from the sale of goods and services. To emphasize this difference, the concept of rents includes purchases of land and buildings as well as payments that tenants or homebuyers make to landlords, realtors, mortgage lenders, and title companies (Logan and Molotch 2007). More generally, local growth coalitions and the corporate community are different *segments* of the ownership class, meaning that as owners of property and employers of wage labor they are in the same economic class and therefore share more in common with each other than they do with nonowners. The main basis for their cooperation in the past was the fact that the best way for a local growth coalition to intensify land use was to attract corporate investments to its area. The place entrepreneurs were therefore very much attuned to the needs of corporations, working hard to provide them with the physical infrastructure, municipal services, labor markets, and political climate they find attractive. The growth caused by corporate investments, along with investments by universities and government agencies, lead to housing development, increased financial activity, and increased consumer spending, all of which make land and buildings even more valuable.

Still, the relationship between the growth coalitions and the corporate community is not without its conflicts. This is first of all because corporations have the ability to move if they think that regulations are becoming too stringent or taxes and wages too high. The departure of major corporations, which became an increasingly frequent occurrence beginning in the 1970s, has a devastating impact on growth coalitions. Moreover, this ability to move contributes to the constant competition among rival cities for new capital investments, thereby creating tensions among growth coalitions as well as between individual growth coalitions and the corporate community. The net result is often a "race to the bottom" as cities offer tax breaks, less environmental regulation, and other benefits to corporations in order to tempt them to relocate. Ironically, most studies of plant location suggest that environmental laws and local taxes are of minor importance in corporate decisions concerning the location or relocation of production facilities. A union-free environment and low-cost raw materials are the major factors (Bluestone and Harrison 1982; Dreier, Mollenkopf, and Swanstrom 2004).

The longest conflict between the corporate community and local growth coalitions concerns the issue of clean air. From as early as the 1890s local growth coalitions in major cities like Chicago tried to force railroads and manufacturers to control the air pollution problems that developed due to steam engines and smokestacks, but their efforts usually failed in the face of the corporate community's superior power. It was not until Pittsburgh and Los Angeles began to suffer serious blackouts and smog in the 1940s and 1950s that the growth coalitions were able to have some success in these battles, leading to statewide organizations and legislation in California that began to mitigate some of the worst conditions. These conflicts between the corporate community and the growth coalitions are especially notable because they are one basis for the environmental movement that emerged in the 1960s, which capitalized on this disagreement within the ownership class (Gonzalez 2005). Moreover, the concerns of urban landowners were soon shared by suburban homeowners, who saw DDT spraying, threats to the safety of drinking water, and smog as hazardous to their health, turning them into a strong base for the environmental movement by the second half of the 1960s (Sellers 2012).

Local growth coalitions face still another source of potential tension and conflict aside from corporate departures and competition with the growth coalitions in other cities: disagreements with neighborhoods about expansion and development. Neighborhoods are something to be used and enjoyed in the eyes of those who live in them, but neighborhoods are often seen as sites for further development by growth coalitions, which justify new developments with the doctrine of "the highest and best use for land." Thus, neighborhoods often end up fighting against freeways, wider streets, high-rises, and commercial buildings. This conflict becomes the axis of local politics when the downtown interests try to expand the central business district, often at the expense of nearby established low-income neighborhoods, or to build large freeways to encourage suburban dwellers to make use of the downtown area. This kind of expansionist, land-clearing strategy contributed greatly to inner-city tensions from the 1960s onward because African Americans, who were the most frequently displaced group, could not readily find housing in white neighborhoods, forcing them into crowded tenements with high rents and few amenities. The expansion of elite private universities located in urban areas, starting with the University of Chicago and Yale University, continue to contribute to these tensions by buying up housing near their campuses and then taking the land off the tax rolls (Domhoff 2005b; Rossi and Dentler 1961).

The success rate of neighborhoods in conflicts with the growth coalitions is very low. Since the primary focus of residents is on their everyday lives, they usually do not persist in their protests and seldom join larger coalitions with other neighborhoods in the city. There were, however, a few exceptions in the last three decades of the twentieth century, including Burlington in Vermont and Santa Monica in California, along with influential efforts in Berkeley, Boston, Chicago, and San Francisco that generated some changes as well as major counterattacks by leaders of the growth coalitions (Clavel 2010; Domhoff 2005a). Perhaps the most long-lasting and successful effort occurred in Santa Cruz, California, where a coalition of neighborhood leaders, greatly aided by activists from rent control, women's health, socialist-feminist, and environmental organizations, joined with the student voters on the University of California campus located in the city to stop every development proposed by the city's tourist-oriented growth coalition after 1969. The Santa Cruz progressives then won control of city government from 1981 to 2010, instituting numerous small changes aimed at improving the quality of everyday life, while at the same time being blocked in their attempts at larger changes, such as selling home insurance to local homeowners, by pro-growth coalition legislators at the state level (Gendron and Domhoff 2009). (For further information on Santa Cruz and other cities in which neighborhood-based coalitions had an impact between 1960 and 2010, see the documents "Power at the Local Level: Growth Coalition Theory" and "Santa Cruz: The Leftmost City" on whorulesamerica.net.)

STRUCTURAL POWER AND ITS LIMITS

What does all this mean in terms of corporate power? First, the major national-level businesses in the United States are closely interconnected in enough ways to be called a corporate community. Despite the constant competition and deal-making among them, which can lead to intense and long-lasting disagreements and personal animosities, the corporate community is able to maintain cohesion on its common interests through the main organizations that bring it together—the National Association of Manufacturers, the Conference Board, the U.S. Chamber of Commerce, the Business Council, the Committee for Economic Development, and the Business Roundtable. Second, none of the other economic interests discussed in this chapter—small farmers, small businesses, and local growth coalitions—provide the organizational base for any significant opposition to the corporate community at the national level. Third, the directors of the companies in the corporate community, through their numerous interactions at board meetings and in business associations, provide the basis for a cohesive corporate leadership group to emerge.

Corporate leaders exercise a considerable amount of direct power through the way in which they carry out their business operations. For example, they can invest their money when and where they choose. If they feel threatened by new laws or labor unions, they can move or close their factories and offices. Unless restrained by union contracts, they can hire, promote, and replace workers as they see fit, often laying off thousands of employees on a moment's notice. These economic powers give them a direct influence over the vast majority of Americans, who are dependent upon wages and salaries for their incomes and therefore hesitant to challenge corporations directly. Economic power also gives the corporate community indirect influence over elected and appointed officials because the growth and stability of a city, county, or state can be jeopardized by a lack of private investment and job creation.

In short, the sheer economic power of the corporate community often can influence government without any effort on the part of corporate leaders. Because business owner have the legal right to spend their money when and as they wish, and government officials are hesitant to take over the function of investing funds to create jobs, unless it is a time of extreme economic crisis, the government generally has to cater to business. If government officials do not give corporate leaders what they want, there might be economic difficulties that would lead people to desire new political leadership. Since most government officials do not want to lose their positions, they do what they think is necessary to satisfy business leaders and maintain a healthy economy (Lindblom 1977).

Corporate control over the investment function, in conjunction with the right to close factories and lay off workers, provides leaders within the corporate community with a *structural power*, derived from the way in which the economy normally functions, that is independent of any attempts by them to influence government officials directly. While such power is very great, it is not sufficient in and of itself to allow the corporate rich to dominate government, especially in times of economic or political crisis. First, it does not preclude the possibility that government officials might turn to nonbusiness constituencies to support new economic arrangements. For example, there is no necessary relationship between private ownership and markets. Improbable though it may seem to most readers, it is possible for governments to create firms to compete in the market system and thereby revive a depressed economy by giving them money to invest, or to hire unemployed workers in order to increase their ability to spend. In fact, the liberal-labor alliance mounted a legislative effort of roughly this sort shortly after World War II, only to be defeated by the conservative coalition in Congress (Bailey 1950; Domhoff 1990, Chapter 7).

Second, structural power does not guarantee that employees will accept an ongoing economic depression without taking over factories or destroying private property. In such situations, the corporate leaders need government to protect their factories and equipment. They have to be able to call on the government to keep unauthorized persons from entering their plants or to eject workers who refuse to vacate the premises. Just such a situation developed seemingly out of the blue in Chicago in December 2008, when workers refused to leave the Republic Windows and Doors factory (which had been shut down without any notice so it could be moved to a low-wage location in another state) until they were given the severance and vacation pay the company owed them. They also decided not to allow the company to remove the windows they had built over the previous weeks because keeping possession of the windows gave them a bargaining chip.

City officials in Chicago expressed sympathy for the workers, as did President-elect Obama. The city's mayor, Richard M. Daley, did not order the police to force the workers to vacate the premises. The Bank of America, which had just received a $25 billion bailout from the federal government to stave off potential bankruptcy, refused to loan the company the money to make the final payments to the fired employees, but it quickly changed its mind as an outcry developed (Luo and Cullotta 2008). It also turned out that JPMorgan Chase, by then the largest bank in the country, owned 40 percent of the company and agreed to help provide the money owed to the former employees. JPMorgan Chase's chairman for the Midwest region, William M. Daley, the brother of Chicago's mayor and an early backer of President Obama, encouraged a settlement that would end the highly publicized sit-down strike. (Three years later, William M. Daley served as President Obama's White House chief of staff for a year.)

As the sit-down at Republic Windows and Doors clearly demonstrates, structural power primarily concerns the relationship between the corporate community and government officials. It is not able to contain a volatile power conflict between owners and workers, which means that powerful banks and their well-connected executives, such as William M. Daley in this case, have to work out a peaceful settlement if a local government is not willing to employ repressive measures to end a strike. Nor do such confrontations always remain nonviolent in the United States, starting with a strike in 1877 by angry railroad workers in the face of a sudden and unannounced wage cut. The clash that soon followed left over 100 people dead, mostly at the hands of 3,000 federal troops that moved from city to city via train trying to quell the disturbances. Twenty people died in Pittsburgh alone, where angry mobs retaliated against the government's use of violence on them by looting and burning 39 buildings, 104 locomotives, 46 passenger cars, and 1,200 freight cars owned by the Pennsylvania Railroad (Stowell 1999).

The deaths and property destruction were not as extensive during the upheavals of the 1930s, but 15 strikers were killed in 1933 and 40 in 1934, and there were 477 sit-down strikes in 1937 in demand of union recognition (Fine 1969; Piven 2006, p. 88). Significantly, many of those sit-down strikes were carried out by the United Electrical, Radio, and Machine Workers, the same union that decades later represented the workers at Republic Windows and Doors in Chicago, which shows that traditions and organizational memories from the turbulent 1930s still endure as part of working-class culture.

As these examples make clear, there is uncertainty in the relationship between the corporate community and government because there is no guarantee that the underlying population or government officials will accept the viewpoint of corporate owners under all economic circumstances. It is risky for corporate officials to refuse to invest in an attempt to bend government to its will, or to remain passive in the face of an economic depression. Corporate leaders know from past history and from sudden actions such as the one by workers at Republic Windows and Doors that they have to do one of three things. They have to decide if they want to bargain directly with disgruntled employees, encourage the government to make reforms, or call for the use of the police to put down unrest. That is, they have a choice between peaceful compromises and repression. They therefore believe that they need ways to have an influence on both public opinion and government officials, and they have developed a number of organizations in an effort to realize those objectives. As a top corporate leader replied to a sociologist who suggested to him during a research interview that his company probably had enough structural power to dispense with its efforts to influence elected officials: "I'm not sure, but I'm not willing to find out" (Clawson, Neustadtl, and Scott 1992, p. 121).

To fully explain how the owners and top-level managers are able to organize themselves in an effort to create new policies, shape public opinion, elect politicians they trust, and influence government officials, it is first necessary to examine the relationship between the corporate community and the social upper class.

3

The Corporate Community and the Upper Class

This chapter demonstrates that the corporate community and the upper class are closely intertwined. They are not quite two sides of the same coin, but almost. Such a demonstration is important for three reasons. First, it refutes the widely accepted belief that there has been a separation between corporate ownership and control in the United States. According to this view, there is on the one side a wealthy but powerless upper class that is more or less window dressing, consisting of playboys and fashion plates, and on the other a "managerial class" that has power independent of wealthy owners by virtue of its role in running corporations. Due to this division between high-society owners and well-trained independent managers, the argument continues, there is no longer a dominant social class whose general interest in profits transcends the fate of any one corporation or business sector. Instead, corporate managers are reduced to an "interest group," albeit a very potent one.

Contrary to this view, the evidence presented in the final third of this chapter shows that (1) members of the upper class own a large share of the privately held corporate stock; (2) many superwealthy stockholding families in the upper class continue to be involved in the direction of major corporations through family offices, various types of investment partnerships, and holding companies; and (3) the professional managers of middle-level origins are assimilated into the upper class both socially and economically, and share the values of upper-class owners.

Evidence for the overlap of the corporate community and the upper class is important for a second reason in building the case for a class-dominance perspective: Research in social psychology shows that the most socially cohesive groups are the ones that do best in arriving at consensus when dealing with a problem. The members are proud of their identification with the group and come to trust one another through their friendly interactions, so they are more likely to listen to one another and seek common ground. As a classic study of the upper class in New York in the 1930s concluded: "The elaborate private life of the plutocracy serves in considerable measure to separate them out in their own consciousness as a superior, more refined element" (Almond 1998, p. 108).

Social cohesion develops through the two types of relationships found in a membership network: common membership in specific social institutions and friendships based on social interactions within those institutions. Research on small groups in laboratory settings suggests that social cohesion is greatest when (1) the social groups are seen to be exclusive and of high status and (2) the interactions take place in relaxed and informal settings (Cartwright and Zander 1968; Hogg 1992). This chapter shows that many of the social institutions of the upper class provide settings and occasions that fit these specifications very well. From the viewpoint of social psychology, the people who make up the upper class can be seen as members of numerous small groups that meet at private schools, social clubs, retreats, resorts, and social gatherings.

Finally, the fact that the corporate community is closely linked to the upper class adds to a class-dominance analysis because their close ties make it possible to convert economic power into *status power*. Status power operates by creating respect, envy, and deference in others, making them more likely to accept what members of the upper class tell them. Although the more extravagant social activities of the upper class—the expensive parties, the jet-setting to spas and vacation spots all over the world, the involvement with exotic entertainers—are in most ways superfluous trivialities when it comes to the exercise of power, these activities nonetheless can play an inadvertent role in reinforcing the class structure. They make clear that there is a gulf between members of the upper class and ordinary citizens, reminding everyone of the hierarchical nature of the society. They reinforce the point that there are great rewards for business success, helping to stir up the personal envy that can be a goad to competitive striving. For example, in a pamphlet meant for students as part of an economics education initiative, the Federal Reserve Board in Minneapolis specifically wrote that large income differentials in the United States have "possible external benefits" because they provide "incentives for those who are at low- to middle-income levels to work hard, attain more education, and advance to better-paying jobs" (Morris 2004).

So, to the degree that the rest of the population tries to emulate the upper class or defers to it, economic power has been transformed into status power, creating a social psychology of justified entitlement and demand for respect in members of the upper class and a social psychology of envy and deference in those who are outside the charmed circle. However, the importance of status power must not be overstated. In times of social upheaval, respect and deference are often replaced by angry outbursts and mass action, especially if the social upheaval is blamed on members of the upper class.

IS THERE AN AMERICAN UPPER CLASS?

If the owners and managers of large income-producing properties in the United States are also a social upper class, then it should be possible to discover a very large network of interrelated social institutions whose overlapping members are primarily wealthy families and high-level corporate leaders. These institutions should provide patterned ways of organizing the lives of their members from infancy to old age and create a relatively unique style of life. In addition, they should provide settings for socializing both the younger generation and new adult members who have risen from lower social levels. If the class is a sociological reality, the names and faces may change somewhat over the years, but the social institutions that underlie the upper class—the organizations, rules, and customary practices that pattern social order—must persist with only gradual change over several generations.

Four different types of empirical studies carried out several decades ago established the existence of such an interrelated set of social institutions and social activities in the United States, to the point that few social scientists have felt the need to do further studies in recent years: historical case studies, quantitative studies of biographical directories, open-ended surveys of knowledgeable observers, and interview studies with members of the upper-middle and upper classes. Taken together, they suggest that the upper class includes somewhat less than 1 percent of the population, but for purposes of this book the figure 1 percent will be used to keep mathematical analyses simple. These studies not only demonstrate the existence of an American upper class. They also provide what are called "indicators" of upper-class standing, which are useful in determining the degree of overlap between the upper class and the corporate community, or between the upper class and various types of nonprofit organizations. Social indicators can be used to determine the amount of involvement members of the upper class have in various parts of the government as well.

In the first major historical case study, the wealthy families of Philadelphia were traced over the period of 200 years, showing how they created their own neighborhoods, schools, clubs, and debutante balls. Then their activities outside of that city were determined, which demonstrated that there are nationwide social institutions wherein wealthy people from all over the country interact with each other (Baltzell 1958). This study led to the discovery of an upper-class telephone directory called the *Social Register*, published for 13 large cities from Boston to San Francisco between 1887 and 1975. The guide to the 13 city volumes, the *Social Register Locator*, contained about 60,000 families, which made it a very valuable indicator of upper-class standing until many members of the upper class lost interest in it in the 1970s. This loss of interest reminds us that customs can change in the upper class, just as they do in other classes, and that there is always a need for new studies.

Using information on private school attendance and club membership that appeared in 3,000 randomly selected *Who's Who in America* biographies, along with listings in the *Social Register*, another study provided a statistical analysis of the patterns of memberships and affiliations among dozens of prep schools and clubs. The findings from this study are very similar to those from the historical case study (Domhoff 1970, Chapter 1). Still another study asked journalists who cover upper-class social events to serve as informed observers by identifying the schools, clubs, and social directories that defined the highest level of society in their city. The replies from these well-placed informants revealed strong agreement with the findings from the historical and statistical studies (Domhoff 1970, Chapter 1).

A fourth and final method of establishing the existence of upper-class institutions is based on intensive interviews with a cross-section of citizens. The most detailed study of this type was conducted in Kansas City. The study concerned people's perceptions of the social ladder as a whole, from top to bottom, but it is the top level that is of relevance here. Although most people in Kansas City can point to the existence of exclusive neighborhoods in suggesting that there is a class of "blue bloods" or "big rich," it is members of the upper-middle class and the upper class itself whose reports demonstrate that clubs and similar social institutions, as well as neighborhoods, give the class an institutional existence separate from most of the well-trained professionals and successful small-business owners who are part of the upper-middle class (Coleman, Rainwater, and McClelland 1978). (The specific schools and clubs discovered by these and related investigations are listed in the document on "How to Do Power Structure Research" on whorulesamerica.net, but with the caveat that the list needs to be updated to include new schools and clubs if it is to reflect current realities.)

Although the social indicators derived from these studies are a useful tool for research purposes, they are far from perfect for any specific individual. They are subject to two different kinds of errors that tend to cancel each other out with large samples. *False positives* are those people who qualify as members of the upper class according to the indicators, even though further investigation would show that they are not really members. Middle-class and scholarship students at private secondary schools are two examples of false positives. Honorary and performing members of social clubs, who usually are members of the middle class, are another important type of false positive. *False negatives*, on the other hand, are members of the upper class who do not seem to meet any of the criteria of upper-class standing because they do not choose to list their private school or their club affiliations in biographical sources and shun social registries.

Private schools are especially underreported in publicly available biographical sources. Many prominent political figures do not list their private secondary schools in *Who's Who in America,* for example, and future president George H. W. Bush, who held the office between 1989 and 1992, removed Phillips

Andover, the boarding school he attended, from the 1980–1981 edition when he became vice president in the Reagan administration. More generally, studies comparing private school alumni lists with *Who's Who* listings suggest that 40 to 50 percent of corporate officers and directors did not list their graduation from high-prestige private schools in the 1960s and 1970s. Membership in social clubs may also go unreported. In a study of the 326 members of the Bohemian Club in San Francisco who were listed in *Who's Who in America*, 29 percent did not include this affiliation, including presidents Reagan and George H. W. Bush (Domhoff 1983, p. 48). Based on a study of club listings by corporate leaders between the early 1960s and 1996, which showed a considerable decline in the number of clubs mentioned, it is very likely that the percentage who do not mention their social clubs is even higher today (Barnes and Sweezea 2006).

The factors leading to false positives and false negatives raise interesting sociological questions, some of which are given tentative answers in this chapter. Why are scholarship students sought by some private schools, and are such students likely to become part of the upper class? Why don't some members of the upper class list private schools and clubs in biographical sources? Why are some middle-class people taken into upper-class clubs? Merely to ask these questions is to suggest the complex social and psychological reality that lies beneath this seemingly dry catalogue of upper-class indicators. More generally, the information included or excluded in a social register or biographical directory is a *presentation of self* that has been shown to be revealing concerning religious, ethnic, and class identifications (e.g., Zweigenhaft and Domhoff 1982, pp. 92–97).

PREPPING FOR POWER

From infancy through young adulthood, members of the upper class receive a distinctive education. This education begins early in life in preschools that sometimes are attached to a neighborhood church of high social status. Schooling continues during the elementary years at a local private school called a day school. The adolescent years may see the student remain at day school, but there is a strong chance that at least one or two years will be spent away from home at a boarding school in a quiet rural setting. Higher education is obtained at one of a small number of prestigious private universities. Although some upper-class children may attend public high school if they live in a high-status suburb, or go to a state university if there is one of great esteem and tradition in their home state, the system of formal schooling is so insulated that many upper-class students never see the inside of a public school in all their years of education. This separate educational system is important evidence for the distinctiveness of the mentality and lifestyle that exists within the upper class, because schools play a large role in transmitting the class structure to their students (Cookson and Persell 1985; Khan 2010).

The linchpins in the upper-class educational system are the dozens of boarding schools developed in the last half of the nineteenth and the early part of the twentieth centuries, coincident with the rise of a nationwide upper class whose members desired to insulate themselves from inner cities that were becoming populated by lower-class immigrants. These schools become surrogate families that play a major role in creating a national upper-class subculture. The role of boarding schools in providing connections to other upper-class social institutions is also important. As one informant explained to a sociologist doing an interview study of upper-class women: “Where I went to boarding school, there were girls from all over the country, so I know people from all over. It’s helpful when you move to a new city and want to get invited into the local social club” (Ostrander 1984, p. 85).

It is within these several hundred schools that a unique style of life is inculcated through such traditions as the initiatory hazing of beginning students, the wearing of school blazers or ties, and participation in esoteric sports such as lacrosse, squash, and crew. Even a different language is adopted to distinguish these schools from public schools. The principal is a headmaster or rector, the teachers are sometimes called masters, and the students are in forms, not grades. Great emphasis is placed upon the building of “character.” The role of the school in preparing the future leaders of America is emphasized through the speeches of the headmaster and the frequent mention of successful alumni. Thus, boarding schools are in many ways the kind of highly effective socializing agent called *total institutions*, isolating their members from the outside world and providing them with a set of routines and traditions that encompass most of their waking hours. The end result is a feeling of separateness and superiority that comes from having survived a rigorous education.

Virtually all graduates of private secondary schools go on to college, and most do so at prestigious universities. Graduates of the New England boarding schools, for example, historically found themselves at three or four large Ivy League universities: Harvard, Yale, Princeton, and Columbia. However, that situation changed somewhat after World War II as the universities grew and provided more scholarships. An analysis of admission patterns for graduates of 14 prestigious boarding schools between 1953 and 1967 demonstrated this shift by showing that the percentage of their graduates attending Harvard, Yale, or Princeton gradually declined over those years from 52 to 25 percent. Information on the same 14 schools for the years 1969 to 1979 showed that the figure had bottomed out at 13 percent in 1973, 1975, and 1979 (Cookson and Persell 1985; Gordon 1969).

Since that time, private schools have more than held their own in sending their graduates to Harvard, Yale, and Princeton, as revealed by enterprising journalists, the first of whom ferreted out the 100 high schools that sent the highest percentage of their students to one of those three Ivy League schools between 1998 and 2001. She found that 94 of the 100 were private schools, with 10 that sent more than 15 percent of their students to Harvard, Yale, or Princeton, including such high-status boarding schools as Groton (17.9 percent), Milton Academy (15.8 percent), and Andover (15.7 percent). The difference from the past is that more of the most successful schools are day schools and are located in New York City. For example, Brearley, a girls' school in New York City, had a "Harvard/Yale/Princeton" percentage of 20.9 and the Collegiate School for boys in the same city had a Harvard/Yale/Princeton percentage of 20.0 (Yaqub 2002). A second journalist used admissions to several Ivy League schools, MIT, and Stanford in addition to Harvard, Yale, and Princeton as her criteria for success. She found that 20 private schools, most of them boarding schools whose histories stretch back over 100 years, along with day schools in Boston, Los Angeles, and New York, had an "Ivy/MIT/Stanford pipeline" percentage that ranged from 23 to 41 percent, with an average of about 33 percent (Laneri 2010).

Most private school graduates pursue careers in business, finance, or corporate law, which is further evidence for the close relationship between the upper class and the corporate community. Their business-oriented preoccupations are demonstrated in the greatest detail in a study of all those who graduated from Hotchkiss between 1940 and 1950. Using the school's alumni files, the researcher followed the careers of 228 graduates from their date of graduation until 1970. Fifty-six percent of the sample were either bankers or business executives, with 80 of the 91 businessmen serving as president, vice president, or partner in their firms. Another 10 percent of the sample were lawyers, mostly as partners in large firms closely affiliated with the corporate community (Armstrong 1974).

Due to special recruitment programs, private schools have become a major educational launching pad for a small percentage of low-income African American and Latino students, who frequently go on to graduate from elite universities and work in the corporate world or one of the high-status professions. They are ideal examples of the usefulness of "false positives" (graduates of an elite private school who are not members of the upper class) in understanding the American power structure, because they lead to the discovery that major foundations and wealthy donors have established programs that provide opportunities that allow for a small amount of sponsored upward social mobility. The oldest of these programs, A Better Chance, founded in the 1960s in response to the upheavals of the civil rights movement, had graduated over 12,000 students by 2011 and had 1,900 students—65 percent African American, 20 percent Latino, 6 percent Asian American, 4 percent multiracial, and 4 percent "other"—enrolled in over 300 member schools. The Prep-to-Prep program in New York City and the Steppingstone Foundation in Boston and Philadelphia, both of more recent vintage, have developed programs that identify high-achieving children of color in grade school and help prepare them for private schools with after-school, weekend, and summer instruction. By 2011, 92 percent of Prep-to-Prep's 1,828 students had graduated from "competitive" colleges and about 40 percent from Ivy League schools. The schools with the most graduates were Harvard with 171, Wesleyan with 168, Yale with 148, and Penn with 147 (Zweigenhaft and Domhoff 2011, pp. 123–127).

Deval Patrick, elected as the first African American governor of Massachusetts in 2006 after a long career in corporate law and corporate management, is among the most visible graduates of one of these programs. Raised by his mother in a low-income neighborhood in Chicago, he went to Milton Academy in Milton, Massachusetts, in 1970 as a scholarship student in the A Better Chance program, and then graduated from Harvard and Harvard Law School. He worked for the NAACP's Legal and Educational Defense Fund for three years and joined a prestigious corporate law firm in Boston. From 1994 to 1997 he served in the Clinton administration as the assistant attorney general in charge of the Civil Rights Division of the Department of Justice, then chaired a task force created to ensure fairness and equal opportunity for employees at Texaco after the settlement of a racial discrimination suit. From there it was an executive vice presidency at Coca-Cola from 2001 to 2004. He has served as a corporate director for United Airlines and Reebok. He was an early supporter of Barack Obama's presidential campaign.

However, the most important false positive in terms of private school graduates is President Barack Obama himself, who attended Punahou School in Honolulu, one of the 10 wealthiest private schools in the country, from the fifth through the 12th grades, even though he is not a member of the upper class. He was able to attend Punahou because his maternal grandfather, a furniture salesman, and his maternal grandmother, one of the first female vice presidents in a large Honolulu bank, wanted him to have a good education. In addition, his grandfather's employer, an alumnus of the school, urged the admissions office to accept him (Mendell 2007, p.36). As a result the future president spent eight years mingling with the children of wealthy business leaders and highly educated professionals (90 percent of the students were white) while receiving an excellent education in a setting very similar to prep schools elsewhere in the country. With its impressive theaters and buildings, situated on several acres of green fields surrounded by a fence, largely out of the public view, Punahou is "so idyllic that it resembled a Hollywood set" according to the *Chicago Tribune* reporter who visited the school as part of his research on a biography he wrote of President Obama (Mendell 2007, p. 37).

In addition to an ideal college preparatory education from a school that stands for quality and class in the eyes of college admissions officers, the future president developed valuable "connections" with individuals who possess wealth and other resources. Such connections are now called *social capital* by sociologists because wealthy friends and their parents can be helpful in many ways, such as putting in a good word with an employer, passing on useful information about investment opportunities, or even lending money for an investment. Perhaps even more important, President Obama acquired the style and tastes of the upper class, now called *cultural capital*, because the right sensibilities can be useful in creating a sense of ease and familiarity when meeting members of the upper class (Bourdieu 1986; Khan 2010).

In other words, President Obama's status as a false positive on one upper-class indicator provides useful information on why the son of a Kenyan father (whom he last saw at age 10, for a month, after an eight-year absence) and a white mother (who worked in Indonesia as an anthropologist during his childhood and teen years) could think about a political career. Punahou provided him with the social and cultural capital to interact with members of the corporate community and social upper class in a relaxed and graceful way, and take the possibility of a business or professional career for granted. (In the first year after he finished his undergraduate education at Columbia University he worked for Business International Corporation in Manhattan, which published newsletters on the global economy and provided consulting services to American companies with international operations [Mendell 2007, p. 62].)

Like many private school graduates who decide to pursue a career in politics, President Obama does not list his school in his biographical sketch in *Who's Who in America*. President John F. Kennedy never listed his graduation from Choate Rosemary in Connecticut, and every candidate for president in the first 12 years of the twenty-first century was a graduate of an elite prep school who did not mention that fact. George W. Bush, the Republican candidate in 2004 and 2008, graduated from Andover in Massachusetts. Former vice president Albert Gore, the Democratic candidate for president in 2000, graduated from St. Albans in Washington, D.C. Senator John Kerry of Massachusetts, the Democratic candidate in 2004, graduated from St. Paul's in Massachusetts. Senator John McCain of Arizona, the Republican candidate in 2008, graduated from Episcopal High in Virginia, and Mitt Romney, the Republican candidate in 2012, graduated from Cranbrook School in Michigan.

SOCIAL CLUBS

Private social clubs are a major point of orientation in the social lives of upper-class adults. These clubs also have a role in differentiating members of the upper class from other members of society, in particular those who are "merely" upper-middle class. The clubs of the upper class are many and varied, ranging from family-oriented country clubs and downtown men's and women's clubs to highly specialized clubs for yachtsmen, sportsmen, gardening enthusiasts, and fox hunters. Downtown men's clubs originally were places to have lunch and dinner, and occasionally to attend an evening performance or a weekend party. As upper-class families deserted the city for large suburban estates, a new kind of club, the country club, gradually took over some of these functions. The downtown club became almost entirely a luncheon club, a site to hold meetings, or a place to relax on a free afternoon. The country club, by contrast, became a haven for all members of the family. It offered social and sporting activities ranging from dances, parties, and banquets to golf, swimming, and tennis. Special group dinners were often arranged for all members on Thursday night, the traditional maid's night off across the United States.

Initiation fees, annual dues, and expenses vary from a few thousand dollars in downtown clubs to $100,000 to $250,00 or more in some country clubs, but money is not the only barrier in gaining membership to a club. Each club has a very rigorous screening process before accepting new members. Most require nomination by one or more active members, letters of recommendation from three to six members, and interviews with at least some members of the membership committee (Kendall 2002). Negative votes by two or three members of what is typically a 10-to 20-person committee often are enough to deny admission to the candidate.

Men and women of the upper class often belong to clubs in several cities, creating a nationwide pattern of overlapping memberships. These overlaps provide evidence for social cohesion within the upper class. An indication of the nature and extent of this overlapping is revealed in a study of 20 clubs in several major cities across the country in the late 1960s, when membership lists were more readily available, including the Links Club in New York, the Chicago Club in Chicago, the Pacific Union Club in San Francisco, and the California Club in Los Angeles. There was sufficient overlap among 18 of the 20 clubs to form three regional groupings and a fourth group that provided a bridge between the two largest regional groups. The several dozen men in three or more of the clubs, most of them very wealthy people who sat on several corporate boards, were especially important in creating the overall pattern. The fact that these clubs often have from 1,000 to 2,000 members made the percentage of overlap within this small number of clubs relatively small, ranging from a high of 20 to 30 percent between clubs in the same city to as low as 1 or 2 percent in clubs at opposite ends of the country (Bonacich and Domhoff 1981).

The overlap of this club network with corporate boards of directors provides further evidence for the intertwining of the upper class and the corporate community. In a study in the 1960s for an earlier edition of this book, the club memberships of the chairpersons and outside directors of the 20 largest industrial corporations were counted. The overlaps with upper-class clubs in general were ubiquitous, but the concentration of directors in a few clubs was especially notable. At least one director from 12 of the 20 corporations was a member of the Links Club, which is the New York meeting ground of the national corporate establishment. Seven of General Electric's directors at the time were members, as were four from Chrysler, four from Westinghouse, and three from IBM. In addition to the Links, several other clubs had directors from four or more corporations (Domhoff 1967, p. 26). Another study using membership lists from 11 prestigious clubs in different parts of the country confirmed and extended these findings. A majority of the top 25 corporations in every major sector of the economy had directors in at least one of these clubs, and several had many more. For example, all of the 25 largest industrials had one or more directors in these 11 clubs. The Links in New York, with 79 connections to 21 industrial corporations, had the most (Domhoff 1975).

Elite social clubs came under extreme criticism as bastions of Christian white male privilege in the 1970s, first by wealthy Jewish members of the corporate community, who were incensed by their anti-Semitism, then by civil rights activists that decried the lack of any African American members, and then by feminist groups, which pointed out that the exclusion of women deprived women executives of opportunities to attend business luncheons and develop connections with executives from outside their own workplace (Baltzell 1964; Driscoll and Goldberg 1993; Zweigenhaft and Domhoff 1982). This not only made it more difficult to obtain membership lists for update studies, but it also led to a decline in the listing of membership in such clubs in publicly available sources, such as *Who's Who in America*, because the information was used at confirmation hearings for government appointments to raise questions about the men's fairness. As a result, it has been very difficult to continue to do comprehensive studies on the club network. But a detailed study using *Who's Who in America* for the years 1962, 1973, 1983, and 1995 showed that the corporate executives listed the same clubs over the decades, even though these clubs were mentioned by a declining number of executives in each decade (Barnes and Sweezea 2006).

However, a lack of good membership information has not precluded studies based on other sources of information. For example, a study of social clubs in several Texas cities based on 100 interviews and newspaper articles showed that little if anything has changed in the club world over the decades, except for the huge increase in membership fees and monthly dues for country clubs. The members are still overwhelmingly white Christian men of wealth, wealthy Jews have a parallel club structure, and women are generally excluded from membership, except in country clubs, but they are prohibited from using the clubs' golf course at certain times and excluded from some of the club rooms. The members attach great personal significance to belonging to these clubs and believe they are of value as a source of information, contacts, and support; that is, they remain places to renew social capital. Some clubs have weekend art exhibitions, lecture series, or mini-courses on such topics as "fine wines" that add to the members' cultural capital (Kendall 2008).

An interview study with 47 members of five elite country clubs in a northeastern state that focused on the rationales members used for various forms of exclusionary practices found many of the same patterns. The respondents endorsed greater ethnic and racial diversity, although they were vague about the fact that their clubs had very few minority-group members. Women for the most part accepted their secondary status in country clubs as being due to forces beyond club members' control, such as the fact that they had less wealth and more domestic duties, but some of the women in one of the clubs sued the club because of restrictions on the times they were allowed to play golf (Sherwood 2010). As if to confirm these sociological studies, a rebellious male member of the Phoenix Country Club was expelled from membership in July 2008 for "multiple violations of club etiquette" because he spoke to a *New York Times* reporter about a lawsuit that he and other members had filed against the club for excluding women from the grillroom (Steinhauer 2008).

The Bohemian Grove as a Place of Affirmation and Renewal

One of the central clubs in the club network, the Bohemian Club, is also the most unusual and frequently studied. Its annual two-week retreat in its 2,700-acre Bohemian Grove, 75 miles north of San Francisco, brings together members of the upper class, corporate leaders, celebrities, and government officials for relaxation and entertainment. Several hundred "associate" members, who pay lower dues in exchange for producing plays, skits, artwork, and other forms of entertainment, are also members. There are 50 to 100 professors and university administrators who are members, most of them from Stanford University and campuses of the University of California. This encampment provides a good view of the role of clubs in uniting the corporate community and the upper class. It is a microcosm of the world of the upper class.

Leaders of the Bohemian Club purchased the pristine forest setting called the Bohemian Grove in the 1890s after 20 years of holding the retreat in rented woodland quarters. Bohemians and their guests number anywhere from 1,500 to 2,500 for the three weekends in the encampment, which is always held during the last two weeks in July. However, there may be as few as 400 men in residence in the middle of the week because most return to their homes and jobs after the weekends. During their stay the campers are treated to plays, symphonies, concerts, lectures, and commentaries by entertainers, scholars, corporate executives, and government officials. They also trapshoot, canoe, swim, drop by the Grove art gallery, and take guided tours into the outer fringe of the mountain forest. But a stay at the Bohemian Grove is mostly a time for relaxation in the modest lodges, bunkhouses, and even teepees that fit unobtrusively into the landscape along the two or three dirt roads that join the few "developed" acres within the Grove. It is like a summer camp for corporate leaders and their entertainers. Pranks, story telling, off-color jokes, bragging, and the massive consumption of expensive alcoholic beverages are the order of the day.

The men gather in small camps of 10 to 30 members during their stay, although the camps for the associate members are often larger, a telling reminder of the status differentials that are maintained even during the encampment. Each of the approximately 120 camps has its own pet name, such as Sons of Toil, Pink Onion, Toyland, Woof, and Parsonage. Some camps are noted for special drinking parties, brunches, or luncheons to which they invite members from other camps. One advertises its soft porn collection as an attraction to stop by for a drink. The camps are a fraternity system within the larger fraternity.

There are many traditional events during the encampment, including plays called the High Jinx and the Low Jinx, which sometimes have men dressed as women playing the parts women would take if they were not excluded from the club. The most memorable event, however, is an elaborate ceremonial ritual called the Cremation of Care, which is held on the first Saturday night. It takes place at the base of a 40-foot Owl Shrine, constructed out of poured concrete and made even more resplendent by the mottled forest mosses that cover much of it. According to the club's librarian, who is also a historian at a large university, the event "incorporates druidical ceremonies, elements of medieval Christian liturgy, sequences directly inspired by the Book of Common Prayer, traces of Shakespearean drama and the 17th century masque, and late nineteenth century American lodge rites" (Vaughn 2006). Bohemians were proud that the ceremony has been carried out for 140 consecutive years as of 2012.

The opening ceremony is called the Cremation of Care because it involves the burning of an effigy named Dull Care, who embodies the burdens and responsibilities that these busy Bohemians now wish to shed temporarily. More than 250 Bohemians take part in the ceremony as priests, elders, boatmen, and woodland voices. After many flowery speeches and a long conversation with Dull Care, the high priest lights the fire with the flame from the Lamp of Fellowship, located on the "Altar of Bohemia" at the base of the shrine. The ceremony ends with fireworks, shouting, and a band playing tunes such as "There'll Be a Hot Time in the Old Town Tonight." The attempt to create a sense of cohesion and in-group solidarity among the assembled is complete. (For a detailed account of the Bohemian Grove, along with photographs and posters, see the document "Social Cohesion and the Bohemian Grove" on whorulesamerica.net.)

The retreat sometimes provides an occasion for more than fun and merriment. Although business is rarely discussed, except in an informal way in groups of two or three, the retreat provides members with an opportunity to introduce their friends to politicians and to hear formal noontime speeches, called Lakeside Talks, from political candidates and a wide range of experts. In 2008 a former secretary of state, a retired admiral, a retired university president, and the current librarian of Congress were among the speakers for this occasion.

Every Republican president since the early twentieth century has been a member or guest at the Grove, with Herbert Hoover, Richard Nixon, Gerald Ford, Ronald Reagan, and George H. W. Bush as members. Hoover was sitting in the Grove in the summer of 1927 when Calvin Coolidge announced from Washington that he would not run again, and soon dozens of Hoover's clubmates dropped by his camp to urge him to run and offer their support. Future president Dwight D. Eisenhower made his first pre-nomination political speech in a Lakeside Talk at the Grove in 1951, which was positively received by the previously skeptical West Coast elites around Hoover, including Nixon, who was soon to become Ike's running mate.

Nixon himself wrote in his memoirs that he made his most important speech on the way to the presidency at the Grove in 1967, calling it "the speech that gave me the most pleasure and satisfaction of my political career," and one that "in many ways marked the first milestone on my road to the Presidency" because it was "an unparalleled opportunity to reach some of the most important and influential men, not just from California, but from across the country" (Nixon 1978, p. 284). During that same week he and Reagan had a chat in which Reagan agreed he would not challenge Nixon in the early Republican primaries, and that he would only join the fray if Nixon faltered. Twenty-eight years later, George H. W. Bush used a Lakeside Talk to introduce his son George W. Bush to the members as a potential future president (Vaughn 2006). In 1999 he brought George W. to the Grove to meet more of his friends as he was preparing for the 2000 presidential race:

> In early August, father took son to a private gathering at the secretive and exclusive Bohemian Grove in California. George H. W. Bush had gone to

> a meeting there prior to his run, in 1979. He figured it would also benefit George W. to meet his circle of friends there, including corporate heads. The former president was a member of Hill Billies camp, which included William F. Buckley and Donald Rumsfeld as members. (Schweizer and Schweizer 2004, p. 460)

Perhaps the most striking change in the Lakeside Talks since the 1980s has been the absence of any leading Democrats. No Democratic president has ever been a member of the Bohemian Club, but cabinet members from the Kennedy, Johnson, and Carter administrations were prominent guests and Lakeside speakers. In 1990 Jimmy Carter gave a Lakeside Talk, 10 years after his presidency. By the early 1990s, however, there were few Democrats remaining among the regular members (Wehr 1994).

Three studies demonstrate the way in which this one club interweaves the upper class and the corporate community. The first uses the years 1970 and 1980, the second compares 1970 and 1993, and the third focuses on 2008. In 1970, according to the first study, 29 percent of the top 800 corporations had at least one officer or director at the Bohemian Grove festivities as a member or guest; in 1980 the figure was 30 percent. As might be expected, the overlap was especially great among the largest corporations, with 23 of the top 25 industrials represented in 1970, 15 of 25 in 1980. Twenty of the 25 largest banks had at least one officer or director in attendance in both 1970 and 1980. Other business sectors were represented somewhat less (Domhoff 1983, p. 70).

An even more intensive study, which included participant-observation and interviews, along with a membership network analysis, extended the sociological understanding of the Bohemian Grove into the 1990s. Using a list of 1,144 corporations, well beyond the 800 used in the studies for 1970 and 1980, the study found that 24 percent of these companies had at least one director who was a member or guest in 1993. For the top 100 corporations outside of California, the figure was 42 percent, compared to 64 percent in 1970. In terms of what goes on during the encampment, little or nothing changed between the 1970s and early 1990s (Phillips 1994). A study based on several summers of participant-observation in the early 2000s also demonstrated the continuity of the club's culture (Vaughn 2006).

In 2008, there were 101 directors of 116 companies among the 2,259 members. This percentage is lower than in the previous studies because it does not include guests, only members, at the Grove; guest lists were kept under lock and key by the late 1990s, if they were printed at all. In addition, the members in 2008 included many stockbrokers and investment advisors, dozens of retired corporate officials, and several appointees from past Republican administrations, such as two former secretaries of state and two former secretaries of the treasury from the Reagan and George H. W. Bush administrations. Most of the corporate members tended to be located in a few camps, such as Cave Man, where former Republican presidents Hoover and Nixon were members; Owl's Nest, where Reagan was a member; Hill Billies, where former President George H. W. Bush is a member;

and Midway, where Charles G. and David H. Koch, the billionaire ultraconservative brothers who run the family's Koch Industries, mentioned in Chapter 2 as the second-largest privately held company in the United States, are joined by one of the largest commercial builders in the country, a retired CEO of IBM, the former owner of Mondavi Winery, a former CEO of the San Francisco 49ers, several corporate directors, and numerous partners in financial firms, including one who gives generously to the Democratic Party. At Stowaway camp, David Rockefeller, the last remaining grandson of the founder of the Rockefeller fortune, and himself a retired banker, is joined by his son, David Rockefeller, Jr., the main current overseer of the family's billions, real estate investor Paul Pelosi, who is the husband of the top-ranking Democratic leader in the House of Representatives, Nancy Pelosi (D–CA), and corporate directors from CVS and Lockheed Martin. Multimillionaire members of the club who are not in one of the corporate-oriented camps included singer Jimmy Buffett, with an estimated net worth of $300 million, and actor-director Clint Eastwood, with an estimated net worth of $375 million.

As the case of the Bohemian Grove and its theatrical performances rather dramatically illustrates, clubs seem to have the same function within the upper class that secret societies and brotherhoods have in tribal societies. With their restrictive membership policies, initiatory rituals, and great emphasis on tradition, clubs carry on the heritage of primitive secret societies. They create an attitude of prideful exclusiveness within their members that contributes to an in-group feeling and a sense of fraternity within the upper class.

Sociologically speaking, a retreat such as the Bohemian Grove also reaffirms the shared values needed to reinforce class solidarity. There is first of all a ritual separation from the mundane everyday world through the Cremation of Care ceremony, which brings people into the realm of a make-believe time and space that reaffirms a whole range of beliefs that the men hold about themselves and the nature of American society (Vaughn 2006). The encampment also reaffirms another allegedly timeless aspect of the moral universe that the Bohemians want to sustain: male dominance. The very exclusion of women from the Bohemian Grove makes this point, but it is underlined by sexual jokes, dressing up as women for some of the plays and skits, the pornography collection, and frequent verbal put-downs of women. However, the exclusion of women also relates to the larger issue of male bonding: The men are reaffirming that they trust each other by sharing in activities that would be frowned upon if they were carried out in public spaces. They are learning to keep secrets from outsiders, which is also a good part of what is going on when college fraternities force their new initiates to learn a considerable amount of worthless information and take endless amounts of hazing.

In concluding this discussion of the Bohemian Club and its retreat as one small example of the intersection of the upper class and the corporate community, it needs to be stressed that the Bohemian Grove is not a place of power. As the foregoing account makes clear, no business deals or policy plans are made there. Instead, it is a place where people of power relax, make new acquaintances, and enjoy visiting with old friends. It is primarily a place for social bonding and the renewal of traditional values. It could disappear tomorrow without any noticeable change in the upper class.

THE FEMININE HALF OF THE UPPER CLASS

During the late nineteenth and early twentieth centuries, women of the upper class carved out their own distinct roles within the context of male domination in business, finance, and law. They went to separate private schools, founded their own social clubs, and belonged to their own voluntary associations. As young women and partygoers, they set the fashions for society. As older women and activists, they took charge of the nonprofit welfare and cultural institutions of the society, serving as fundraisers, philanthropists, and directors in a manner parallel to their male counterparts in business and politics. To prepare themselves for their leadership roles, they created the Junior League in 1901 to provide internships, role models, mutual support, and training in the management of meetings.

Due to the general social changes of the 1960s, and in particular the revival of the feminist movement, the socialization of wealthy young women changed somewhat during the 1970s. Most private schools became coeducational and their women graduates were encouraged to go to major four-year colleges, where they joined one of the four or five sororities with nationwide social prestige (e.g., Kappa Kappa Gamma, Kappa Alpha Theta, Pi Beta Phi, and Delta Delta Delta). Women of the upper class became more likely to have careers; there were already two or three examples of women who had risen to the top of their family's business by the 1990s.

The most informative and intimate look at the adult lives of traditional upper-class women is provided in four different interview and observation studies from four different regions of the country: East Coast, Midwest, Southwest, and West Coast (Daniels 1988; Kendall 2002; MacLeod 1984; Ostrander 1984). They reveal the similarities in upper-class lifestyles throughout the United States. They show that the women exercise power in numerous cultural and civic organizations, but also take traditional roles at home vis-à-vis their husbands and children. By asking the women to describe a typical day and to explain which activities are most important to them, these sociologists found that the role of community volunteer is a central preoccupation for upper-class women. It has significance as a family tradition and as an opportunity to fulfill an obligation to the community. One elderly woman involved for several decades in both the arts and human services said: "If you're privileged, you have a certain responsibility. This was part of my upbringing; it's a tradition, a pattern of life that my brothers and sisters do too" (Ostrander 1984, pp. 128–129).

The volunteer role is institutionalized in the training programs and activities of a variety of service organizations. This is especially the case with the Junior League, which is meant for women between 20 and 40 years of age, including some upwardly mobile professional women. "Voluntarism is crucial and the Junior

League is the quintessence of volunteer work," explained one woman. "Everything the League does improves the situation but doesn't rock the boat. It fits into existing institutions" (Ostrander 1984, p. 113). Quite unexpectedly, many of the women serving as volunteers, fundraisers, and board members for charitable and civic organizations view their work as a protection of the American way of life against the further encroachment of government into areas of social welfare. Some even see themselves as bulwarks against socialism. "There must always be people to do volunteer work," one commented. "If you have a society where no one is willing, then you may as well have communism, where it's all done by the government." Another stated: "It would mean that the government would take over, and it would all be regimented. If there are no volunteers, we would live in a completely managed society, which is quite the opposite to our history of freedom." Another equated government support with socialism: "You'd have to go into government funds. That's socialism. The more we can keep independent and under private control, the better it is" (Ostrander 1984, pp. 132–137).

Despite this emphasis on volunteer work, the women placed high value on family life. They arranged their schedules to be home when their children came home from school and they stressed that their primary concern was to provide a good home for their husbands. Several wanted to have greater decision-making power over their inherited wealth, but almost all preferred the traditional roles of wife and mother, at least until their children were grown.

Although it comes as a surprise to many people, the debutante season—a series of parties, teas, and dances that culminates in one or more grand balls—remains an important part of the social life of upper-class women. These very expensive rituals, in which great attention is lavished on every detail of the food, decorations, and entertainment, are a central focus of the Christmas social season, but in some cities debutante balls are held in the spring as well. Parents, with the help of upper-class women who work as social secretaries and social consultants, spend many hours planning the details with dress designers, caterers, champagne importers, florists, decorators, and band leaders.

Despite the great importance placed upon the debut by upper-class parents, the debutante season came into considerable disfavor among young women as the social upheavals of the late 1960s and early 1970s reached their climax. This decline reveals that the reproduction of the upper class as a social class is an effort that must be made anew with each generation. Although enough young women participated to keep the tradition alive, the refusal to take part by a significant minority led to the cancellation of some balls and the curtailment of many others. Stories appeared on the women's pages of newspapers across the country telling of debutantes who thought the whole process was "silly" or that the money should be given to a good cause. By 1973, however, the situation began to change again, and by the mid-1970s things were back to normal. As a wealthy young Texas woman told a sociologist in the late 1990s:

> I was very busy while I was in college. On top of my studies, I was presented [as a debutante] in Dallas, Austin, Tyler, and New Orleans. I went to teas and

> dinners and parties. It was really fun because some of my sorority sisters were also presented, representing other cities, and we could all be together at these activities away from school. When my parents had my deb party, there were dozens of my [sorority] sisters there. One December my family and I were in New York for my International Debutante Ball presentation. (Kendall 2002, p. 100)

Following graduation, this debutante attended graduate school for a short time and then moved to Washington to take a job in the Bush administration that she obtained through family connections.

The decline of the debutante season and its subsequent resurgence in times of domestic tranquility show very clearly that one of its latent functions is to help perpetuate the upper class from generation to generation. When the underlying values of the class were questioned by some of its younger members, the institution went into decline. Attitudes toward social institutions like the debutante ball are therefore one telltale sign of whether or not adult members of the upper class have succeeded in insulating their children from the rest of society.

For all the changes in traditional gender roles after the 1960s, women of the upper class remain in a paradoxical position. They are subordinate to male members of their class, but they nonetheless exercise important power in some institutional arenas. They may or may not be fully satisfied with their ambiguous power status, but they recognize that they have considerable class power and social standing nonetheless. Both they and their male counterparts realize that they bring an upper-class, antigovernment perspective to their exercise of power. There is thus class solidarity between men and women against the rest of society. Commenting on the complex role of upper-class women, a feminist scholar drew the following stark picture: "First they must do to class what gender has done to their work—render it invisible; next, they must maintain the same class structure they have struggled to veil" (Daniels 1988, p. x).

DROPOUTS, FAILURES, AND CHANGE AGENTS

Not all men and women of the upper class fit the usual molds. Some are dropouts, jet-setters, failures, or even critics of the upper class. Except for a few longstanding exceptions, however, the evidence also suggests that many of the young jet-setters and dropouts eventually return to more familiar pathways. Numerous anecdotal examples show that some members of the upper class lead lives of failure, despite all the opportunities available to them. Although members of the upper class are trained for leadership and given every opportunity to develop self-confidence, some fail in school, become involved with drugs and alcohol, or become mentally disturbed. Once again, however, this cannot be seen as evidence for a lack of cohesion in the upper class, for there are bound to be some problems for individuals in any group.

There are even a few members of the upper class who abandon its institutions and values to become part of the liberal-labor alliance or leftists. They participate actively in liberal or leftist causes and provide financial support. Such people have supported several of the leading liberal and socialist magazines, including *The Nation* and *Mother Jones*. Some of the most visible recent examples of this liberal-to-leftist tendency are part of a national network of 16 change-oriented foundations called the Funding Exchange (FEX). These foundations gave away over $50 million between their founding in the 1970s and the 1990s, and provided over $15 million a year in the early years of the twenty-first century (FEX 2012). They receive money from wealthy individuals and then donate it to feminist, environmentalist, low-income, and minority-group activists. They also set up discussion groups for college-age members of the upper class who are conflicted about issues relating to their privileged class backgrounds and thinking about contributing money to liberal causes. In the case of one of the founding groups in the network, the Haymarket Foundation, the committee that makes the donations (about $400,000 per year) is composed primarily of activists from groups that have been supported by the foundation. This approach provides a way to overcome the usual power relations between donors and recipients (Ostrander 1995).

CONTINUITY AND UPWARD MOBILITY

Americans always have believed that anyone can rise from rags to riches if they try hard enough, but in fact a rise from the bottom to the top is very rare and often a matter of luck—being at the right place at the right time. In the late nineteenth century, a wealthy upper-class Bostonian with a Harvard education, Horatio Alger, became a best-selling author by writing short fictional books about young boys who had gone from penniless adversity to great wealth. In real life, the commentators of his day pointed to three or four actual examples. Subsequent research showed that most of the business leaders of that era did not fit the Horatio Alger myth. As one historian put it, Horatio Algers appeared more frequently in magazines and textbooks than they did in reality (Miller 1949).

Forbes, a business magazine that in 1982 began publishing an annual list of the allegedly 400 richest Americans, has taken up the Horatio Alger story line. "Forget old money," said the article that introduces the 1996 list, a theme that has been repeated since the list was first compiled in 1982. "Forget silver spoons. Great fortunes are being created almost monthly in the U.S. today by young entrepreneurs who hadn't a dime when we created this list 14 years ago" (Marsh 1996). But the Horatio Alger story is no less rare today than it was in the 1890s. In 2011, 21 percent inherited enough money to make the list, another 7 percent inherited $50 million or more, and another 11.5 percent inherited $1 million or more, or received a significant amount of start-up money from a relative to found a company. Another 22 percent had upper-class backgrounds or received start-up money for a business from a relative. Thirty-five percent came from a middle-class or lower-class background (Moriarty, Ali, Miller, Morneault, Sullivan, and Young 2012). As for the immigrants often extolled on the *Forbes* list, they too sometimes come from wealthy families; contrary to the stereotype, not all immigrants to the United States arrive poor (Zweigenhaft and Domhoff 1982; Zweigenhaft and Domhoff 2006).

Even those who seem to come from disadvantaged backgrounds often do not. Consider the social background of Wayne Huizenga, estimated to be worth $1.4 billion in 1996 through the creation of, first, Waste Management Company, and then Blockbuster Video. Huizenga is often depicted as having started out as a mere garbage collector. As *Current Biography* puts it: "The hero of a real-life Horatio Alger story, in his early twenties, Huizenga worked as a garbage-truck driver." But he was born in an elite Chicago suburb, graduated from a private school, and had a grandfather who owned a garbage-collection business in Chicago. His father was a real estate investor. True, Huizenga did start his own garbage company in southern Florida after not showing much aptitude for college, but he also merged it with companies in Chicago that were successors to his grandfather's firm, one of which was headed by a cousin by marriage. This is enterprising behavior, but it is not a Horatio Alger saga.

In another telling example, it is true that the late Sam Walton, the founder of Walmart, was raised in a low-income family and started as a management trainee at J. C. Penney. However, he also had a well-to-do father-in-law who was a small-town banker and rancher. He loaned Walton $20,000 in 1945 to start his first store (the equivalent of $256,000 in 2012 dollars), a sum that surpassed the nonhousing wealth of all but a few percent of American households in 2011 (Wolff 2012). Four of his descendants were in the top 10 on the *Forbes* 400 for 2011.

Forbes also talks about several people on its list as "college dropouts," but people who leave a prestigious institution like Harvard or Stanford to pursue a new opportunity in which timing is everything hardly fit the image of a "college dropout." For example, Bill Gates, the richest person in the United States in 2011, is often described as a college dropout because he left Harvard early to found Microsoft before someone beat him to what was the next logical step in the marketing of computer software. However, he is also the son of a prominent corporate lawyer in Seattle and a graduate of the top private school in that city, and he did go to Harvard.

According to research studies, most upward social mobility in the United States involves gradual changes over three generations for those above the lowest 20 percent and below the top 5 percent of the income ladder. Very few rise from the lowest levels, and very few fall from the top. Most often, over the course of three or four generations, the grandfather is a blue-collar worker, the father has a good white-collar job based on a BA degree, and one or two of the father's children become lawyers or physicians, but most of the father's grandchildren are back to being white-collar workers and middle-level executives. Upward social mobility of this type may be even less frequent for nonwhites. In addition, several recent studies suggest that upward social mobility may be declining since the 1980s (Kerbo 2006, Chapter 12; Mishel, Bernstein, and Shierholz 2009, Chapter 2).

As the conclusions on the rarity of great upward mobility suggest, the continuity of the upper class from generation to generation is very great. This fact conflicts with the oft-repeated folk wisdom that there is a large turnover at the top of the American social ladder. Once in the upper class, families tend to stay there, even while they are joined in each generation by new families and by middle-class brides and grooms who marry into their families. One study demonstrating this point began with a list of 12 families who were among the top wealth-holders in Detroit for 1860, 1892, and 1902. After documenting their high social standing as well as their wealth, the study traced their Detroit-based descendants into the 1970s. Nine of the 12 families still had members in the Detroit upper class; members from six families were directors of top corporations in the city. The study casts useful light on some of the reasons why the continuity is not even greater. One of the top wealth holders of 1860 had only one child, who in turn had no children. Another family persisted into a fourth generation of four great-granddaughters, all of whom married outside of Detroit (Schuby 1975).

A study of listings in the *Social Register* for 1940, 1977, and 1995 revealed the continuing presence of families descended from the largest fortunes of the nineteenth and early twentieth centuries. Using a list of 87 families from one history of great American fortunes and 66 families from another such book, a sociologist found that 92 percent of the families in the first book were still represented in 1977, with the figure falling slightly to 87 percent in 1995. In similar fashion, 88 percent of the families in the second book were represented in 1977 and 83 percent in 1995. Over half of the male heads of households signaled their connection to the founder of the fortune by putting "the 4th," "the 5th," or "the 6th" after their names. Almost half were given the last name of their wealthy mothers as their first name, once again demonstrating the concern with continuity (Broad 1996).

The American upper class, then, is a mixture of old and new members. There is both continuity and social mobility, with the newer members being assimilated into the lifestyle of the class through participation in the schools, clubs, and other social institutions described earlier in this chapter. There may be some tensions between those who are newly arrived and those of established status, as novelists and journalists love to point out, but what they have in common soon outweighs their differences.

IS THE UPPER CLASS AN ECONOMIC CLASS?

It may seem obvious that members of the upper class must have large amounts of wealth and income if they can afford the tuition at private schools, the fees at country clubs, and the considerable expense of an elegant social life. However, it is a difficult matter to demonstrate empirically that they do have greater ownership wealth and higher incomes than other people because the Internal Revenue

Service does not release information on individuals and most people are not willing to volunteer details on this subject. The search has to begin with aggregate information on the wealth and income distributions, followed by the study of lists of rich individuals compiled from the work of journalists and biographers.

In considering the distribution of wealth and income distributions in the United States, it first needs to be stressed that the wealth and income distributions are two different matters. The wealth distribution has to do with the concentration of ownership of *marketable assets*, which in most studies means real estate and financial assets, such as stocks, bonds, insurance, and bank accounts, minus any debts that are owed. The income distribution, on the other hand, has to do with the percentage of wages, dividends, interest, and rents paid out each year to individuals or families at various income levels. In theory, those who own a great deal may or may not have high incomes, depending on the returns they receive from their wealth, but in reality those at the very top of the wealth distribution also tend to have the highest incomes, mostly from interest, dividends and the sale of stocks at higher prices then they paid for them ("capital gains").

Although there were variations between port cities and rural areas, as well as among colonies, the wealth distribution in colonial America was relatively egalitarian because most settlers could purchase land. In 1774, the top 1 percent held about 14 to 16 percent of the wealth after debts are taken into account (Jones 1980). The wealth distribution became far more unequal as the country urbanized and industrialized, to the point that it was as unequal as those in Prussia and Russia in the early twentieth century (Williamson and Lindert 1980, p. 33). In 1916, the first year in which annual information was collected that could be used to calculate the wealth distribution with greater precision, the top 1 percent owned 38.1 percent of all wealth, a figure that reached 40.3 percent in 1930. The share held by the top 1 percent then fell by 12 percentage points by the end of 1932, due to a large decline in the value of their assets caused by the Great Depression. Then the income and estate tax policies enacted by the New Deal, followed by even higher income taxes to help pay for the military buildup during World War II, reduced the top 1 percent's wealth share to 22.6 percent by 1949. It is highly noteworthy that most of the decline between 1930 and 1949 came at the expense of the top 0.1 percent (Kopczuk and Saez 2004, pp. 446, 453, and Table 3). The wealth distribution was then relatively stable between the 1950s and 2010, with a temporary decline for the top 1 percent in the mid-1970s when the stock market took another nosedive.

Despite the decline in the wealth of the top 1 percent due to the multifaceted impacts of the Great Depression, New Deal taxation policies, and the need for the wealthy to help pay for World War II, the overall wealth distribution remained extremely concentrated. This is especially the case for the type of wealth that is the most useful as a power indicator. Called "nonhome wealth" or "financial wealth," it includes stocks, bonds, real estate, and other "liquid" assets, but not owner-occupied housing, which cannot easily be sold unless the family has another source of shelter. According to calculations based on a large-scale triennial survey of households by the Survey of Consumer Finance, an agency of the Federal Reserve Board, the top 1 percent owned 42 percent of all financial wealth as of 2010. The next 4 percent had 30 percent of financial assets, which means that the top 5 percent own 72 percent. In addition, the next 5 percent owned another 13 percent. Thus, the top 10 percent of households, with 85 percent of all financial wealth, basically own the United States, leaving only 15 percent for the bottom 90 percent (Wolff 2012, p. 16; "Wealth, Income, and Power," Table 1, on whorulesamerica.net). These findings may come as a surprise to many readers: A large-scale study of 5,522 participants showed that very few Americans, whatever their gender, age, income level, or political affiliation, have any idea of just how concentrated the wealth distribution is in the United States (Norton and Ariely 2011).

The income distribution provides an even more sensitive power indicator because it changes faster in response to four main factors: (1) increases or decreases in income tax rates; (2) declines in pre-tax income for the top few percent; (3) declines in the value of the minimum wage; and (4) increases in unemployment rates. It thereby reflects any changes in the ability of the corporate rich to lower their taxes, earn a higher share of yearly income, or limit gains in income for average people. In the first year for which there are good estimates, 1913, the top 1 percent received 18 percent of all income when income from capital gains is included. This figure reached 24 percent in 1928 and then fell to the 15 to 17 percent range during the 1930s, primarily because of the precipitous decline in dividend and capital gains income between 1930 and 1932. In addition, there were higher income tax rates on the top brackets after 1932, which were initiated by Republican president Herbert Hoover and augmented by Democratic president Franklin D. Roosevelt (Brownlee 2000; Brownlee 2004, pp. 83–90; Piketty and Saez 2003). Due to continuing high taxation during and after World War II, the income of the top 1 percent gradually declined to the 8 to 9 percent range in the late 1970s, which suggests that the postwar liberal-labor alliance had been able to defend the high tax rates that resulted from the crises of depression and war in the 1930s and 1940s (Piketty and Saez 2003, Table 2, Column 11).

Between 1980 and 2010, however, the top few percent greatly increased their share of income, which implies that the corporate rich had found new ways to improve their power position. As shown in Table 3.1, the income of the top

Table 3.1 Increases in Income Going to Top 10%, 5%, 1%, and .05%, 1980–2010

Year	Top 10%	Top 5%	Top 1%	Top 0.5%
1980	32.9%	21.2%	8.2%	5.5%
2010	46.3%	33.7%	17.4%	13.4%
% increase	40%	50%	110%	140%

Source: Picketty and Saez 2003; Saez 2012.

10 percent increased by 40 percent over that 30-year span while the income of the top 1 percent increased by 110 percent and the income of the top 0.5 percent increased by even more than that. These figures are evidence of a complete triumph for the corporate rich.

Since none of the systematic studies on the wealth and income distributions include the names of individuals, other types of studies had to be done to demonstrate that people of wealth and high income are in fact members of the upper class. The most detailed study of this kind showed that nine of the 10 wealthiest financiers at the turn of the twentieth century and 75 percent of all families listed in a compendium of America's richest families have descendants in the *Social Register*. Supplementing these findings, another study discovered that at least one-half of the 90 richest men in 1900 have descendants in the *Social Register* and a study of 90 corporate directors worth $10 million or more in 1960 found that 74 percent met criteria of upper-class membership (Baltzell 1958; Domhoff 1967; Mills 1956). However, the degree of overlap between great wealth and membership in the upper class has attracted little further research attention because the earlier findings are now generally accepted.

The results from these studies establish that the social upper class is an economic class based in the ownership and control of income-producing assets. However, they do not show that the upper class controls the corporate community, because stock holdings in any one company may be too dispersed to allow an individual or family to control it. The next three sections address this issue.

THE UPPER CLASS AND CORPORATE CONTROL

With the findings on the overall wealth distribution, and the concentration of stock assets in particular, as a backdrop, it can be shown how members of the upper class involve themselves in the ownership and control of specific corporations through family ownership, family offices, holding companies, and investment partnerships. Their general involvement in the corporate community was also examined in the 1960s and early 1970s through large-scale studies of the social backgrounds of corporate directors, showing a large overrepresentation for upper-class directors on the "who sits?" indicator of power, but those studies have never been updated, so they can no longer be considered relevant (Domhoff 1967, pp. 51–57; Dye 1986, p. 194).

Family Ownership

As shown by the early history of the corporate community discussed in the previous chapter, it has never been the case that American corporations were primarily owned by separate families, but instead they were usually owned by groups of investors, banks, and other types of financial companies. However, there are nonetheless many family-owned firms in the United States today that are often overlooked when talking about the separation of ownership and control. As discussed in Chapter 2, they include 212 privately owned firms that have $2 billion or more in sales, many of which would be in the *Fortune* 1,000 if they were publicly owned.

The way in which these privately held companies can be part of larger family empires is seen in the case of the Pritzker family in Chicago, who provide a useful example because several members of the family became strong financial backers of future president Barack Obama when he first ran for the Senate from Illinois in 2004, as discussed in Chapter 6. Building on their core property, Hyatt Hotels, which had been in the family for three generations and is now called Global Hyatt because it has over 200 hotels around the world, the Pritzkers also own an industrial conglomerate; Encore Senior Living, which is a network of assisted living centers; and Royal Caribbean Cruises, in which they have a 25 percent ownership stake. In addition, the family has a real estate arm, Pritzker Realty, and owns a majority interest in the Parking Spot, which operates parking lots near airports.

In 2008, the family leaders had to sell a major share of their industrial conglomerate to Warren Buffett, the second-richest person in America in 2011, and a minority share of Global Hyatt to Goldman Sachs, one of the largest financial companies in the country, in order to settle a lawsuit filed by two younger members of the family, who felt their father, uncles, and older cousins had misused their trust funds. The suit revealed that the family was then worth $15 to $20 billion, which was wrapped up in over 1,000 trust funds, some of which were held in offshore locations (Andrews 2003; Savage 2008a).

Even in the case of publicly controlled corporations, three different studies provide detailed evidence of the extent of family involvement in the largest American corporations. The first used both official documents and the informal—but often more informative—findings of the business press as its source of information. It concluded that 40 percent of the top 300 industrials were probably under family control in the 1960s, using the usual cutoff point of 5 percent of the stock as the criterion (Burch 1972). Analyzing the official records that became available in the 1970s, a team of researchers at Corporate Data Exchange provided detailed information on the major owners of most of the top 500 industrials for 1980, showing that significant individual and family ownership continued for all but the very largest of corporations. One individual or family was a top stockholder, with at least 5 percent of the stock, in 44 percent of the 423 profiled corporations that were not controlled by other corporations or foreign interests. The figures were much lower among the 50 largest, however, in which only 17 percent of the 47 companies included in the study showed evidence of major family involvement (Albrecht and Locker 1981). The relatively small percentage of the very largest industrials under individual or family control concurs with findings in a third study, which focused on the 200 largest nonfinancial corporations for 1974–1975 (Herman 1981).

The Family Office

A family office is an informal organization through which members of a family or group of families agree to pool some of their resources in order to hire people to provide them with advice on investments, estate planning, charitable giving, and even political donations in some cases. Family offices often handle all financial transactions and legal matters as well as personal needs such as theater tickets and car rentals (White 1978). One office has kept track of $840 million for four families for three generations (Konigsberg 2008). In the 1990s, multifamily offices began to appear, usually serving an average of 50 families with $10 million or more in assets. One survey concluded that there were 80 such offices handling $305 billion in assets in 2006 (Hawthorne 2008). There were an estimated 3,000 to 4,500 family offices in 2012, most of them managing $500 million or more (Ahmed 2012).

In terms of the issue of corporate control, the relevance of family offices is their potential for maintaining control of corporations founded by an earlier generation of the family, or to take over other corporations. Such offices contradict the belief that corporate control is necessarily lost due to the inheritance of stock by a large number of descendants. They often serve as a unifying source for the family as well. They sometimes have employees who sit on boards of directors to represent the family. In 2010, one collection of family offices teamed up to create a $1.2 billion fund for investment in clean tech (Ahmed 2012).

The most detailed account of a family office was provided by a sociologist as part of a study in the 1970s of the Weyerhaeuser family of Saint Paul, Minnesota, and Tacoma, Washington, whose great wealth is concentrated in the lumber industry. By assembling a family genealogy chart that covered five generations and then interviewing several members of the family, he determined that a family office called Fiduciary Counselors Inc. helped the family to maintain a central role in two major corporations. He demonstrated that there were members of the family on the boards of these companies whose last names are not Weyerhaeuser and that the stock holdings managed by the family office were large enough to maintain control (Dunn 1980).

Fiduciary Counselors Inc. also housed the offices of two Weyerhaeuser holding companies (meaning companies created only to own stock in operating companies). These holding companies were used to make investments for family members as a group and to own shares in new companies created by family members. Although the primary focus of the Weyerhaeuser family office was on economic matters, it served other functions as well. It kept the books for 15 different charitable foundations of varying sizes and purposes through which family members gave money and it coordinated political donations by family members all over the country.

The status of a family office is fluid in that it can be transformed into another type of investment fund through more formal legal arrangements if it decides to invest other people's money as well. Conversely, investment funds can be changed back to family offices. This is what the billionaire investor and large Democratic Party campaign donor George Soros did with his Soros Fund Management in 2011 by returning money to nonfamily investors. Several other once-famous hedge fund operators had already done the same thing in the previous two years. The new Soros family office manages $24 billion (Ahmed 2011; Ahmed 2012).

Holding Companies and Investment Partnerships

Holding companies, briefly defined in the previous section as companies that merely hold the stock of other companies, can serve the economic functions of a family office if the family is still small and tight-knit. They have the added advantage over a family office of being incorporated entities that can buy and sell stock in their own names. Because they are privately held, they need report only to tax authorities on their activities.

The Crown family of Chicago, estimated to be worth over $4 billion in 2012, operates through a combined holding and investment company, Henry A. Crown and Company, which manages investments in banking, transportation, oil and gas, cellular phones, home furnishings, and resort properties. The company is a useful example because several family members became financial supporters of President Obama's political career in the early 2000s, as discussed in Chapter 6. Starting with a company that sold building supplies, the two brothers who founded the dynasty in 1921 used that company to take control of General Dynamics, one of the largest defense contractors, in 1959 (Zweigenhaft and Domhoff 1982, pp. 27–29). In addition, the family owns part of JPMorgan Chase, Hilton Hotels, and the Rockefeller Center. Its private holdings include Crown Golf Properties, which operates golf courses in seven states. The current family leader, James S. Crown, a grandson of the founder of the Crown empire, is on the boards of JPMorgan Chase, General Dynamics, and Sara Lee; he is also the chair of the board of trustees of the University of Chicago. His sister, Susan Crown, who manages the family's charitable foundation, is a director of Northern Trust Bank and Illinois Tool Works, and a trustee of Yale.

The cumulative findings on the importance of family ownership, family offices, holding companies, and investment partnerships in large corporations suggest that a significant number of corporations continue to be controlled by major owners. In the case of the private equity firms discussed in Chapter 2, their takeover bids show that firms allegedly controlled by their managers can be acquired by groups of rich investors whenever they so desire, unless of course they are resisted by a rival group of owners (Bruck 1988; Stewart 1991).

However, the very largest corporations in several sectors of the economy show no large ownership stake by individuals or families, whether through family offices, holding companies, or other devices. Their largest owners, in blocks of a few percent, are bank trust departments, investment companies, mutual funds, and pension funds. Interview studies suggest that bank trust departments and investment companies do not take any role in influencing the management of the corporations in which they invest (Herman 1975; Herman 1981). As for any possible governance role for pension funds, those controlled by corporations and other private entities also have taken a hands-off role. For a brief time in the late 1980s and early 1990s, however, several public employee and union pension funds, whose assets account for less than 20 to 25 percent of all pension assets, seemed to be flexing their muscles in corporate boardrooms. Their actions raised the possibility of an "investor capitalism" in which government employees and unions could challenge the prerogatives of the traditional owners and executives (Useem 1996). However, this fledgling challenge met with little or no success, and it faded in the late 1990s. By 2003, the *New York Times* called this effort a "Revolution That Wasn't" based on interviews with its disheartened leaders (Deutsch 2003). (For a detailed history of the rise and fall of the pension fund movement and of the losses many public pension funds incurred through their involvement with private equity funds and other financiers, see "Pension Fund Capitalism" on whorulesamerica.net.)

As has been the case for many generations, the largest corporations in the United States are still controlled by a combination of their high-level executives, the for-profit financial institutions that are concerned with the price of their stockholdings, and top individual stockholders, all of which are often represented on the board of directors. However, the power to run such corporations on a day-to-day basis belongs to the CEO and his or her handful of supporters on the board. The CEOs and other top corporate executives are the topic of the next two sections.

WHERE DO CORPORATE EXECUTIVES COME FROM?

There have been many studies reaching back to the nineteenth century on the class origins of the top executives in very large corporations. They most frequently focus on the occupation of the executive's father. These studies show that "between 40% and 70% of all large corporation directors and managers were raised in business families, which are only a small percentage of all families, especially before the 1960s" (Temin 1997; Temin 1998; Useem and Karabel 1986; Zweigenhaft and Domhoff 2011, pp. 2–4).

However, even though most corporate executives at large corporations come from business backgrounds, the fact remains that many high-level managers come from middle-level origins and work their way up the corporate ladder. The number may be exaggerated somewhat because people tend to deny their privileged backgrounds and relevant information on schools and clubs is not always available, but their role within the corporate community is a large one even by conservative estimates. Today, few chief executive officers at the largest corporations were born into the upper class. This raises the possibility that professional managers are distinct from upper-class owners and directors, which suggests there might be some degree of separation between the corporate community and the upper class.

Before turning to this issue, the fact that members of the upper class are not more frequently found at high-level executive positions in large corporations can be addressed briefly. While it may seem surprising that members of the upper class have their least involvement at the executive level in the very largest corporations, the reasons have nothing to do with lack of education, ability, or expertise. Simply put, the sons and daughters of wealthy parents usually are not interested in a career that requires years of experience climbing the corporate ladder in a large bureaucratic organization when there is no incentive for them to do so. They prefer to work in finance, corporate law, or their own family businesses, or they spend their time managing their own large fortunes and following the stock market. All of these pursuits give them greater personal autonomy and more opportunities to exercise power. After the 1980s, they were especially attracted to Wall Street, where there was more money to be made than in the 45 years after the New Deal put some constraints on highly risky financial deals. In a word, many members of the upper class become financiers who strive to make a profit by investing their funds, not corporate managers who have to deal with the day-to-day problems of keeping an organization together.

THE ASSIMILATION OF RISING CORPORATE EXECUTIVES

The evidence presented in this section shows how rising corporate executives are assimilated into the upper class and come to share its values, thereby cementing the relationship between the upper class and the corporate community rather than severing it. The aspirations of professional managers for themselves and for their offspring lead them into the upper class in behavior, values, and style of life.

Whatever the social origins of top managers, most are educated and trained in a small number of private universities and business schools. The results from several different studies reveal that about one-third of those who manage the nation's largest firms graduated from Harvard, Yale, or Princeton, and two-thirds studied at one of the 12 most heavily endowed schools (Useem 1980). It is in these schools that people of middle-class origins receive their introduction to the values of the upper class and the corporate community, mingling for the first time with men and women of the upper class and sometimes with upper-class teachers and administrators who serve as role models. This modeling continues in the graduate schools of business that many of them attend before joining the corporation. People of color who are not from wealthy families show the same educational patterns as other upwardly mobile corporate executives in terms of attendance at these same schools (Zweigenhaft and Domhoff 2006; Zweigenhaft and Domhoff 2011).

The conformist atmosphere within the corporations intensifies the rising executives' socialization into upper-class styles and values. The great uncertainty and latitude for decision-making in positions at the top of complex organizations creates a situation in which trust among leaders is absolutely essential. "That need for trust is what creates a pressure toward social conformity," according to a classic study by sociologist Rosabeth Kanter (1993, p. 49). "It is the uncertainty quotient in managerial work, as it has come to be defined in the large modern corporations," she continues, "that causes management to become so socially restricting; to develop tight inner circles excluding social strangers; to keep control in the hands of socially homogeneous peers; to stress conformity and insist upon a diffuse, unbounded loyalty; and to prefer ease of communication and thus social certainty over the strains of dealing with people who are 'different.'"

In this kind of atmosphere, it quickly becomes apparent to new managers that they must demonstrate their loyalty to the senior management by working extra hours, tailoring their appearance to that of their superiors, and attempting to conform in their attitudes and behavior. Rightly or wrongly, they come to believe that they have to be part of the "old-boy network" in order to succeed in the company. Although there are competence criteria for the promotion of managers, they are vague enough or hard enough to apply that most managers become convinced that social factors are critical as well.

Executives who are successful in winning acceptance into the inner circle of their home corporations are invited by their superiors to join social institutions that assimilate them into the upper class. The first invitations are often to charitable and cultural organizations in which they serve as fundraisers and as organizers of special events. The wives of rising executives, whose social acceptability is thought to be a factor in managers' careers, experience their first extensive involvement with members of the upper class through these same organizations. Then, too, the social clubs discussed earlier in the chapter are important socializing agents for the rising executive.

Upwardly mobile executives also become personally connected to members of the upper class through the educational careers of their children. As their children go to day schools and boarding schools, the executives take part in evening and weekend events for parents, participate in fundraising activities, and sometimes become trustees in their own right. The fact that the children of successful managers become involved in upper-class institutions also can be seen in their patterns of college attendance. This is demonstrated very clearly in an early study of upwardly mobile corporate presidents. Whereas only 29 percent of the presidents went to an Ivy League college, 70 percent of their sons and daughters did so (Hacker 1961).

Rising executives are assimilated economically at the same time as they are assimilated socially. One of the most important of these assimilatory mechanisms is called a "stock option," which grants employees the right to buy company stock at any point within a future time period at the price of the stock when the option is granted. If the price of the stock rises, the executive purchases it at the original low price, often with the help of a low-interest or interest-free loan from the corporation. In the 1990s and early 2000s, the gains from purchasing and selling stock under these arrangements were taxed at a lower rate—15 percent—than was ordinary income above $250,000, which was the starting point for the 35 percent tax bracket. Stock-option plans, in conjunction with salaries and bonuses in the millions to tens of millions of dollars, allow some top executives to earn hundreds of times more than the average wage earner each year. These high levels of remuneration enable upwardly mobile corporate leaders to become multimillionaires in their own right and important leaders within the corporate community.

The assimilation of professional executives into the upper class also can be seen in the emphasis they put on profits, the most important of ownership objectives. This manifests itself most directly in the performance of the corporations they manage. Several past studies that compared owner-controlled companies with companies that have professional managers at the top showed no differences in their profitability. Corporations differ in their profitability, but this fact does not seem to be due to a difference in values between upper-class owners and rising corporate executives (Useem 1980).

By any indication, then, the presence of upwardly mobile executives does not contradict the notion that the upper class and the corporate community are closely related. In terms of their wealth, their social contacts, their values, and their aspirations for their children, successful managers join the corporate rich as they advance in the corporate hierarchy.

CLASS AWARENESS

The institutions that weave the owners and high-level executives of corporations into a national upper class transcend the presence or absence of any given person or family. Families can rise and fall in the class structure, but the institutions of the upper class persist. Not everyone in this nationwide upper class knows everyone else, but everybody knows somebody who knows someone in other areas of the country, thanks to a common school experience, a summer at the same resort, membership in the same social club, or membership on the same board of directors. The upper class at any given historical moment consists of a complex network of overlapping social circles linked by the members they have in common and by the numerous bonds of trust created by common cultural styles and values that emerge from a similar upbringing, education, and lifestyle. Viewed from the standpoint of social psychology, the upper class is made up of innumerable face-to-face small groups that are constantly changing in their composition as people move from one social setting to another.

Involvement in these institutions usually instills a class awareness that includes feelings of superiority, pride, and entitlement, and a sense that they are fully deserving of their station in life. This class awareness is in effect a social psychology of justified privilege, which is reinforced by shared social identities and interpersonal ties. More important, the fact that the upper class is based in the ownership and control of profit-producing investments in stocks, bonds, and real estate shows that its members are collectively a corporate rich. They are not concerned simply with the interests of the corporations they own or any one business sector, but with such matters as the "investment climate," the health of the stock and bond markets, the "rate of profit," and the overall "political climate."

With the exception of those few who join the liberal-labor alliance or a leftist movement, members of the upper class have a conservative outlook on issues that relate to the well-being of the corporate community as a whole. As noted