, bridges, factories) and ensure accumulation in the economy as a whole, and to manufacture many important consumer commodities and ensure accumulation within other industries (e.g., automobile, appliance).

[4] Accumulation is the mobilization, transformation, and exploitation of inputs in such a way that the total capital of the corporation increases (Marx 1976, p. 711-61; also see Bowles and Edwards 1985, p. 86-9; Sweezy 1970, p. 92-4; Szymanski 1977, p. 35). Capital accumulation is used, rather than profits, because it reflects the overall financial position of the corporation. In addition to profits, accumulation includes maintaining a strong liquidity position for capital investment and reducing debt. These variables determine the financial strength of the corporation, the value of its stock, and the financial worth of the corporation. Most importantly, accumulation includes reinvestment of capital, which is necessary in the long-term to realize profits.

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An analysis follows of how the steel industry's specific location in the social process of production, its accumulation strategy, its particular relations with other political economic actors (including the state), and the historical variation in these relations affected the content of business policy. The American Iron and Steel Institute (hereafter AISI) is the organization within which the steel industry developed its political and economic strategy (Congressional Quarterly 1968, p. 158).

THE POLITICAL ECONOMY OF THE WAR AND POST-WAR EXPANSION

As World War II intensified, the demand for military-industrial products from Europe increased. Although the steel industry was unable to meet the wartime demand, it did not reinvest. To meet its politico-military obligations to the Allies, the U.S. government encouraged the private sector to redirect production toward the war economy and expand production capability. However, top executives in the steel industry maintained that low profits during the depressed 1930s, and wartime price controls, left the industry without sufficient capital to finance the construction of additional capability.

In response to the steel industry's resistance, the federal government revised the depreciation allowance of the Internal Revenue Code to provided capital for reinvestment (Burn 1961, p. 64). However, this legislation did not stimulate the level of investment that the federal government considered adequate to ensure a strong national defense and to meet its politico-military obligations to the Allies. Under the direction of the War Production Board the federal government in 1943 became directly involved in productive activity and constructed 29 modern integrated steel plants wholly with government funds and engaged in 20 joint-ventures with private corporations (Hogan 1971, pp. 1459-63; Sobel 1984, p. 169). The total cost of this expansion, almost $2.7 billion, was divided between the steel corporations and the government. When the war concluded, the War Assets Administration sold these properties to private enterprise considerably below construction costs.[5]

When the domestic economy returned to peacetime activity demand increased in virtually every steel consuming industry. Although demand exceeded the production capability of the industry, there was little threat that new steel companies would be formed in this capital-intensive industry because collusion among steel producers made it possible to cut prices and force new competitors out of the market. Despite the increased demand and pressure from the federal government to increase steelmaking capability, the steel industry did not expand. Citing the rapid decline in capability utilization rates to 35 percent following WWI, AISI maintained that capability estimates should include economic downturns, and expansion would not be profitable when the post-war economic boom subsided (American Iron and Steel Institute 1947). AISI argued that expansion would undermine long-term profits because an economic downturn would occur once the immediate consumer needs were filled.

Conflict among capitalist groups emerged in Congress when representatives from small businesses and the oil and agricultural machinery industries argued that an inadequate supply of steel undermined growth in their industries (U.S. Congress 1948). In late 1949, the Executive Branch entered the debate and publicly criticized the steel industry for failing to expand. President Truman, the Department of Agriculture, and the Small Business Administration argued that a steel shortage would limit business activity throughout the economy and suggested that Congress authorize the construction of steel capability if the steel industry did not reinvest (U.S. Congress 1950, p. 788-91). In addition, several members of Congress maintained that the steel shortage was undermining economic growth and would raise prices, fuel inflation, and threaten national security (U.S. Congress 1950). The steel industry disagreed sharply with this conception and argued that adequate capacity existed (U.S. Congress 1950). The Executive Branch and Congress both viewed the steel industry's failure to comply with its agenda as the outcome of inter-dependent decision-making and oligopolistic resistance to ensure higher prices.

Conflicts among these capitalist groups and between the steel industry and the government reemerged when the U.S. entered the Korean War. To meet its national security objectives, the federal government passed the *Defense*

[5] For example, between 1940 and 1944 the federal government invested over $471 million into a steel plant in Geneva, Utah and sold these properties to the U.S. Steel Corporation for $40 million after the war (U.S. Congress 1946, p. 8).

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Production Act of 1950 to encourage expansion of production capability. This legislation redefined the depreciation period from 20 years to depreciate 100 percent of investments to five years to depreciate 85 percent of investments, which increased cash flow and provided reinvestment capital. Despite these lucrative tax breaks, the steel industry did not reinvest. The federal government defined the steel shortage as a threat to national security, and in 1952 the President nationalized the steel industry under Executive authority of the Defense Production Act of 1950. Although the Supreme Court ruled President Truman's decision unconstitutional, these events demonstrate that the state's agendas to ensure economic growth and a strong national defense had an important effect on business policy. These business policies, in conjunction with political pressure from the federal government, generated a rapid rate of investment in the steel industry. Between 1952 and 1960 the industry's production capability increased from 109 to 149 million tons (American Iron and Steel Institute 1960). In 1957 and 1960, respectively, the federal government financed 45 and 60 percent of these investments (*Fortune* 1966, p. 228).

In summary, two types of conflict contributed to the redefinition of business policy and state intervention in the accumulation process. First, economic conflict emerged between the steel industry and the steel consuming industries because their logics of accumulation did not coincide at this historical juncture. This conflict reemerged at the political level when political coalitions representing capitalist groups in the steel consuming industries convinced members of Congress and the Executive Branch that the steel shortage undermined growth within their respective industries (U.S. Congress 1948). Second, conflict emerged between the state and the steel industry because the accumulation strategy of the steel industry impeded the state's agendas to ensure economic stability and national security. The state mediated these conflicts by implementing new legislation that provided financial incentives for the steel industry to reinvest. The state redefined business policy because the steel industry had the capacity to pursue a unified accumulation strategy, despite the resistance of other capitalist groups and the state itself.

Although this business policy ensured the state's national security and economic agendas, it had detrimental consequences for the steel industry because the market did not justify the expansion. While the growth in steel capability averaged 3.9 percent between 1950 and 1960, growth in steel consumption was 0.4 percent (Barnett and Schorsch 1983, p. 23). Moreover, capital investments at this historical juncture, in conjunction with three critical events in the next decade, undermined the long-term profitability of the U.S. steel industry. First, by the end of the 1950s the much more efficient basic oxygen furnace (BOF) was available for commercial use, which made the open hearth steelmaking facilities outdated by the time construction was completed. Second, the domestic steel industry invested in Canadian ore deposits. In the 1960s, however, higher quality iron ore was discovered in Brazil, Venezuela, and Australia. Japanese and European steelmakers purchased these raw materials, which reduced their production costs and increased the quality of their steel. Third, the construction of large ocean vessels lowered the cost of transporting raw materials. These events significantly lowered production costs for foreign steelmakers, which eliminated the cost advantages U.S. steel producers enjoyed in the immediate post-WWII era.[6] In short, state intervention in the accumulation process resulted in *premature capitalization*: investment prior to technological advances and adequate market demand.

THE EMERGENCE OF GLOBAL COMPETITION

The high manufacturing cost and oligopolistic pricing structure in the steel industry made domestic markets lucrative to foreign steel producers and industries that were able to replace steel products (i.e., aluminum, plastic). By 1959, steel imports exceeded exports for the first time. Most importantly, whereas consumption increased by 1.8 percent per year in the 1960s and 1970s, domestic steel shipments grew at an annual rate of one percent (Barnett and Schorsch 1983, p. 50). That is, foreign steel-

[6] The cost of shipping ore from Brazil to Japan dropped by 60 percent from 1957 to 1968 (Crandall 1981, p. 23; Walter 1983, p. 490). The effects of changes in raw material prices, shipping costs, and technology lowered the cost of producing steel in Japan by approximately $25 a net finished ton from 1957 to 1967 (Crandall 1981, p. 23). Moreover, wages in the United States were higher than in Japan (Goldberg 1986, p. 48).

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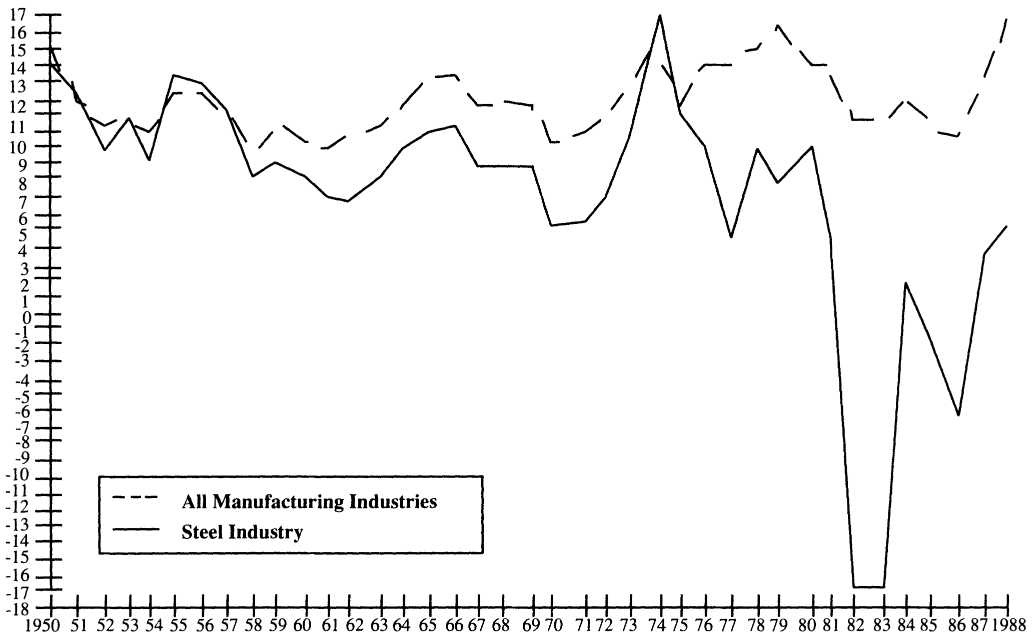

Figure 1. Rate of Return on Equity in the Steel Industry and All Manufacturing Industries

Sources: U.S. Federal Trade Commission. 1950-1982. *Quarterly Financial Reports for Manufacturing Corporations*, Washington, DC: Government Printing Office.

Department of Commerce. 1983-1988. *Quarterly Financial Reports for Manufacturing, Mining & Trade Corporations*, Washington, DC: Government Printing Office. (The 1988 data includes only the first and second quarters.)

makers captured almost one-half of the expansion in steel demand, and the domestic steel industry found itself in a *scissors crisis*: expanded capability and insufficient demand (Barnett and Schorsch 1983, p. 33). As global competition intensified, profits in the steel industry dropped from 11.4 percent (1957) to 6.2 percent (1961) (see Figure 1).

The declining rate of return in the steel industry during the second half of the 1950s coincided with the eroding balance of trade and profits in the manufacturing sector as a whole. By early 1961, as profits steadily declined, the Executive Branch became increasingly convinced that state intervention was necessary to end the 1960-61 recession and proposed a tax credit to stimulate reinvestment and modernization of industry to ensure U.S. competitiveness in global markets (U.S. Congress 1961, p. 5; 1962, p. 84). The business community opposed this policy and lobbied for accelerated depreciation allowances (Congressional Quarterly Almanac 1961). Business interests prevailed and the subsequent *Revenue Act of 1962* included both the accelerated depreciation allowances and a seven percent tax credit (U.S. Federal Trade Commission 1977). As with the Defense Production Act of 1950, the dominate manufacturing capitalist groups supported this policy because it facilitated accumulation in this segment of the economy.

The Revenue Act increased cash flow in the steel industry from $900 million (1961) to $1.7 billion (1965) (*Fortune* 1966, p. 135). By the mid-1960s, the steel industry had replaced many of its open hearth furnaces with the BOF and was producing lighter, stronger, higher quality steel. However, there was a contradictory dimension to this strategy. Although the BOF was more efficient, the additional steelmaking capability lowered utilization rates, which increased per-unit costs. Moreover, the competitive market conditions, in conjunction with pressure from the Executive Branch, restricted price increases.[7] As the marketplace established

[7] The federal government viewed higher steel prices as inflationary, and monitored steel wage and price increases throughout the 1960s. In 1962, for example, a major confrontation occurred between President Kennedy and the steel industry over price increases (Congressional Quarterly Almanac 1962, p. 1017). Similarly, during the 1968 labor negotia-

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quality standards and prices, steel profits declined to 7.7 percent in the 1960s compared to 11.2 percent for all manufacturing industries (see Figure 1).

CLASS UNITY, STATE AGENDAS, AND THE POLITICS OF THE DECLINING OLIGOPOLY

As competition intensified, accumulation in the steel industry became increasingly associated with its capacity to organize as a political coalition. In contrast to its antagonistic relations with both the state and other capitalist groups in the oligopolistic era, the steel industry's strategy in the era of global competition was to align its interests with other capitalist groups and the agendas of the state. On the one hand, the steel industry's political strategy incorporated the state's argument that a strong steel industry was necessary to ensure national security and long-term economic growth. On the other hand, it attempted to establish a political coalition with other capitalist groups and the United Steel Workers of America (USW). The primary objective of the steel industry was to establish import quotas.

AISI maintained that import quotas were necessary because low wages abroad and government subsidies represented unfair competition, which eroded the balance of payments, created unemployment, and increased dependence on foreign steel (U.S. Congress 1968, p. xxv-xxix). By 1967, a political coalition including USW[8] and the textile, oil, and steel industries obtained enough support in Congress to introduce import quota legislation. President Johnson, however, threatened to veto this protectionist legislation because it would jeopardize the credibility of the U.S. commitment to international trade agreements and could result in trade retaliation by foreign nation-states (Congressional Quarterly 1968, p. 157).

tions President Johnson pressured the steel industry and the USW to keep wage and price increases at a minimum (Council on Wage and Price Stability 1977; U.S. Federal Trade Commission 1977, p. 267-305).

[8] In the late 1950s, the USW rejected the steel industry's argument that imports were responsible for declining profits and employment opportunities. However, by 1963, when foreign competition began to pose a serious threat to wages and job opportunities, the USW leadership supported the industry's argument that protectionist legislation was the best means to ensure employment (Bernstein 1975; Scheuerman 1986, p. 133-4).

Despite this opposition from the Executive Branch, Senator Hartke of Indiana and 36 cosponsors introduced a steel import quota bill. To forestall the imposition of mandatory import quotas, the Japanese and German steelmakers approached the House Ways and Means and Senate Finance Committees to establish guidelines to restrict voluntarily exports. In 1968, the State Department negotiated a three-year (1969-1971) *Voluntary Restraint Agreement* (VRA) with European and Japanese corporations to provide the steel industry with the opportunity to modernize and reestablish its competitive position in the global economy.

Although imports dropped in the short-term, many foreign producers shifted to different and often higher value products not covered by VRAs, which maintained or increased the value of their imports (U.S. Federal Trade Commission 1977, p. 74). VRAs did not solve either the balance of trade or steel import problem, and in 1971 steel imports increased to 17.9 percent of the market share and profits in the steel industry dropped to less than one-half of the average for all manufacturers (see Figure 1). AISI renewed its lobbying efforts and sought more stringent enforcement measures and more specific product coverage. In May 1972, the Nixon administration established a second set of VRAs (1972-1974) that included more stringent and comprehensive controls. The 1972-74 VRAs, however, were not tested in the marketplace because demand for steel in the global economy temporary increased from 640 (1971) to 783 (1974) million tons. As result, prices significantly increased, imports declined to 12.4 percent (1973) of the market share, and profits in the U.S. steel industry reached record levels (see Figure 1). Although VRAs did not establish import quotas, they signified the transition from corporate revenue generating legislation to an indirect form of protectionism by regulating imported steel (see Table 1).

Despite record profits in the steel industry and the accelerated depreciation allowances under the *Revenue Act of 1971*,[9] AISI continued to lobby for import quotas because VRAs did not establish a solid legal basis to block imports. However, a political solution to the accumulation constraints in the steel industry became more complicated as the steel industry

[9] Legislation that accelerates depreciation allowances is temporary. Hence, by 1971, the accelerated depreciation allowances defined by the Revenue Tax Act of 1962 were eliminated.

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Table 1. State Business Policy that Affected the Steel Industry, WWII-1989

Legislation	Corporate Revenue Generating	Voluntary Agreements	Protectionist Legislation	Designed to Benefit All Manufacturing	Designed to Benefit Steel Industry
Revision of the Internal Revenue Code (WWII)	×			×	
Defense Production Act of 1950	×			×	
Revenue Act of 1962	×			×	
1969-71 VRAs (1968)		×			×
Revenue Act of 1971	×			×	
1972-4 VRAs (1971)		×			×
Trade Act of 1974			×		×[a]
Soloman Plan Trigger Price Mechanism (1978)			×[b]		×
Trade Agreements Act of 1979			×		×[a]
Trigger Price Mechansim (1980)			×		×
ERTA (1981)	×			×	
Steel Industry Compliance Act (1981)	×				×
Fair Trade in Steel Act of 1983			×		×
Steel Import Quotas (1984)			×		×
Steel Import Quotas (1989)			×		×

[a] These laws are placed in this category because key components of them were written for the steel industry.

[b] Although there were some revenue generating dimensions to the Soloman Plan, the most important aspect of this legislation was its protectionist dimensions.

became less central to economic growth and other capitalist groups (e.g., computer, electronics) began to benefit from free-trade. In addition, the Executive Branch continued to be concerned that protectionist policies would initiate a trade war with the EEC, where the United States had a substantial trade surplus.

THE POLITICS OF REDEFINING THE STATE-STRUCTURE

The conflicting interest of capitalist groups, especially those in the heavily energy dependent manufacturing sector, were redirected toward a concern with accumulation in the economy as a whole when the Organization of Petroleum Exporting Countries (OPEC) quadrupled its oil prices in 1973. The interest of these capitalist groups coincided with the concern in Congress and the Executive Branch that shifts in the global economy would undermine domestic economic stability. To take advantage of this new political climate, as in the late 1960s, the steel industry articulated its interest in such a way that it was consistent with the interests of other political actors and the state's agendas. With the support of USW and other industries with protectionist interests (i.e., textile, footwear, glass), AISI argued that assistance was necessary to finance the expansion programs necessary to meet future demand, that without a viable steel industry the economy would become dependent on imports and vacillations in the global economy, and that a weak manufacturing sector would threaten national security and economic stability (U.S. Congress 1973, p. 3962). The political clout of this coalition led to the formation of the *Congressional Steel Caucus*, which defended the interest of the domestic steel industry in Congress.

To avoid mandatory import quotas, the Nixon administration introduced legislation (1973) that provided the steel industry with protectionist possibilities while minimizing the threat of foreign retaliation that quotas would have created. A crucial component of the subsequent business policy was the *Trade Act of 1974*, which redefined dumping. Whereas the 1921 anti-dumping (AD) law defined *dumping* as the sale of foreign products below prices in their domestic market (Scheuerman 1986, p. 123-4), the Trade Act of 1974 required foreign firms to demonstrate that their prices included the full cost of production, a 10 percent mark-up for fixed costs, and an eight percent rate of return (U.S. Congress 1978, p. 11). Most importantly,

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the trade act redefined two dimensions of the state structure that established the legal basis to enforce protectionism. First, it increased the authority of the Executive Branch by formalizing presidential power to impose import quotas. Second, although the Trade Act gave the Executive Branch a significant degree of autonomy over enforcement of the dumping laws, it established the organizational structure and legal mechanism to file complaints against foreign steel corporations that did not comply with AD laws (Congressional Quarterly 1974). This legislation designated the shift from voluntary trade agreements to establishing the legal mechanism within the state to restrict imports (see Table 1). This dimension of the state structure became the cornerstone of AISI's political strategy throughout the 1970s.

In 1976, AISI pressured the Executive Branch to enforce the Trade Act when the demand for steel on the global market declined and imports increased from 12.4 (1973) to 14.1 (1976) percent. The Ford administration, however, was concerned over trade retaliation and favored reestablishing VRAs. Although Japanese producers agreed to reduce imports, EEC refused. To avoid plant closing and retaliation from EEC, President Ford imposed a three-year import quota on European specialty steel (*Iron Age* 1976, p. 22). The failure to protect the large carbon steel markets meant that the quotas had little effect on imports.

As imports escalated, beginning in March 1977 the steel industry filed dozens of AD suits against European and Japanese steel producers under the Trade Act of 1974. This political action is important because it denotes a strategic shift within the steel industry from exerting political or economic pressure on the state to using the state's legal structure to achieve its economic goals. However, President Ford did not litigate the AD suits because he was concerned that such action would initiate a trade war with foreign nation-states. Moreover, the banking industry pressured the Executive Branch to avoid protectionist policies because trade restrictions would undermine the ability of less developed countries to repay their loans (*Forbes* 1984).

After the steel industry failed to obtain protectionism from the Executive Branch, it refocused its political strategy on the public and Congress. The steel industry organized a media campaign to solicit support from industrial communities affected by imports. As unemployment increased, political coalitions within these communities (i.e., local governments, USW locals) exerted pressure on their representatives in Congress to obtain a political solution (Bensman and Lynch 1988; Hoerr 1988; Reutter 1988). Meanwhile, AISI intensified its lobby efforts in Congress and argued that "unfair foreign competition" was responsible for declining profits (see Figure 1). These lobbying efforts resulted in an expansion of the Congressional Steel Caucus to 180 members by 1977, which made it one of the largest political coalitions on Capitol Hill. The accumulation constraints of the steel industry reemerged as political conflict within the state when the Chairman of the House Ways and Means Committee criticized the Executive Branch for failing to resolve the steel crisis (U.S. Congress 1977, p. 42). This conflict reached a high point when members of the Congressional Steel Caucus introduced five protectionist bills in October 1977 (Congressional Quarterly 1977, p. 2467-69).

As was the case with previous administrations, President Carter did not enforce AD laws because they conflicted with the state's agendas. Specifically, he was concerned that protectionism would initiate a trade war with foreign nation-states, interfere with the Tokyo Multilateral Trade Negotiations, and reduce the supply of steel, increase prices and stimulate the already rapid rate of inflation (Levine 1985, p. 12; Jones 1986, p. 119). Despite the perceived effects of AD laws on these agendas, the Executive Branch could not ignore the domestic political implications of plant closing, the unemployment of thousands of steel workers, and the erosion of the economic base of entire communities.

To mediate this political economic crisis in such a way that the outcome did not undermine the state's agendas, President Carter established the White House Conference on Steel to complete a detailed analysis of the industry. The subsequent *Solomon Plan* liberalized depreciation schedules and issued $365 million in loans to steel companies and depressed steel communities (U.S. Congress 1978). The most important dimension of this legislation was the *Trigger Price Mechanism* (TPM) under which the Treasury Department monitored 84 categories of steel products, representing 90 percent of all steel imports (U.S. Office of Technological Assessment 1981). Based on the cost of producing and transporting Japanese steel to the

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U.S., beginning in May 1978 the TPM established a minimum pricing formula for imported steel. While this legislation induced U.S. steel companies to withdraw their AD complaints, it also increased protectionism beyond the 1974 antidumping legislation. Although TPM did not substantially alter the flow of imports until 1979, it provided a pricing system that allowed producers to raise prices, which increased their profits.

However, TPMs only protected U.S. markets from Japanese imports, and the steel industry argued that subsidized steel from Europe continued to penetrate domestic markets. When the Tokyo Multilateral Trade Negotiations were completed, the AISI intensified its efforts to restrict imports of European steel and with the support of the Steel Caucus Congress passed the *Trade Agreements Act of 1979*. This legislation required the federal government to prosecute AD and *countervailing duty* (CVD) (i.e., laws regarding subsidies foreign steel makers received from their governments) allegations within 150 days (Congressional Quarterly Almanac 1979, p. 294; U.S. General Accounting Office 1989).[10] Most importantly, it subjected the actions of the International Trade Commission (ITC) to judicial review, which provided the steel industry with a more effective legal basis to force the Executive Branch to act on AD and CVD litigation and thereby reduced its autonomy over enforcement of protectionist legislation.

In March 1980, when EEC imports began to surge, the politically unified steel industry filed AD petitions against 75 percent of all imported steel, which included steel from seven European countries (Walter 1983, p. 492). To avoid taking legal action which would threaten international relations, the Executive Branch suspended the TPM. To resolve this international political crisis President Carter established the Steel Tripartite Advisory Committee (STAC). With the support of the EEC which recognized the added strength of the new AD and CVD laws, the Executive Branch negotiated a new set of TPMs that were 12 percent higher than the 1978 TPMs. The STAC also recommended liberalization of depreciation rules, tax investment credits, and relaxation of pollution controls to improve capital flows. In return for these concessions by the state, the steel industry dropped its AD suits.

In summary, the lack of an enforcement mechanism in the Trade Act of 1974 ensured state autonomy over implementation of protectionism. However, the redefinition of the state structure and dumping provided the steel industry with the legal mechanism to file AD complaints and established a legal basis to argue that foreign steelmakers violated U.S. trade laws. The Trade Act became a critical dimension of the steel industry's political strategy; it *legitimated* protectionist arguments in Congress and to the public, from whom the steel industry solicited support to establish stronger forms of protectionism. This political strategy resulted in The Trade Agreements Act of 1979, which required the state to act on AD and CVD complaints. The Trade Agreements Act was the outcome of the capacity of the steel industry to legitimate its protectionist arguments and establish political alliances with other capitalist groups. Whereas the Trade Act of 1974 was important because it created an organizational structure to file AD complaints and legitimated the protectionist arguments, the Trade Agreements Act of 1979 was important because it designated a shift from political struggles over the principle of protectionism to redefining the state structure in such a way that the steel industry could force the state to administer existing forms of protectionism. These Acts were important because they provided mechanisms to initiate litigation against steel producers in foreign nation-states. In short, this class segment redefined business policy in such a way that it increased protectionism and reduced state autonomy over enforcement of protectionism.[11]

GLOBAL POLITICAL CONFLICT AND THE REDEFINITION OF STATE STRUCTURES, EARLY 1980S

By 1981, TPMs no longer provided an effective means to ensure accumulation within the steel industry. Foreign steel producers avoided TPM regulations by including hidden rebates, falsifying price statements on customs declarations, and establishing importing firms to resell steel below the trigger prices (*The Economist*

[10] The Trade Agreements Act of 1979 also transferred the authority over protectionism from the Treasury to the Commerce Department because of the perception in Congress that it was a more effective enforcement unit.

[11] It is important to emphasize that the VRAs and the TPMs were proposed by the Executive Branch, and were regarded by the steel industry as temporary solutions.

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1981, p. 75; *Business Week* 1981, p. 44). As profits declined and imports increased, the steel industry intensified its efforts to establish import quotas. However, import quotas were not compatible with the increased emphasis on free-trade in the Reagan administration, and the Executive Branch continued to be concerned that protectionism would undermine international political relations and initiate a trade war with EEC. The political position of the steel industry was strengthened when the back-to-back recessions in the early 1980s increased business unity and dominant segments of the capitalist class established a unified political coalition that pressured the federal government to stimulate accumulation in the economy as a whole (Akard 1990; Clawson and Neustadtl 1989).

In response to the first recession, the Reagan administration proposed the *Economic Recovery Tax Act of 1981* (ERTA). Though skeptical of the policy, a coalition of business organizations agreed to support it in return for the inclusion of accelerated depreciation schedules, which business groups had been lobbying for since 1978 (Congressional Quarterly, 1981a, p. 1133; 1981b, 1431). The most active business coalition was organized by the American Business Conference and *The Carlton Group*, which was formed in 1975 and included representatives from the Business Roundtable, the National Association of Manufacturers, the American Council for Capital Formation, the Committee for Effective Capital Recovery, and the Retail Tax Committee. The business segment of the ERTA, the *Accelerated Cost Recovery System*, (ACRS) liberalized depreciation schedules and tax credits. This legislation provided the steel industry with an estimated $400 million between 1982 and 1983 (Scheuerman 1986, p. 163). It has been estimated that ACRS write-offs were so generous that profits from new investments were higher after, rather than before taxes (McIntyre and Tipps 1982, pp. 32-7). To enable low-profit industries such as steel to take full advantage of these tax breaks, a special tax-leasing provision was implemented that allowed low-profit corporations to sell their unused tax credits to more profitable corporations. The government also passed the *Steel Industry Compliance Act* in 1981, which amended the *Clean Air Act* and allowed steel corporations to postpone compliance with air pollution standards if they reinvested. The Steel Industry Compliance Act is important because it was the first corporate revenue generating legislation that affected only the steel industry. It demonstrates the capacity of a class segment to redefine business policy to facilitate accumulation in a single industry.

Although this business policy facilitated accumulation and temporarily halted the steel industry's efforts to enforce protectionism under AD and CVD laws, it did not resolve permanently the political crisis. The tax breaks did not restore profits and several European producers continued to sell steel in U.S. markets considerably below their production costs. During the 1981-82 recession imports increased to 18.9 (1981) and 21.8 (1982) percent, utilization rates dropped to 48.4 percent (1982), and the steel industry did not realize a profit for the first time since the 1930s. In January 1982, as in the past, the steel industry used the organizational structure of the state to achieve its economic objectives. The seven largest U.S. steel corporations filed 110 AD charges against 41 foreign producers, which included every major foreign steel producing country except Japan (Walter 1983, p. 493). As the investigation proceeded through the ITC and the Commerce Department, EEC attempted to obtain a political solution and in May 1982 the Commerce Secretary and the Under Secretary for International Trade opened negotiations with EEC.

International political conflict escalated again in June when the Commerce Department issued a preliminary ruling on $1.4 billion of imported steel against corporations in West Germany, Italy, Britain, Belgium, the Netherlands, Luxembourg, France, Brazil, and South Africa (Walter 1983, p. 496). These trade violations were subject to an immediate bond of 20 to 25 percent of the import values to be forfeited if the final decision supported the preliminary ruling. In response, EEC developed a list of products exported by the United States that benefitted from U.S. government subsidies. EEC maintained that the action of the U.S. government violated the Versailles Summit commitment to continued trade liberalization, which challenged the legality of U.S. trade policy under the General Agreement on Tariffs and Trade (GATT).

In addition, domestic political conflict emerged between the steel industry and USW. Although USW and the steel industry fought bitterly over labor issues, they had agreed on tax policy since the 1940s, and beginning in 1974 USW supported the steel industry's pro-

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tectionist strategy. The political alliance between the USW and the steel industry dissolved when employment in the steel industry dropped from 449,000 (1978) to 289,000 (1982) (American Iron and Steel Institute 1983, p. 15), and many steel corporations disinvested from steel. USW argued that the steel industry used revenue from the existing business policy for diversification and refused to support legislation that did not mandate modernization.

To resolve the domestic and international political crises, the Executive Branch intensified negotiations with EEC and reached an agreement to limit exports of 10 categories of steel if AD complaints were withdrawn. The steel industry would not agree to this proposal because it did not include the legal means to block imports. In response, Congress passed a narrowly defined trade law that amended the *Tariff Act of 1930* by requiring a valid export license for steel products (Congressional Record 1982). This agreement went into effect in November 1982 with an official ending date of December 1985 when EEC agreed to stop subsidizing its steel industries. The amendment, however, proved inadequately protectionist to ensure the accumulation goals of the steel industry because, as in the past, the EEC diverted exports toward other product lines. In addition, EEC limited steel imports from Newly Industrializing Countries (NICs) such as Brazil and Korea, which diverted their exports to U.S. markets. By 1983, foreign steelmakers captured over 20 percent of the U.S. market share.

To increase protectionism, the steel industry pursued three interrelated political strategies. First, it continued to use the organizational structure of the state to achieve its accumulation goals, and in January 1984 the steel industry filed dozens of AD complaints against EEC producers under the Trade Act of 1979. Second, Bethlehem Steel Corporation with the support of USW petitioned for import restrictions under section 201 of Article XIX of GATT, which allows a government to impose temporary trade protection for an industry that has suffered serious injury due to a surge in imports (Congressional Quarterly 1989, p. 631). Third, the steel industry broadened its political base. By 1983, it had obtained the support of the Congressional *Trade Reform Action Coalition*, which represented other industries threatened by imports including the textile, chemical, footwear, steel, nonferrous metal, metalworking, and television industries. In response to the unified lobby efforts of these capitalist groups the House passed the *Fair Trade in Steel Act of 1983*. This legislation limited imports in 47 product lines to 15 percent of the domestic market, and "mandated" modernization.[12] The Steel Act simultaneously increased protectionism and resolved the conflict between the USW and the steel industry. However, this legislation allowed the Secretary of Commerce to "amend or lift the quota in cases of short supply" (U.S. Congress 1984), and the steel lobbyist continued to argue that the Executive Branch had too much discretion over enforcement of trade laws.

The steel industry's efforts to use the state structure to realize its accumulation goals succeeded when, in June 1984, the ITC voted to place import quotas on most steel products (International Trade Commission 1984, p. 11). The decision by the ITC forced President Reagan, who was campaigning for reelection, to revise his free-trade agenda. On the one hand, enforcement of the ITC recommendations could have initiated a trade war and/or international legal battles. On the other, failure to support the steel industry and the USW ran the risk of losing electoral votes to Senator Mondale in key steel manufacturing states including Illinois, Indiana, Maryland, Ohio, Pennsylvania, and Texas. To avoid implementing the protectionist recommendations of the ITC, while maintaining political support during an election year, President Reagan replaced the ITC recommendation with a new set of VRAs (1984-1989) that set imports at 18.5 percent of the market share. However, these agreements were no longer "voluntary." This legislation included a licensing system that prevented foreign steelmakers from switching their product mix (Reagan 1984; U.S. Trade Representative 1984), which made it possible to enforce the quotas on a product-by-product basis. This more precise legislation significantly reduced the autonomy of the Executive Branch over enforcement of the quotas.

The import quotas were the outcome of the steel industry's long-term political strategy (1967-1984) and its capacity: (1) to articulate its interests in such a way that it was able to establish alliances with other capitalist groups

[12] Although this legislation required steel corporations to reinvest into steel operations (U.S. Congress 1984), the amount was not defined and a mechanism to monitor the rate of reinvestment was not established.

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and USW during crucial historical junctures, (2) to pressure Congress to implement a protectionist judicial system of trade dispute settlement, and (3) to use the subsequent state structure in such a way that enforcement of existing legislation would have conflicted with the state's agenda to maintain stable relations with foreign nation-states.[13]

ACCUMULATION AND THE REEMERGENCE OF INTRACLASS CONFLICT, 1985-1989

Economic growth in the late 1980s, the accelerated depreciation allowances, tax investment credits, and import quotas have contributed to a significant turnaround in the U.S. steel industry. These business policies increased the rate of reinvestment, and the concomitant modernization reduced U.S. steel manufacturing cost below Japanese production costs. Imports dropped to the lowest levels since 1981, capability utilization rates were the highest in the last two decades (i.e., 89.2 percent), steel prices increased, the steel industry reported profits of 2.3 billion dollars, and several of the large integrated producers reported profit levels that were among their highest in the last three decades (American Iron and Steel Institute, 1968-1988). Despite this significant increase in the rate of accumulation, the steel industry continued to lobby the Executive Branch and Congress, where by early 1989 it obtained 240 co-sponsors to extend the import quotas. In addition, the steel industry began to prepare several hundred anti-dumping cases to litigate under the AD laws if the quotas were not renewed (Congressional Quarterly 1989, p. 631). The steel industry maintained that a five-year continuation of the import quota system was necessary to protect domestic markets from subsidized foreign steel.

Although George Bush promised to renew the import quotas during his presidential campaign and both the House and Senate introduced legislation to extend the quotas for an additional five years (Congressional Quarterly 1989, p. 630), the 1990 quotas were revised. There are two important historical conditions that contributed to the revision of this business policy. First, protectionism had re-emerged as a threat to stable international relations. The 1989 European Economic Summit defined protectionism as the most significant trade issue, and GATT officials became increasingly critical of import quotas and proposed to strengthen trade rules against protectionist legislation (*New York Times*, 1989b). Second, a political coalition representing a wide range of steel consuming industries lobbied Congress and the Executive Branch to eliminate the quotas. These political actors included the Coalition of American Steel Using Manufacturers, which alone represented 370 companies. In addition, the Precision Metal Forming Association, the American Institute for Imported Steel, the Texas Association of Steel Importers, the West Coast Metal Importers, the Steel Service Center Institute, and the National Grange were also members of this political coalition (Congressional Quarterly 1989, pp. 629-32; *New York Times* 1989a, 1989c; *Baltimore Sun* 1989). This political coalition represented firms that could not negotiate the low prices enjoyed by the large steel consumers. They argued that import quotas created steel shortages, generated higher steel prices, and eroded the profits of steel consuming industries (Congressional Quarterly 1989, p. 629).

As in the past, the threat to stable international relations and conflict among capitalist groups was resolved by redefining business policy. The new business policy reduced the steel quotas to two and one-half years and increased the foreign market share to 20.2 percent. To retain the support of the steel industry, the Bush Administration established the *Steel Trade Liberalization Program* to eliminate foreign steel subsidies by mid-1992 when the new quotas expire.

In summary, two types of conflict contributed to the reformulation of this business policy. First, conflict emerged between the state and the steel industry because enforcement of the import quotas, which ensured accumulation in the steel industry, undermined the state's agenda to maintain political stability with foreign nation-states. Second, conflict emerged among domestic capitalist groups because protectionist legislation that ensured accumulation in the steel industry constrained accumulation within other capitalist segments. Conflict at the economic level emerged as political conflict because the logics of accumulation among the various capitalist segments did not coincide at this historical juncture, and existing business

[13] Economic analysis of international steel trade suggests that between 1976 and 1983 import relief for steel was not warranted (Grossman 1986).

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policy did not affect all segments equally. These conflicts were mediated within the state by formulating new business policy that reduced state autonomy over enforcement of protectionism.

FINDINGS

There are several important findings from this case study. First, organizations that represent political coalitions of capitalist groups in the state's environment were a basis of collective action and constituted a means to exercise political and economic power. AISI was the organizational vehicle that forged alliances with other capitalist groups and articulated a strategy to realize the steel industry's political economic interests within a wide range of historical conditions. This organization established an economic strategy to limit expansion of production capability in the oligopolistic era and a political strategy to obtain protectionism in the era of global competition when the economic strength of the steel industry declined. The political and economic power of this class segment resulted in business policies that have financed a significant proportion of each major expansion and modernization project within the steel industry since the 1940s.

Second, differential rates of accumulation affected business unity. Business unity among domestic capitalist groups was highest when OPEC oil prices (i.e., 1973) and foreign competition (i.e., 1979-82) undermined accumulation in the economy as a whole. These threats to accumulation from the global economy resulted in political alliances among several capitalist groups which lobbied Congress and the Executive Branch to implement policies to overcome constraints to accumulation. In contrast, business was less unified during periods of rapid economic growth. This finding suggests that when the conditions of accumulation declined, the capitalist class mobilized and moved toward the unified end of the class unity/division continuum to exercise control over business policy.

Third, when the accumulation strategy of the steel industry undermined accumulation significantly in other capitalist groups (i.e., post WWII, late-1980s), these accumulation constraints emerged as political conflicts that were mediated within the state by revising business policy. Moreover, the state's structure and agendas and the way in which the agendas conflicted or coincided with the interests of the steel industry affected the content of the subsequent business policy. State intervention in the oligopolistic era occurred in the form of corporate revenue generating business policy because the steel industry's strategy to limit production capability undermined the state's agendas to ensure steady economic growth, a strong national defense, and to meet its military-politico obligation to foreign nation-states. Similarly, corporate revenue generating business policies were implemented in the era of global competition to ensure the state's agenda to maintain steady economic growth (e.g., 1962, 1981). After 1974, when protectionist policies were incorporated into the state structure, the steel industry used the state's organizational structure of trade dispute settlement to force the state to enforce litigation against foreign steel producers. A key component of the steel industry's political strategy was the coordinated filing of AD complaints (i.e., 1977, 1980, 1982, 1984), which if enforced would have conflicted with the state's foreign policy agenda. The Executive Branch, therefore, resisted enforcement of the AD laws. However, the enforcement mechanism within the state structure established under the Trade Agreements Act of 1979 provided the steel industry with the organizational mechanism to force the state into conflicts that required solutions. The resolution of each conflict resulted in a new business policy that redefined the state structure and the parameters of its formal authority. The capacity of this class segment to establish a long-term unified political strategy and to manipulate the state structure explains how the steel industry obtained the highest form of protectionism in the history of the United States during the Reagan administration, one of the most adamant free-trade administrations in the post-World War II era.

Fourth, the state was least autonomous in relation to the steel industry during periods of rapid economic growth when the state's national defense and economic stability agendas were dependent on a steady supply of steel. Under each of these *conditions* the state implemented business policies favorable to accumulation before the steel industry expanded production capability. When economic stability became less dependent on domestic steel and the rate of accumulation in the steel industry declined, the steel industry was able to exercise less control over the state. This suggests that the state moves toward the less autonomous end of the continuum during periods of rapid

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economic growth, and toward the autonomous end of the continuum when the rate of accumulation declines (also see Block 1977). However, despite the steel industry's weakened economic position in the 1970s and 1980s, the cumulative affects of its political strategy steadily reduced the autonomy of the state. Once a system of trade dispute settlement was established within the organizational structure of the state, rather than attempting to influenced legislation through its lobbying efforts where success was dependent on support in Congress, the steel industry manipulated the organizational structure of the state to achieve its economic agendas. Despite consistent opposition, especially from the Executive Branch, its strategy to use the laws governing trade dispute settlement significantly increased the capacity of the steel industry to exercise power over the state. For example, in 1982 the steel industry rejected the state's proposed business policy, and refused to withdraw AD complaints until the state implemented a licensing agreement to govern steel trade.

In short, state structures and agendas were important *not* because they ensured state autonomy as state-centered arguments suggest (Skocpol 1980, 1985), but rather because they provided the means for this class segment to exercise control over the state. Although organizational structures may be a key to the state's capacity to engage in economic transformation (Rueschemeyer and Evans 1985, p. 51, 59), these structures also provided class segments with the mechanisms to exercise control over the state.[14] Organizational structures simultaneously extended the state's authority over more spheres of economic activity and established the legal mechanisms, which provided class segments with the capacity to define the content of state authority. In the long-term, by manipulating the existing state structure, this class segment redefined protectionism and reduced state autonomy over enforcement of protectionism. These findings suggest that state agendas and structures constitute critical dimensions of capital-state relations. This class segment, the steel industry, was able to exercise control over the state when: (1) the state's national defense and economic stability agendas depended on accumulation within the industry, and (2) existing state structures provided the mechanism to pursue political economic strategies that conflicted with the state's agendas.

In addition, this case study provides some insights into variations in the capitalist state. In Western Europe where the textile, auto, and steel industries have historically controlled the economy (Kurth 1979, p. 33), a long-term business policy to subsidize the steel industry exists. In contrast, no one sector has been dominant in the postwar United States (Kurth 1979), and despite the importance the state has placed on a viable steel industry to ensure its national defense and economic agendas, there has been no mandate for a coherent business policy concerning steel production. Instead, there have been a series of short-term policies that have frequently contradicted one another and placed significant financial burdens on society.[15] These business policies, for example, provided reinvestment capital for the steel industry, which encouraged over-expansion and investment into technology that was outdated by the time its was constructed. In addition, estimates suggest that the higher steel prices that followed the 1984 import quotas alone cost consumers seven billion dollars annually (*New York Times* 1989b).

DISCUSSION

This case study has addressed one of the central theoretical problems of historical sociology: the conditions under which groups that share an interest act, or fail to act, on that interest (Tilly 1981). Such studies require historical grounding to identify the means of action that are available to groups. By developing a theoretically explicit conception of the relationship between the organizational state and political coalitions in its environment, I have sought to illustrate the historical conditions that shaped and transformed business policy that affected the steel industry. I identified two themes that affected the content of business policy: conflict between the accumulation goals of a powerful class segment and the agendas of the state, and conflict among capitalist groups. Both conflicts occurred at the economic level and were medi-

[14] Rueschemeyer and Evans' argument is based on an analysis of semiperipheral states, where the capitalist class maybe more homogeneous and/or more or less organized than the capitalist class in the United States.

[15] For other examples of the short-term dimensions of U.S. economic policy see Bluestone and Harrison (1982), and Shonfield (1965).

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ated at the political level (also see Quadagno 1984). The historically specific conditions of accumulation that defined class alliances, the state's agendas, and the particular laws and structure of the state that governed trade dispute settlement affected business policy. Once the protectionist mechanisms were incorporated into the state structure, each change in business policy redefined the state structure and the parameters of its formal authority.

This case study demonstrates that constraints to accumulation compel action. That is, significant changes in the accumulation process require a response. Although *a* response is *necessary* to ensure or recreate the conditions of accumulation, the *character* of the specific action taken is shaped by the political and economic context. The historical variation in the conditions of accumulation structured the motives and actions of the steel industry as well as its interests and the opportunities for satisfying them. The specific form of the steel industry's actions were affected by the legal relationship between the steel industry and the state; the laws governing trade dispute settlement and the organizational structure of the state determined the range of possible alternatives available to the steel industry in the pursuit of its political economic interests. The process that recreates the conditions of accumulation is both dynamic and reflexive; business policy changes the state structure, which in turn shapes future action (also see Beetham 1987; Burawoy 1983, 1984; Staples 1987). State structures become the product of past policies, which become congealed and develop a network of interests around them, both inside and outside the state. These structures affect policy outcomes through the alignment they give to competing interests, and through their consequences for policy implementation. Those policies that are difficult to enforce (e.g., VRAs, TPMs, ADs) are replaced with more effective policies (e.g., quotas).

Moreover, unity within the capitalist class varies historically, and is affected by the accumulation opportunities and constraints of the specific capitalist groups. Although class segments pursue their own political and economic interests, they establish political alliances with other capitalist groups when their own political and economic power is inadequate to implement business policies to overcome obstacles to accumulation. Capitalist class unity depends on how the historically specific accumulation opportunities and constraints and the respective relationship of class segments to the state differentiates or integrates class segments.

Finally, although other capitalist groups frequently supported the political agendas of the steel industry, this case study demonstrates that class unity is not necessary to exercise control over the state. Class segments that have the financial resources and legal expertise can exercise a significant degree of control over the state, despite resistance from other capitalist groups and from the state itself. The capacity of a class segment to exercise control over the state and affect business policy increases significantly once the state is structured in such a way that it has the organizational capacity to reproduce the conditions of accumulation for that class segment. The outcome of the concerted political action of this class segment has been, beginning in 1978, a rapid proliferation of legislation to facilitate accumulation solely within the steel industry (see Table 1).

This analysis leaves us with an important question: Is the steel industry an exception to the way in which relations between class segments and the state are articulated? I would argue that the steel industry is not an exception. In addition to the steel industry, this study has also demonstrated that steel consuming capitalist groups successfully pursued their economic interests politically. To demonstrate that some class segments do not successfully pursue their economic interests politically would require studies of different capitalist groups during different historical periods. Through such studies, we could further develop an analytic framework for understanding the how historical conditions affect the relationships between the capitalist class and class segments and the state.

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