# Who Governs the Association?*

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**Abstract**

Trade associations provide a crucial channel for the transmission of elite public opinion about the advisability of certain policies. They are also by reputation and according to observable metrics some of the most important and influential lobbying organizations. But whose interests do trade associations represent, and why, among their members? By linking IRS non-profit tax records, data from the encyclopedia of associations, and biographical information from BoardEx, we conduct a study inspired by Dahl's famous "Who Governs?" to examine consequences of turnover in corporate representation on association's boards for political behavior, focusing on lobbying. Our preliminary findings suggest that, on average, firms shape association policy when they join the board of the association. Second, we find that the effect is larger among associations that have oligarchic characteristics – a stronger hierarchy and holdover board members – and for larger firms. This is consistent with the idea that those associations use an oligarchical governance structure.

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In December of 2017, one the most important financial industry trade associations, the Financial Services Roundtable, purged nearly half of its members (Guida 2018). Among financial industry trade associations, the Roundtable had always represented the elite of the elite. As they had described themselves in a public comment letter nearly a decade earlier, "The Roundtable is a national association that represents 100 of the largest integrated financial services companies providing banking, insurance, investment products, and other financial services" (Whiting and Williams 2008). Yet some in the organization, particularly Bank of America CEO Brian Moynihan, felt that the organization had lost focus on the priorities of core members (like his firm) due to the inclusion of more diverse firms, including smaller banks, asset managers, and insurance companies. With little more than two months notice, the association's board approved a bylaw amendment reserving membership only to those banks with 25 billion in assets, as well as two financial payment companies, Visa and Mastercard. In so doing, the board gave the boot to the chairman elect of the board Michael Tipsord, his company State Farm Insurance, and thirty-six other assorted financial services firms and their CEOs. The ouster of nearly all members from the association who did not work for a big bank paved the way for a subsequent merger with another trade group, the Clearing House Association, and the formation a new entity, the Bank Policy Institute. In place of the Roundtable's former CEO Tim Pawlenty (an ex-Republican Governor), the Institute would be led by Greg Baer, who had previously led the Clearing House Association, and before that had been the head of regulatory policy at JP Morgan. The new name, leadership, and membership also corresponded with a change in strategy, with the organization intending to deploy "a more analytical approach to dealing with lawmakers, emphasizing detailed research over simplified talking points and campaign donations" (Blackwell 2018). What started as a change in membership, became a change in management, in turn a change in behavior and strategy, and perhaps ultimately different public policy than would have followed if the Financial Services Roundtable had continued in its previous form.

Trade associations like the Financial Services Roundtable provide crucial channels for the transmission of elite public opinion about the advisability of certain policies. They are also by reputation and according to observable metrics some of the most important and influential lobbying organiza-

tions around. But as the vignette about organized banking shows, trade associations have inherent instabilities. A fundamental tension is that organizations require common investment to advance collective priorities, but their membership consist of natural competitors, who may pursue their objectives with the ruthlessness one expects of strategic market actors. How this tension plays out, and whether a minority or even a majority of the membership can be marginalized from a group is not only a matter of who is in control of the institutions governing an association but also procedural safeguards (Schattschneider 1963, Ch. 5) and the extent to which an association depends on members for funding and other resources (e.g., Schmitter and Streeck 1999; Swenson 2018). In recent years, other fields such as history, sociology, and journalism have produced rich and intriguing case studies of particular trade associations (Delton 2020; Katz 2015; Mizruchi 2013). Despite the wealth of important material these and other works provide about the history, policies, and personnel that drive particular organizations, they often provide relatively thin accounts of governance processes in these organizations and, therefore, limited insight into more general questions about how these key intermediary groups work. To be fair, political science has not provided much guidance about how to understand the governance processes of business associations either. It is true that Baumgartner and Leech (1998) find in their well-known survey of the political science literature that "the topic of internal operations became the single most common topic of articles on groups" in the *APSR*, with some 27 articles appearing. However, examination of these articles reveals that the sort of "internal operations" considered typically have to do with incentive systems for organizational recruitment and maintenance (e.g. Clark and Wilson 1961; Walker 1983; Rothenberg 1988), and far less to do with the personnel and processes driving governance. The major exception on their list is Luttbeg and Zeigler (1966), which proceeds from the questionable premise (at least for business organizations) that "relatively few political interest groups have systematic and formalized means of ascertaining the desires of their members." Their examination of mechanisms by which Oregon teachers are able to represent he views of their membership without such mechanisms is truly the exception that proves the rule. More recent surveys of the interest groups literature confirm that governance processes have not been an increased area of concern Hojnacki et al. (2012). Indeed, with the notable exception of Strolovitch's contemporary classic *Affirmative*

*Advocacy,* which examines how organizations representing marginalized groups set priorities in the face of intersectional needs, one is hard pressed to find much of any literature that tackles head on the issue of whether and how interest groups tackle the factional conflict that institutional rules are intended to solve (Shepsle and Weingast 1994). Certainly, these kinds of issues have not been addressed in the case of business organizations.

In this article, we seek to focus less on the critical case analysis of particular associations, and instead consider more broadly the general question of how trade associations typically work. Who governs these associations? Why these firms and not some others? And does representation matter for the behavior of these organizations or the public policy issues they prioritize? Questions about substantive representation, such as we are asking, are known to be difficult (Achen 1978; Wlezien 2017), and we should admit here that what we are offering is concrete steps toward a key agenda rather than perfect answers. At the same time, we are not merely asserting that trade associations are an important and under-studied topic, though that is true. Instead, we aim to show how the integration of diverse and varied source materials can yield profound insights and important findings deeply relevant to the questions of how power works in trade associations and what role the associational ecosystem plays in contemporary politics. If associations are an important channel for transmitting preferences to policymakers, then who controls those channels has a profound influence on whose preferences are heard and how politics is understood.

Theoretically, we propose two broad models of trade association representation and governance based on the political science and corporate governance literature (Dahl, 2005[1961]; Fama and Jensen 1983; Swenson 2018). *Oligarchical* associations are those that are dominated by a small set of elite firms, *plural* associations find no such small group domination. In order to apply this framework, we collect extensive data on the identities of key participants in trade association governance (i.e., individuals and firms that serve in leadership) and the rules governing these organizations. If one prefers, oligarchical associations are those that are "closely-held" by a small set of joint owners while plural associations are those that are held more widely by a larger number of firms. Our research premise, shared with Dahl and others, is that examining who governs an organization is highly informative about how power works in that organization. Indeed, it is hard

to compare the Financial Services Roundtable of 2016 with today's Bank Policy Institute and avoid the conclusion that these organizations represent a very different set of interests. Of course, we must recognize that there are limitations to the inferences one can make about power based purely on analysis of leadership, as the vignette also shows. Indeed, it is partly for this reason that we focus our data collection not just on who governs but also on voting rules and membership dues, which are important mechanisms besides leadership in encouraging either oligarchical or pluralistic patterns of representation to emerge in these associations.

Our goal in looking at membership, leadership, resources, and formal decision rules are less to give an explanation for where the power "really lies" in an organization in extraordinary times and when "the chips are down" (Schmitt 1922; Posner and Vermeule 2017). Instead, the exercises of power that most concerns us are those that are of the most interest and concern to political scientists: what public policies the organization prioritizes, whose interests within the association can obtain a voice in national policymaking, and which political strategies the association adopts to advance their collective interests, however decided. We submit that the facets of organization on which we collect data (i.e. membership, leadership, voting rules, resources) are also those facets that largely determine the organization's behavior in the normal course of business. Even in the normal course of business, associations are difficult to study because of their secrecy, with membership lists often closely guarded secrets (Broockman 2012, 2019). Yet as we show, the digital revolution has created important opportunities that were not available in prior years, and the time is now ripe to study associations in a way that it formerly was not. In particular, by integrating public records and personnel databases, as well as leveraging electronic filing, we show that it is possible to think quantitatively and systematically across organizations and within organizations over time, which would have been prohibitively difficult even a few years ago. In particular, we offer six findings about trade association governance *in general* that we introduce as stylized facts for the literature.

1. **Trade associations typically favor formal political equality, however some associations develop startlingly oligarchical voting rules** that grant their most committed members outsized voice in decision-making procedures.

2. **Trade associations frequently adopt tiered dues structures encouraging unequal resource dependency**. In contrast with the typically (surprisingly) democratic rules about voting, trade association typically seem to prefer rules that lead some (or even in many cases very few) firms to provide the bulk of the organization's resources.

3. **Firms that are larger and more politically active have outsized representation on trade association boards**. Put differently, firms that are smaller and less politically active in a business sector are less likely to find board representation than their competitors.

4. **When politically active firms takes a leadership role in the association, the association tends to become more politically active as well**. That said, there is little evidence that gaining a leadership position in an association helps firms size or revenue. The fact that larger firms tend to dominate boards seems to be because of an anticipation effect (i.e. firms that will soon grow tend to win board seats).

5. **There are high amounts of persistence in board leadership year to year, but over many years persistence is very low.**This finding is strongly inconsistent with an oligarchical organizational capture model of associations, although potentially consistent with managerial capture of the kind attributed to the Chamber of Commerce.

6. **Policy and strategy changes by trade associations are rare, but potentially highly consequential for public policy**, and are tied in the literature to the kinds of changes in who governs upon which we are focused.

These findings do not exhaust what one can learn from the data we assemble, however they give an indication of how the framework we develop can be tested to learn about how these crucial political actors work. Moreover, the study of association behavior is a critical one for interest groups scholars interested in political economy. A number of important works in comparative political economy have identified differences in trade association governance and inclusion in political processes as a key explanation for why national policy regimes have gone in such different directions (Martin and Swank 2012, 2011; Martin 2006; Mizruchi 2013; Trumbull 2012). In the United States,

the trade associations that once so dominated US national politics (Truman 1951) have given way to the national conglomerates like Amazon or General Electric (two of the top federal lobbyists by expenditure[1]) and ad hoc billionaire passion projects such as the Koch network and others (Hertel-Fernandez, Skocpol, and Sclar 2018; Mac and Lerer 2022). It is hard to understand the consequences of the rise of these new corporate actors without understanding the more institutional and often more formally democratic trade association alternative.

## 1 Conceptualizing Association Governance

Scholars of political organizations, in political science and elsewhere, necessarily distinguish between representation and governance. Neither term is easily defined. We follow Pitkin (1967) in defining representation as the actions by which the voices, opinions, and perspectives of those without formal decision-making authority are nevertheless "made present" in processes of collective decision. By contrast, governance refers to the systems by which collective preferences are translated into policy choice. In a democratic system, it is often hard to separate governance from representation, but they are indeed distinct concepts. For example, most systems of democratic governance generally limit representatives so as to make it harder for those with stronger representation to oppress or ignore those with weaker representation, give those with limited representation particular influence within those matters closest to their zone of interest, and so forth. Moreover, systems of democratic governance in organizations do not always guarantee representation to organization members. For example, US public corporations are, for the most part, one-share one-vote democracies that enfranchise equity investors to the exclusion of workers, consumers, and other stakeholders. By contrast, German public corporations often do guarantee stakeholders an automatic seat on the corporate boards, and thereby representation in corporate governance (Holmberg 2017).

Trade associations, like public corporations, are for the most part nominally democratic organizations whose formal rules of decision are specified in organizational charters and bylaws. While these documents often refer to the association members, they are not able to do so in a way that describes their composition and diversity in any detail, as these features are liable to change over

1. https://www.opensecrets.org/federal-lobbying/top-spenders?cycle=2023

time. That said, our assumption is that trade associations exist to benefit industrial sectors or subsectors and that these sectors and subsectors are composed of a multiplicity of competitor firms. Members have a joint interest, but a separate interest as well. The cleavages and factions that are present in an association may vary based on factors such as geography, political values, and whatever other differences. A generic analysis of representation and governance that cuts across industrial sectors faces the challenge that the differences that matter are likely to vary depending on the organization at issue and across time (Schattschneider 1963, Ch. 5).

In reckoning with this challenge, we focus on the fact that the members of trade associations are market competitors and as a result are always importantly differentiated by market share. Some producers are big, while other producers are small, and yet the association is supposed to represent all of them before broader policymakers, and as a result the systems for representing smaller producers versus larger producers are critical. We define an oligarchical association as one in which large firms dominate formal decision-making processes, while we define a pluralistic association as one in which we do not find such domination. A key difficulty here is that there is no obvious tipping point between dominance and non-dominance. Nevertheless, our view is that the fact there is no theoretically defensible bright red line separate oligarchical from pluralistic associations does not ipso facto prove the distinction is meaningless, any more than the fact we can talk meaningfully about whether an individual is bald even if we cannot say exactly how much hair it takes to avoid that description. The community power debates witnessed Marxists such as C. Wright Mills describing vastly different models of concentration of political power than pluralists such as Robert Dahl. We seek to describe whether representation of large interests is overwhelming on typical boards. Outside of very formal procedures, decision-making is often a black box. As a result, our emphasis on oligarchical and pluralistic associations focuses most squarely on representation, which is observable as a function of participation by actors formally occupying a representational role at key sites such as boards or councils or legislatures. Importantly, our definition is not directly about organizational governance, as the latter requires analysis of both decision-making processes and decision-outcomes. Processes and outcomes are hard to evaluate at scale, particularly in these cases, and while understanding associational governance is a long run

goal for scholarship, in the short run it is a harder lift.

At the same time, it is worth emphasizing that studying representation is an important initial step to understanding governance, but perhaps more fraught than in other contexts. With democratic governments, for example the American city, it is easy to infer the consequences of representation for governance. Trade associations, unlike civic organizations, do not enjoy the presumption that they should act in a way that is responsive to concerned outsiders such as the voters, the media, whomever. In our case, we cannot presume that representation actually matters for governance outcomes. To put a very fine point on the concern, Katz (2015) argues that the US Chamber of Commerce was effectively captured by its long-time President and CEO Tom Donahue. While we admit a certain curious skepticism about that particular claim,[2] we are mindful of the likely objection about our work from informed observers like Katz who might argue, "None of that representation matters. At the Chamber they have a Board, but it is simply Donahue running things. All business associations have their Donahues." If we can show the systematic linkage of changes in representation to changes in policy, one may infer that governance is democratic (with a small d) even if representation is still undecided. The oligarchical versus pluralistic distinction only truly matters for associations that have democratic governance. In cases where changes in representation do not bring about changes in policy, we would need to use some other conceptual frame to understand what is going on and likely different measures to understand business associations and little autocracies. It is for this reason that we can say less about issues of managerial capture than we might like. Having said that, we see weak forms of managerial capture as perfectly possible in both pluralistic and oligarchical associations, although perhaps not equally likely in each kind of organization. It is very hard to understand why a few elite business firms with representation in an association would tolerate an autocratic manager who had a fundamentally different approach to policy and strategy, but less hard to imagine how a manager would exploit

2. The capture phenomenon is an important issue in governance that we do not have space in this article adequately address. Thematically similar issues about weak boards and strong managers have long been at the core of scholarship in corporate governance (Berle and Means 1991). The extraction of rents by agents due to monitoring costs is certainly an imaginable (or even inevitable) issue in the governance of associations. That said, we are also aware that irresponsibly overeager diagnosis of capture have been the norm in the literature (**Carpenter2013**), and we do not think that "strong capture" or "autocratic rule" should be common governance models for associations given the ease with which firms may exit (Olson 1993)

an association where firms had limited attention and investment. Managerial capture in a strong form is also possible given both patterns of representation, however strong managerial capture is inconsistent with findings that changes in representation influence outcomes.

# 2 Data and Research Strategy

Our inquiry focuses on people and processes involved in business association governance, as well as behavioral outcomes. Drawing together these pieces require the assembly and linkage of a number of data sources, as well as a coherent sampling frame for representing the kind of organizations in which we are interested. Before covering details about collection and descriptive analyses of our sources, we preview the sources and methods we use. Our starting point for constituting the field of business associations is the *Encyclopedia of Associations*, widely used in the literature for similar purposes (Bevan et al. 2013). This source gives us information about dues structures and resource dependency, however it provides little in the way of information about voting rules and procedures. Filing a 4506-B request with the IRS allows one to receive a copy of an organization's bylaws, at least when it obtained tax exempt status, in a paper format and with a months long response time, provided they have a copy. Despite the difficulties in this data collection, we present a qualitative and quantitative analysis of the association bylaws we do obtain, which provide a rare vantage into the internal functioning of these groups. IRS data also figures importantly in our analysis of board leadership for the associations we identify, although these annually filed and electronic records put us on better footing for a deeper cross-sectional analysis. We connect these IRS data about who serves on association board members to BoardEx's database of firm managers and directors. To examine behavioral outputs, we further link associations and firms to the LobbyView lobbying disclosure act database (Kim 2018). We also collect background data on firm resources through Compustat. It is notable that all these sources are widely-used (e.g. Encyclopedia of Associations, LobbyView, BoardEx, Compustat) or have been long-available (Form 4506-B). Yet they have never been integrated in this fashion to examine who governs these business organizations and how. We now turn to discuss each of these sources more specifically.

**Encyclopedia of Associations**

We identified approximately 3,000 American trade associations using the 2020 edition of the Encyclopedia of Associations (EA) made available digitally through a Gale database to which one of our university's subscribed. Bevan et al. (2013) discusses several efforts to validate the completeness and representativeness of this secondary source. They conclude that the source has better coverage of larger and more prominent organizations than smaller ones. For example, 95% of labor unions with more than 10,000 members were covered but less than 50% of those with fewer than 5,000 members (Martin, Baumgartner, and McCarthy 2006). Bearing in mind that our findings may say less about those business associations that are smaller, we nevertheless feel comfortable using it as the sampling frame from our analysis.

Importantly, the EA holds valuable data on the hierarchy among the association's members as measured through tiered membership dues. We use two measures of this. First, we use a binary indicator of whether the association has tiered dues. Second, we examine the degree of tieredness. In the first case, we code for whether or not there exist different amounts of dues that association members pay. In the second case, we use the minimum and maximum dues values to calculate the ratio of the highest dues value divided by the lowest.[3] These measures are likely to capture the extent to which an association is oligarchic via two channels. First, the existence of a tiered dues structure is likely associated with formal rules that give more decision power to some members over others. Second, it is likely to be associated with inequality in resources of current and potential association members, by which oligarchic associations are characterized.

Additionally we obtain four pieces of information from the EA. First, to get an idea about the association's political power and organizational size, we also use the EA's data on the 2020 budgets of the associations. Second, the EA also includes the Employer Identification Number (EIN) which is used to uniquely identify associations in many federal filings. Finally, the EA keeps data on the industries the firm represents, using the six digit North American Industry Classification System (NAICS) codes. This allows us to match the industry of individual firms to the association. But it

3. Here, we exclude amounts that apply to supporting members who take no direct decision-making role in the association, as well as dues that apply to individuals.

also allows us to identify which organizations in our data set are trade and professional associations, respectively.

### IRS 990 Filings

We collect and clean data on the individuals represented in the association's management and on its board. Trade associations are generally required to file to maintain the status of tax-exempt organizations using the IRS Form 990.[4] To harvest this data, we collected machine-readable files in ".xml" format from two different sources. The first is the website of the IRS, which currently provides machine-readable filings in bulk downloads for tax years 2014 through 2019.[5] The second source for the 990 filings is the non-profit ProPublica.org, which provides backed up versions of older IRS-based xml files via its website.[6] This allowed us to extend the period covered by our data back in time until 2009. In particular, we supplemented the data downloaded from the IRS by downloading filings from organizations with EIN contained in the EA data set and available via ProPublica's website, going back to 2009.[7]

Since thousands of organizations file 990 forms, we used the EA to identify trade associations among the filers. To do so, we undertook a name matching process in multiple stages. First, we exactly matched names of organizations in the EA to the 990s. Then we used fastLink (Enamorado, Fifield, and Imai 2019) to match organizations with names that were spelled differently in the two data sources. These fuzzy matches were all manually checked. Finally, we manually searched for the remaining associations in EA among the 990 filers. Since some organizations change their names, we also searched the internet for the non-matched associations, which allowed us to locate the organization's EIN, whereby it could be identified in the EA without using the name. Through this procedure, we identified 2,278 trade associations in the IRS 990 filings.

From the machine-readable 990 filings, we extracted information on the organizations' EIN, the

4. See https://www.irs.gov/pub/irs-pdf/i990.pdf.

5. See https://www.irs.gov/charities-non-profits/form-990-series-downloads. We note that new data (through 2022) has since been uploaded to this website and will be incorporated going forward (older years have been removed).

6. See https://projects.propublica.org/nonprofits/.

7. These data had previously been made available on Amazon Web Services. We used tables linking employer identification numbers, years, and filing indices, accessible on Archive.org to determine the correct hyperlinks to download the filings from ProPublica.

Table 1: Number of Organizations and Key Employees From IRS 990 Filings in Linked Sample

| Tax Year | Number of Organizations | Number of Key Employees |
|---|---|---|
| 2009 | 141 | 3,485 |
| 2010 | 956 | 19,519 |
| 2011 | 1,253 | 24,492 |
| 2012 | 1,441 | 27,920 |
| 2013 | 1,597 | 30,474 |
| 2014 | 1,764 | 33,833 |
| 2015 | 1,874 | 36,338 |
| 2016 | 1,900 | 36,439 |
| 2017 | 1,890 | 36,842 |
| 2018 | 2,047 | 38,501 |
| 2019 | 1,707 | 31,564 |

*Note:* The table shows the number of unique organizations and key employees contained in IRS 990 filings linked to organizations in the Encyclopedia of Associations.

relevant tax year, address and contact information for the organization, the names and titles of board members and other key employees, as well as, for each key employee, the average number of hours spent per week for the organization and the compensation received from the organization. Table 1 shows the number of organizations with filings linked to the EA data set, as well as the number of key employees (which are predominantly board members) for each tax year in our sample. In total, we have collected data on 112,400 unique members of trade association boards. Importantly, although the names of individual board members are listed on the 990 filings, typically there is no indication on the filing *which firm* they represe nt.

### 2.0.1 Firm data

We need data on a number of aspects about the firms that are represented on the boards of the associations. First, we need to identify which firms individual board members represent. Second, we need financial data on the firms themselves.

To identify the firms that individuals represent on trade association boards, and to examine the career trajectories of the individuals themselves, we matched data from the 990 filings of trade associations to BoardEx. BoardEx contains comprehensive data on the board of directors and

senior management of publicly traded corporations.

The name-matching procedure is complicated by the fact that we have little additional information on the individuals that exists *both* in BoardEx and in the 990 filings. In cases where two or more people share a name, this makes it impossible to ascertain which person would be the correct match. To deal with this, we focused on people with unique names in both BoardEx and the 990s and matched names (full names and first and last only).[8] We then corrected nicknames[9] and matched again. Finally, we used the fact that the EA data includes the NAICS code of the industry mostly represented by the association. Whenever one person worked for a firm and an association with the same NAICS code, we used this to match on both the person's name and the NAICS code. In total, we were able to identify 18,510 unique directors or executives in BoardEx that are also represented on trade association boards.

To assess the cost of restricting our matches to people with unique names (conditional on shared NAICS codes), we matched on the last name only to assess the least restrictive matching rule possible. This yielded approximately 28,000 unique people in BoardEx. This is reassuring: Compared to the 18,510 we are able to match under the uniqueness rule, we do not believe that we are discarding too much information.

Having linked public companies to trade associations via board members permits us to construct a measure of turnover of companies represented on association boards. As described above, we regard turnover as indicative for the extent to which an association is oligarchic or pluralistic. Specifically, having no holdover board members after a relatively short amount of time would be a sign of a pluralistic association. Therefore, we construct a measure of turnover that captures whether, across all the filings of an association, there is at least one company that appears repeatedly on the board over the course of four years. Associations for which this is not the case, and which we would expect to be more pluralistic, are labeled as having "High Board Turnover".

We obtain firm financial data from Capital IQ `Compustat`. We collect data on total assets, sales and the company's NAICS code. Whenever we measure a firm's size, we use total assets. This

8. Prior to this, we went through several steps to clean the names. To do so, we created custom dictionaries to remove titles, military ranks and professional designations.

9. Here, we use the nicknameR package (McCrain 2020).

can be linked directly to BoardEx through the so-called `gvkey`, which is uniquely identifies firms in `Compustat`.

### 2.0.2 Data from Lobbying Disclosure Act Filings

Finally, we also use data on lobbying activities by the political behavior of the firms and the trade associations. First, we matched the 2,278 trade associations from EA to lobbying data made available under the Lobbying Disclosure Act (LDA). We used the version that is cleaned and maintained by the Center for Responsive Politics. To do so, we used exact matching of organization names as well as fastLink and manual searches. Surprisingly, this yielded only 733 trade associations registered at any point under the LDA in the period from 1998 through 2019.

Additionally, we include the lobbying behavior of the firms that are represented on the association boards. To do so, we used the LobbyView database (Kim 2018), which provides a clean version of the LDA data matched to publicly traded firms through the `gvkey`. Through the `gvkey`, we can also map the data from LobbyView to firms in BoardEx.

[Add paragraph on summary statistics]

## 3 Political (In)equality by Design: An Analysis of Association Governing Documents

Contemporary constitutions typically guarantee high degrees of formal political equality, most notably in the form of universal and equal suffrage. 'One-person one-vote" is often taken as synonymous with the very notion of democracy, although many societies have considered themselves democratic while entertaining large exceptions from this norm, particularly for groups such as women, racial minorities, the young, and immigrants. More germane to our inquiry, formal rules magnifying the voice of certain (i.e. economically advantaged) individuals are occasionally countenanced. The US Supreme Court, for example, upheld a scheme that allowed the board of directors for a water district in California to be elected by landowners in proportion to the assessed value of the land they owned, even though that rule gave three small landowners who each owned roughly

an acre a single vote and 37,825 votes to a single corporate landowner, the J. G. Boswell Company (*Salyer Land Co. v. Tulare Water Dist.*, 410 U.S. 719 (1973)). The court reasoned that giving the benefit of political influence in proportion to anticipated costs of collective action was a way of surmounting issues associated with the tragedy of the commons.

Whatever one thinks about the soundness of weighted voting rules such as those found in *Salyer*, trade associations are unlike governmental bodies. Deviations from norms of formal political equality among firms does not have an equal moral valence as in the case of a community of citizens. Indeed, in its model bylaws for those thinking about starting a new local chambers, the US Chamber of Commerce explicitly puts political equality on the menu:

> Section 5: Voting
>
> In any proceeding in which voting by members is called for, each member in good standing shall be entitled to cast 1 vote.
>
> **Or**
>
> In any case proceeding in which voting by members is called for, each member shall be entitled to 1 vote, and each member firm, association, or corporation shall be entitled to the number of votes determined by the amount of investment paid, not to exceed 10 votes.

These two potential rules for preference aggregation have *vastly* different implications in terms of which interests and groups have power in the association. Nor do these exhaust the range of potential alternatives. Indeed, the posing of these alternatives seems to us intended to provoke thought and discussion. Some Chambers may decline to "cap" the amount of votes that an investing firm can obtain, while others likely use caps that are higher or lower than the 10 votes that the provision suggests. The model bylaws do not in this section describe the nature of the "investment" the section contemplates, although a prior section says that it will be according to "rates, schedule, or formula" prescribed by the Board and payable in advance. To reiterate, the US Chamber offers no guidance on how dues relate to voting rights, but anticipates that Chambers often will want to make a quid pro quo between investment and representation. It would surprise us if associations

had not at times shown even greater creativity in designing voting rules and investment schedules than the Chamber of Commerce proposes in its model governing documents. Association governing documents also likely at times show greater variety in the rules for the selection and retention of Board members, so as to reward those who invest more in the common cause with greater voice. That said, organizations do have some incentives not to go too far in the direction of voice for investment. It may prove difficult to attract small firms to an association where their already relatively small voice has relatively less chance, but lacking small members could pose a potentially serious problem for an organization whose value derives in large part from seeming to represent a broad base of firms in an industry. The extent to which associations as a general rule empower their most economically advantaged members is, therefore, an empirical question, to which we now turn.

As mentioned earlier, the IRS allows interested persons to request the bylaws, articles of incorporation, and other legal materials included with the organization's initial request for tax exempt status. At times we will refer to the documents as we receive as the "bylaws" when in fact the relevant material may occur in the articles of incorporation, a separate document with similar function. We asked for governing documents of 328 associations with form 990 filings between June and July of 2023 and by November of 2023 had received 112 bylaws in response. The gap was partially (though not completely) attributable to form replies from the IRS that the records were not available, with the best explanation given for their nonavailability was that the records had been lost over time. Given non-randomness in whether we received bylaws back from the IRS, our data are best regarded as a convenience sample, but a sizeable one appropriate for qualitative analysis. All bylaws were received in hard-copy and were manually scanned, sorted by research assistants, and logged into a Zotero database for analysis.

Nearly all (107) of the bylaws we received contained explicit rules describing how members receive votes that can influence the trajectory of the organizations. Those few that do not presumably fall back on the default rules of non-profits in the jurisdiction in which they are incorporated, typically also implying a one-member one-vote structure. In some of the missing cases, the bylaws may anticipate the voting rules being laid down in the articles of incorporation (or vice versa) but

that other document has not been provided to us by the IRS. The overwhelming frequency with which organization bylaws do address this topic confirms the importance of the issue of voting rights for organizational governance.

In addition to being important, the voting rules that associations may adopt are at times complex, as the 1948 articles of incorporation of the Manufacturer's Agents National Association (MANA) illustrates. At least in 1948 (their rules may have changed subsequently), the organization had three classes of members: "Regular" members, "Associate" members, and "Honorary" members. Regular members are allowed to be either individuals, firms, or corporations so long as they operate as manufacturers agents and have two references. The associate member category is for those that are not deemed manufacturers agents (references still required), while honorary members are also manufacturers' agents but elected via the membership to the role (and do not provide references). Associate members cannot attend meetings or vote, honorary members can, while regular members receive a single ballot in advance of elections. Depending on the view that one takes toward these membership classes, MANA either has an equal franchise or does not. The fact that individuals or firms can be members creates transparent opportunities for gaming the rules and allowing firms with more employees or subsidiaries to get more votes, however whether that occurs is not knowable from examination of the rules alone.

In deciding whether an organization has an equal franchise, it is tempting to focus just on the class of members who do get votes ("Regular Members" in the terminology of MANA). Here too there are issues. The United States Association for Small Business and Entrepreneurship allows individuals and organizational memberships, with organizations getting the ability to designate two individual members. Depending on one's point of view, this association might be considered to have an equal franchise or an unequal one. Seven organizations in our sample (6%) are like the Bread Baker's Guild of America in denying voting rights to all members, except for the board of directors. While these rules treat all members equally, in a sense, they are even more oligarchical than *Salyer*-style rules assigning votes in proportion to size. Having the board select itself in perpetuity encourages a closely held pattern of organization. Analysis of voting rules must be sensitive to these dynamics.

These strange cases aside, two thirds of associations in our sample do not make distinctions in the number of votes between the regular voting members. Indeed, 46% of associations in our sample simply say each member gets one vote, while another 22% of associations say there are some non-voting classes of members (typically described as “associate”, “supporting”, or “honorary”) but among the main class of members all get an equal vote. Another 9% of organizations opt for direct democracy by automatically place all members on the board of directors, where each gets one vote. Almost three in four organizations opt for procedures that are straightforwardly democratic.

In our analysis, only ten percent of associations adopt a franchise proportional to investment or resources among the main class of members. One example of an association with weighted voting rules is the Association of Reserve City Bankers, a predecessor organization of the Financial Services Roundtable whose 1993 bylaws were provided to us in a response to a request for the governing documents of the Bank Policy Institute.[10] That organizations’ rules explicitly state:

> Each member institution is allowed individual representation based on asset size: The largest 40 of the institutions eligible for membership are allowed four representatives; the next largest 40 institutions are allowed three representatives; the next largest 45 institutions are allowed two representatives.... Grand-fathered[11] institutions have one representative....
>
> Only individual ballots cast in person by representatives actually present in the meeting hall at the time of the voting shall be accepted or counted.

While we do not know if the Financial Services Roundtable had similar voting rules, given the success of Bank of America in organizing a purge within their ranks it would not surprise us if they did. It is remarkable that even among this very elite-focused organization, the degree of political inequality tolerated is actually quite limited (e.g. the biggest get only twice the representation of the smallest, whereas the model rules of the US Chamber would have allowed ten times the representation of the biggest by the smallest). That said, going it alone is often a viable strategy

10. The IRS did not provide us the governing documents of the Bank Policy Institute, presumably because it preserved its tax exempt status through rounds of mergers.

11. Organizations may become grandfathered due to changes in size or membership criteria, but if the CEO of that organization changes then the organization’s grandfathered status is lost

for the Bank of Americas and JP Morgans of the world – giving more seats at the table for the already powerful is part of this association's strategy for getting the already powerful to want to come.

Although extrapolation about the broader trade association population on the basis of this sample requires caution, we think that the analysis demonstrates the likely dominance of norms of equal voting. That said, there is enough variety in this sample to confirm that associations do experiment with baking different levels of oligarchy into the institutional design. We are mindful that the franchise is only one aspect of political equality, and not necessarily the most important. The size of the association's boards, the frequency and timing of board elections, the possibility of members to stand for reelection, how board members get nominated, the procedures for voting within the board, and still other rules are likely to influence the ability of association members to influence the behaviors of the collective as a whole. More work attending to all these topics on a representative sample is clearly necessary, although more involved than we have space to address here. That said, the approach and findings presented here powerfully illustrate the sorts of internal processes that have not received sufficient attention, the feasibility of research on the governance rules themselves, and also that non-trivial observations about the governance of associations do emerge from an analysis of these sorts of records. In particular, the tendency toward *de jure* political equality through the franchise is surprising and suggests that oligarchical associations should prove rare. As we shall see in the next section, the more *de facto* perspective based on resource dependency tends toward different conclusions.

## 4 The Nature of Inequalities in Resources of Influence

When examining oligarchic structures of governance in trade associations, one highly important question when examining patterns of influence is what kinds of firms comprise the leadership – and, hence, make the decisions. To examine this, we will examine two predictions. First, we would expect that the firms represented on the association's board are much larger than firms not on the board. Second, a central claim in Dahl (2005[1961]) is in non-pluralist polities inequalities in

resources of influence are cumulative. In our setting, this should imply that firms seeking to wield political influence on their own also wield influence over the association board.

### 4.1 Large Firms Dominate Association Boards

Linking data on total assets and sales revenue to the firms, we can examine whether firms that are on boards are generally larger than firms that are not. Table 2 shows the estimates, which are quite striking. Examining column 2, we observe that firms with current representation on association boards control approximately 240% more total assets (in natural log of dollars) than the average firm without such representation. Firms that will gain future representation on the board are 116% larger in terms of total assets. In columns 3 and 4, we present similar results for sales revenue, which closely mirror the estimates for differences in total assets. This suggests that association board membership is largely drawn from the largest firms.[12]

Table 2: Large Firms are Actively Represented on Association Boards

| | *Dependent variable:* | | | |
|---|---|---|---|---|
| | ln Total Assets | | ln Sales | |
| | (1) | (2) | (3) | (4) |
| Not Yet On Association Board | 1.161*** | | 1.221*** | |
| | (0.084) | | (0.088) | |
| On Association Board | | 2.418*** | | 2.468*** |
| | | (0.030) | | (0.032) |
| Constant | 5.418*** | 5.323*** | 4.559*** | 4.464*** |
| | (0.006) | (0.006) | (0.006) | (0.006) |
| Observations | 208,733 | 208,733 | 203,905 | 203,905 |
| *Note:* | | *p<0.1; **p<0.05; ***p<0.01 | | |

12. These results do not account for differences across sectors. Please see Appendix Figure A1 for evidence that this trend holds within sectors.

### 4.2 Politically Active Firms Dominate Association Boards

Next, we examine whether political resources tend to accumulate across venues of political influence. To do so, we investigate whether firms that are represented on the boards of trade associations lobby more than other firms. An important obstacle to inference is that there may be something particular about the individuals that choose to serve on boards. This could imply that it is not the board service itself that is associated with more or less lobbying. Rather, some people may be political entrepreneurs who seek politically active firms and associations. To deal with this, we estimate two different linear regression models. First, in column 1, we examine the lobbying behavior of firms which have board members who will join an association board at a later stage, but not while they work for the firm. Second, in column 2, we examine the lobbying behavior of firms that currently have their directors or executives represented on the association board. The differences are striking: while the baseline probability of filing an LDA report in a given year is 8.4%, firms with current representation on association boards are 23% more likely to lobby. When taking the low unconditional probability of firm lobbying into account, this association is very strong. This is not driven by the type of person who represents the company – while firms that have future association board members employed are more likely to lobby, the difference is much smaller.

Overall, it does seem that inequalities in political resources are cumulative: firms that lobby are much better represented on association boards.

## 5 Oligarchic Associations

To examine oligarchy among trade associations, we conduct two analyses. First, we show that on average when a firm that lobbies enters the board of an association, the association starts lobbying. This is evidence that, on average, change in board membership affects the political behavior of associations. Second, we show that the effect is larger among associations that have oligarchic characteristics – a stronger hierarchy, low turnover among board members, and for larger firms.

Table 3: Firms that are Represented on Association Boards Lobby More

| | *Dependent variable:* | |
|---|---|---|
| | File LDA Report | |
| | (1) | (2) |
| Not Yet On Association Board | 0.053*** | |
| | (0.008) | |
| On Association Board | | 0.232*** |
| | | (0.003) |
| Constant | 0.093*** | 0.084*** |
| | (0.001) | (0.001) |
| Observations | 255,310 | 255,310 |
| *Note:* | *p<0.1; **p<0.05; ***p<0.01 | |

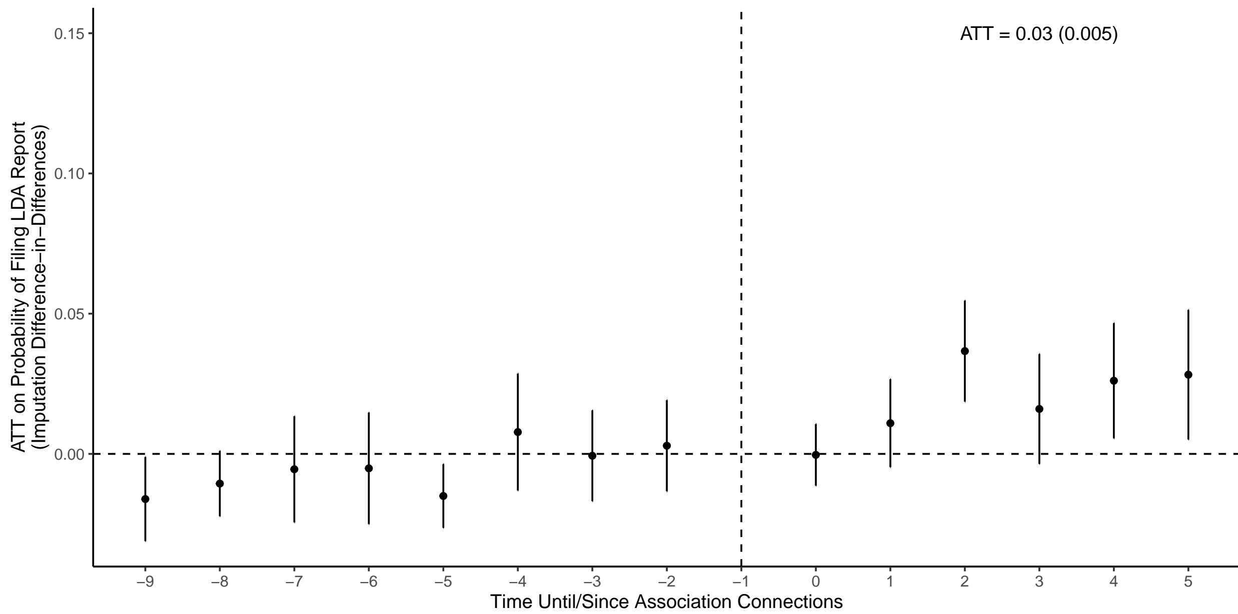
### 5.1 Firms Shape Association Lobbying Behavior

Figure 1 shows an event study of firms entering association boards. This increases association lobbying behavior immediately. Generally, the effect is positive for all post-treatment periods. But slightly noisy because it is a demanding specification. The overall estimated average treatment effect on the treated is 2 percentage points, which is a very sizable estimate. It is also much more precise than the separate yearly estimates. There is no discernible trend prior to treatment, but some years are significant.

### 5.2 Effects are Concentrated Among Suspected Oligarchic Associations

Figure 2 shows the effects separately for the organizational characteristics which we conceptualize as oligarchic. In the bottom row, we split the sample by organizations with and without a formalized tiered membership structure. In the second to last row, we examine the intensity of the tieredness by splitting the sample at the mean of our measure of the degree of the association's tieredness. In both cases, the we see that in associations with formalized hierarchies the newly arriving corporate board member shapes the lobbying behavior to a larger degree.

Figure 1: Changes in Association Lobbying when Politically Active Firms Join.




*Note:* The figure presents difference-in-differences results from the Borusyak et al imputation difference-in-differences estimator. Lines are 95% robust confidence intervals with firm-level clustering.

In the second row from the top, we split associations into two groups based on our measure of board turnover. We find that larger effects among associations with low turnover among board members. Finally, in the top row, we split associations at the median of the total assets of the arriving firm. In associations where firms with above-median assets arrive, we find a stronger influence effect on the association's lobbying behavior. Overall, the results suggest that the effect is strongest among the associations that have what we deem to be oligarchic features.

Figure 2: The Effect is Stronger for Associations with Oligarchic Features.

*Note:* The figure presents difference-in-differences results from the Borusyak et al imputation difference-in-differences estimator. Lines are 95% robust confidence intervals with firm-level clustering. Each estimate is from a subset of the overall sample.

# 6 Trade Association Governance Matters for Public Policy

Similar to political parties, trade associations have significant incentives to avoid changing policy goals or strategies too quickly, for fear of alienating their core supporters. As Bauer, Pool, and Dexter (1963) argue, trade associations strive to cultivate an atmosphere of quasi-unanimity and often duck issues where there is limited agreement, perhaps allowing or encouraging groups to find alternative representational channels on which there is more consensus. The fact that positions of particular interest groups are typically fixed implies that interest group conflict is often highly static in the short-run, with equilibrium policy tending to shift to whatever location results in rough equality between competing stakeholders (Baumgartner). That said, avoiding divisive issues is not always possible for every association. Moreover, just as the parties must respond to changing circumstances in terms of public moods, strategic behavior of adversaries, and the like, so too do trade associations need to make choices about whether to maintain or shift their stances, even if doing so offends membership. Both the entry of groups previously unable to express a collective position and also the changes in tactics or position of groups already locked in political combat can produce shifts in the balance of power on particular policy issues, occasionally producing rapid changes in public policy. Baumgartner and Jones (1991) explain the punctuation of policy equilbria through changing public attitudes, for example toward topics such as nuclear power, and we find their analysis compelling in so far as it explains the rising power of interests previously uninvolved in policymaking. That said, their focus is primarily on *new entrants*, whereas the mechanism that we wish to focus on is that groups already in the fight may change positions as a result of internal governance processes. Why regime changes within organizations happen at the time they do is, of course, an important question that we suspect is often rooted in material or ideological factors not so dissimilar from what Baumgartner and Jones have in mind as explaining changes in more general public attitudes. That said, the governance technologies embedded in the organizations either frustrate and encourage responsiveness to these larger background change. At a procedural level, our basic story is that changes in governance of trade associations, though rare, have potentially enormous public policy consequences.

To validate this mechanism, we focus on qualitative case studies. Contemporaneous observation of politics internal to the trade association, or the downstream consequences for broader public policy, are difficult to assess. For this reason, we focus on historical examples where prior scholarship has already identified internal trade association politics as consequential for public policy. We do not make claims about how often trade association governance matters for public policy, and admit we have selected strongly on the dependant variable in selecting these cases. Other methods than we use here would be necessary to do that. Our purpose here is primarily to show that the mechanism can work in practice. In particular, we conduct an original case analysis of one of the most contentious annual meetings in the history of the US Chamber of Commerce related to its position on the Trade Expansion Act of 1962, which is noted at various points in discussions from Bauer, Pool, and Dexter (1963) to (**Swenson?**). We also restate some of the key findings of Delton (2020) related to transformations at the National Association of Manufacturers and the implementation of the Civil Rights Act. [13]

## 6.1 The Divided Chamber of Commerce and the Trade Expansion Act of 1962

The Trade Expansion Act of 1962 was widely regarded as the "largest and most satisfying legislative victory" of Kennedy's first two years in office, and "the most important legislation passed by the 87th Congress" ((**cqalmanac1963?**)). This dramatic trade liberalization policy addressed two competing needs for the Kennedy administration, on the one hand to support the formation of a common market in Europe that would tighten ties between western powers such as Germany and France, while at the same time allowing US exports to compete with the fomenting European economic juggernaut (**Eckes1995?**). The central issue in the bill was how to give the President the power to negotiate trade policy on behalf of Congress, without allowing an imprudent President to give away too much to foreign interests or even set the cause of trade liberalization back further. The latter concerns would resurface in the Trump presidency, notably when the President imposed large tariffs on steel and aluminum despite the objection of Congressional leaders

13. Mizruchi (2017) also represents an important study in many ways consonant with our thematic findings. We also considered restating some of his findings, however the associations he examines changed more gradually and as a result the shifts in position and approach that he documents are somewhat less sharp and therefore less illustrative of the mechanism we wish to document.

within his own party. https://www.npr.org/2018/03/08/591744195/trump-expected-to-formally-order-tariffs-on-steel-aluminum-imports Besides this central issue, however, were a number of crucial secondary issues that would also influence trade policy in the short and long-term. Key for our purposes is the fact that the 1962 Trade Expansion Act for the first time proposed "trade adjustment assistance" given to firms and workers displaced by economic pressures of global competition ((**cqalmanac1963?**)).

As (**Gibson2000?**) notes (p.86-89), the Trade Expansion Act of 1962 was enacted with overwhelming bipartisan support, however it was not obvious in 1961 that the law would shape up in this fashion. Indeed, the New York Times would later identify the Chamber of Commerce and the American Federation of Labor, two typically opposed groups, as the "most influential of the lobbying" organizations whipping votes in the House (June 30). Indeed, the support of the Chamber was perhaps the most surprising as its typical bedfellow the National Association of Manufacturers pointedly took no position for or against the policy (CQAlamanac), and the Republican-leaning Chamber rarely supported Kennedy on other issues (CQAlamanac). Moreover, the Chamber did not just "support" the bill, sources describe a continuous stream of political intelligence flowing between the Chamber, the White House, the AFL-CIO, and other organizations (**CQAlamanac?**), which also led to the commissioning and furnishing of reports addressing the concerns of particular representatives. The Chamber's Foreign Commerce Department worked "exlusively" on this issue throughout 1962. The pivotality of the Chamber's active support for the policy was recognized contemporaneously. Indeed, The New York Times Editorial Board recognized that the Chamber's position taking at its annual meeting would "help to assure not only the passage of the bill without crippling amendments but also an increased majority for it."

At the same time as the Chamber's position taking was pivotal, it was hardly inevitable. The Chamber of Commerce was in the early 1960s more on the side of trade liberalism than its peer the National Association of Manufacturers, having explicitly endorsed in 1960 a general policy statement supportive of reducing trade barriers. But in late 1961 and early 1962 as the specifics of Kennedy's proposal came into view, it was not obvious that the position of the 1960 resolution was actually controlling. As it became clear that hearings on the Kennedy-backed plan HR 9900 would

soon begin[14], the Board of the Chamber adopted an emergency resolution allowing the Chamber's representatives to testify broadly in support of the proposal, except for the overly generous trade adjustment assistance (Green, Austin Statesman). This emergency resolution was binding only until the next annual meeting at which point it would require ratification by the membership. Even so, Chamber leadership was prominently committed to supporting Kennedy on trade. The AP reported, for example, the Chamber President Richard Wagner stating that "a majority of the Board of directors concurred in supporting Kennedy's trade measure." A Chamber representative testified on April 16 before Congress about the association's position (p. 2062 et seq), saying that the Chamber "strongly supports the principles of HR 9900." The representative further acknowledged "a small minority" of opposition within the ranks had led a "thorough and vigorous discussion for two days" in February, but the committee had overwhelmingly recommended the position.

Matters would came to ahead in just a few weeks at the annual meeting. The AP reported that on May 2nd, a dissident faction on the policy subcommittee of the Chamber sought to affirmatively remove all support for the new trade adjustment assistance measures and rely instead only traditional defensive protectionist tools like tariffs and quotas (Green, Austin Statesman). The board and majority of the policy committee quashed this proposed revision, instead reiterating its position already articulated before Congress that trade adjustment assistance should not include cash transfers for affected firms and no additional federal unemployment benefits for displaced labor. This language essentially reaffirming the emergency position taken by the Board was to be put to a vote and reaffirmed by the membership. As the AP reported, this set the stage for a "floor fight" at the annual meeting the next day, which would either allow the Chamber to make its eventually pivotal contribution or not.

Indeed, long-time organizational participants would later say that what they witnessed the next day to most "tangled uproar" in the Chamber's 50 year history, a "revolt" over the position of the Chamber favoring the Kennedy trade bill (Nossiter, May 3). Some 1,000 delegates met at the Statler Hilton Hotel for two hours to discuss the proposed language. When the bill reached the floor, protectionist delegates from a number of states announced that they "were against further

14. Indeed, there would eventually be 21 days of hearings in the House Ways and Means committee between Mid-March and Mid-April of 1962

tariff cutting" and "deplored" the fact that the overall position of the Chamber on tariffs was not even being put to a vote. Others objected to the idea that the Chamber would taken any position and actively help Kennedy given the depth of the divisions within the organization on tariffs, and indeed the measure failed to pass. A member of the Board insisted that if the Chamber did not take a position, the Chamber would continue to advocate for the policy under its 1960 resolution supporting trade, but would not be able to take a position against the trade adjustment assistance. The outgoing board president, who had gone on record about the Chambers position before the news media, asked for the vote to be taken a second time and it was *again* defeated. The board continued to debate and finally put the resolution to a vote a third time, leading to fierce objections from protectionists that the Board was simply refusing to take no for an answer and playing for the clock. "Now with the room half-filled, the official hierarchy is pulling its chestnuts out of the fire and is going to railroad this." The third vote finally passed, allowing the Chamber to continue to work in favor of the trade enforcement act.

A superb irony about the explicit language of the floor fight is that the very thing that the Chamber explicit ratified, its opposition to the trade adjustment assistance, did end up included in the Trade Expansion Act. Unemployment assistance for displaced workers was too crucial an issue for the AFL-CIO ((**cqalmanac?**)). Even though the Chamber explicitly voted to oppose this part of the Act, it was clear that the Board did not view this issue as crucial. The Chamber's outgoing president Richard Wagner was quoted at the annual meeting saying, "[Although] I have found it difficult that we should compensate someone with subsidies and handouts, I have finally concluded this wouldn't make anyone lush in business." In other words, an undesirable aspect of the law but not necessarily a decisive problem, in his view.

While speculative, it is highly plausible that a differently led Chamber would have taken a more consensual position in the face of such upset, as the National Association of Manufacturers did with less fanfare. Supporters of free trade were legitimately concerned that the Chamber would bow to the preferences of some of its members ((**cqalmanac?**)). Alternatively, one can identify how different rules of governance would have made it harder for the majority on the board to act despite such strong objections from the minority. For example, the initial 1960 position broadly

supporting free trade was enacted with a three-year expiration date. If position had required more frequent affirmative ratification, especially with limited ability to reconsider defeated motions on germane topics, then a different stance from the chamber would have resulted and perhaps no Trade Enforcement Act, or one that would have looked very different than today. The extent to which losing on trade adjustment assistance was deemed acceptable could also have turned out very differently in the hands of different leadership or different rules. Although not an example of changes in trade association governance leading directly to changes in national policy, the case does support strongly the claim that different trade association governance would have likely delayed or prevented enactment of one of the most significant legislative achievements of the Kennedy years.

## 6.2 Birchers, Manufacturers, and Civil Rights

The 1964 Civil Rights Act was the decades-long culmination of the movement for civil rights. The law prohibited discrimination on the basis of race, sex, national origin, or religion in numerous contexts, including the workplace. Then as now, federal edicts insisting on racial equality do not always translate immediately or readily into facts on the ground. Perhaps the most famous example of resistance to racial equality was the refusal of Central High School in Little Rock, Arkansas to respect the 1954 holding in Brown v. Board, a conflict which ultimately led to Eisenhower sending in the armed forces to ensure that nine black students be allowed to attend that school. But this resistance was far more widespread than a single high school, and there was an exhausting period of forcing public educational institutions into compliance that would continue for decades. While implementation of the Civil Rights Act of 1964 has been far from perfect, the law did generate enormous changes in hiring practices, particularly at larger companies, with especially noticeable impacts on employment and wages for black Americans. The percentage of black managers and executives tripled in the decade following the civil rights act, while the percentage of African Americans sales, clerical, and other categories of workers doubled, and would continue to increase over the decades to come.[https://www.eeoc.gov/special-report/american-experiences-versus-american-expectations]

These developments toward economic racial equality were not inevitable, but were instead the

product of choices by management of many large companies to take active measures toward compliance. In particular, as those familiar with hiring discrimination law will know, racial discrimination under the civil rights act is hard to prove (harder than establishing students are being excluded from enrolling in a public school). Moreover, the state has very weak enforcement mechanisms under the civil rights act. Delton (2020) credits the National Association of Manufacturers with helping to engineer widespread corporate compliance with a law that dramatically reshaped the workplace in the United States, in ways that were far from inevitable. In particular, the NAM organized very widely attended seminars that put civil rights administrators before thousands upon thousands of businessmen explaining what the law did and did not require (Delton 2020, 223). These seminars not only addressed these businessmen's fears about the potential business problems racial inclusion might cause, they also actively encouraged affirmative action policies. "If you don't have any Negroes, you'd better get some," NAM sponsored speakers bluntly instructed (Delton 2020, 223). Such policies aiding, supporting, and defining compliance were the polar opposite of the strategies that the same organization had taken with respect to the Wagner Act of the 1930s, better characterized as resistance at all costs.

Viewed from the vantage point of the late 1950s, these moves which would occur just a few years later could not have been expected. Throughout the 1950's, the National Association Manufacturers was known for its reactionary views. Indeed, if anything, the association succeeded in moderating perceptions of its board leadership which overlapped remarkably with the John Birch Society. Robert Welch, who would go on to found JBS in 1958, joined the board of directors in X and was the chair of its education committee. Other prominent overlapping members of JBS and NAM included William Grede (President of NAM, 1952), Cola Parker (President of NAM, 1956), and Ernest Swigert (President of NAM, 1957) (Delton (2020)). While the organizing principal of JBS was unapologetically fanatical opposition to communism these principles were interpreted in such a way as to entail extreme conservatism on racial issues. The JBS's organizing document, the so-called "Blue Book", describes the movement for civil rights as a communist plot at multiple points. Perhaps no clearer statement of JBS attitudes toward the policy issues underlying the civil rights act were the following lines:

> We are bitterly opposed to forced integration, in schools or anywhere else, but on far sounder grounds than the "racial superiority" arguments. It is because, according to the Constitution, the Federal Government has absolutely nothing to do, legally, with public education; because every American, white or black, should have the right to select his own associates for every enterprise and occasion; and because all of the trouble over integration — which is doing inestimable damage to both the black and white races — is Communist inspired, encouraged, and implemented for Communist purposes.

Delton (2020) argues that these ultraconservatives were clearly a controlling faction throughout much of the 1950s, although the invitation to President Kennedy to speak before the Association in December of 1961 marks a clear marker that the organization had changed.[15] According to her lucid argument based on detailed and extensive archival research, Delton attributes these changes to a brewing alliance between the more liberal management of the association and the executives who came from larger corporations, who tended to be both younger and more liberal than the likes of Welch, Grede, and so forth, who in many cases had founded their own much smaller business. Supporting the alliance was a sense of organizational crisis related to the fact that the organization was bleeding members at an alarming rate throughout the 1950s, "between 12 and 13 percent of their members per year." These members were not, for the most part, leaving because of ideological disagreements (and certainly not about race), but mostly due to corporate consolidation via mergers and also cost-cutting. Even so, addressing these resource shortfalls was clearly necessary for the NAM and the only clear options were to reduce the size of the organization or get larger manufacturers who could pay correspondingly greater dues to join the organization.

At the July 1961 meeting, the NAM executive committee implemented the "first stage" of a series of recommendations made by an organizational consultant. These changes in pertinent part included rewriting the bylaws and constitution of the organization. The year after, the association would hire a full-time President (previously the President was elected from the Board), who saw the task for the organization as "work[ing] with the administration in power" (Delton 2020, 209). By 1964, the Executive Committee was "purged of all of the old guard conservatives, replaced by

15. Welch by this time was infamous for his public accusations that Eisenhower was a communist sleeper agent.

executives from multinational corporations like General Electric, US Steel, US Rubber, and Crown Zellerbach." By 1964, the NAM was a hugely different organization at the top, even if the bulk of its membership remained smaller manufacturers with a strongly conservative streak.

The sorts of measures that the National Association of Manufacturers took in 1964 and 1965 in response to the Civil Rights Act would not have been possible without the governance changes that occurred between 1958 and 1964. Delton (2020) attributes the elimination of "states' rights" from the organizations core positions to the new President Gullander. She also notes that Gullander's strategy of helping industry to figure out how to comply with the Civil Rights Act was dramatically opposed to the behavior the same organization had taken with respect to the Wagner Act. It is hard to imagine a counter-factual world where the Birchers had remained in control of the association and the NAM had taken no position on whether the Civil Rights Act of 1964 should be passed, supported compliance with the act by members, or encouraged companies to take "affirmative actions" to diversify their workforces. Indeed, if the Birchers had remained in control, the Civil Rights Act might have gotten bogged down in industry opposition, and industry uptake likely would have been slower.

# 7 Broader Research Agenda on Trade Associations and Models of Association Governance

To come ...

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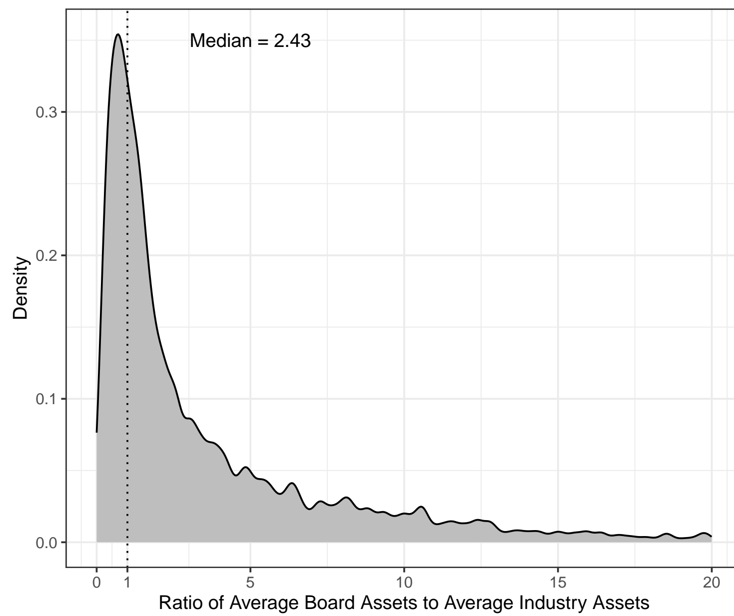
# Who Governs the Association?

## Supplemental Appendix

Figure A1: Large Firms on Association Boards




*Note:* The figure shows, for each trade association and year, the average ratio of linked firm assets to average industry assets.