TWILIGHT OF THE GODS

by John B. Judis

In September 1939, just over a week after Hitler's invasion of Poland and Britain's declaration of war, Walter Mallory, the executive director of the Council on Foreign Relations, and Hamilton Fish Armstrong, the editor of its journal, *Foreign Affairs*, went to Washington to see how the Council could help prepare America for what they expected would be another world war. Meeting with high State Department officials, they worked out an unprecedented arrangement under which the Council would serve as the department's unofficial policy planning agency. For the next six years, Council members, organized into War and Peace Studies, sketched the outlines of the new American-led world order that would emerge from the war.

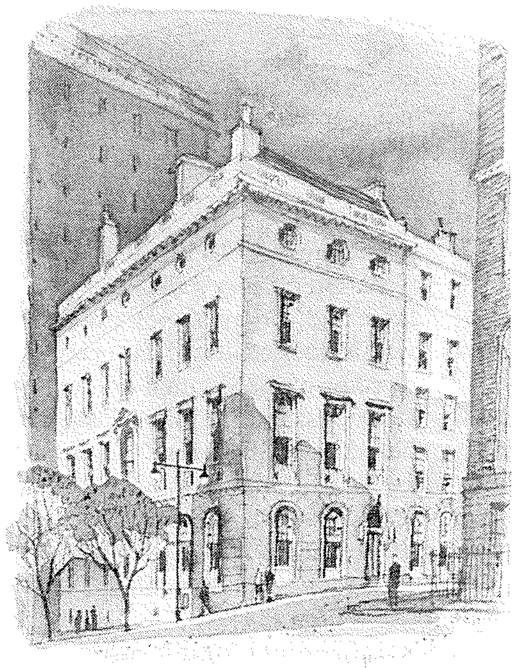
The Council's close relationship to the Roosevelt administration during World War II marked the coming-to-power of what sociologists and journalists later called the American Establishment. For the next three decades, a like-minded group of corporate lawyers, investment bankers, and policy experts, passing in and out of government and operating through organizations like the Council, shaped the contours of American foreign policy. Today, the government's higher circles are still drawn from a relatively narrow social group, but the members of this group no longer represent a cohesive body united in its fundamental outlook. Instead, the individuals who exercise influence over foreign policy today represent the same conflicting set of private interests that effect domestic policy.

This is not the outcome envisaged by the Establishment's critics in the 1960s. They saw popular democracy as the natural alternative to Establishment rule, but the Establishment's decline has diffused responsibility for American foreign policy without making the process any more democratic. The public is as removed as ever from most foreign policy decisions, but in place of an informally linked Establishment we now have partisan think tanks and self-interested lobbies.

Controversy has long obscured the true character of the Establishment. It was never simply what Marx called a "ruling class" or what sociologist C. Wright Mills later called a "power elite." Instead, it was a group of powerful citizens who shared a unique view of where the country should go. Most members of the Establishment belonged to the upper class, but some were labor leaders and heads of broad-based organizations whose participation made the Establishment far more representative than its critics granted.

The foreign-policy Establishment dates from the end of World War I. In 1921, the Council on Foreign Relations was founded by men who had accompanied Woodrow Wilson to Versailles in 1919. Returning home disillusioned, they were nevertheless more determined than ever to create what Wilson had called a new world order. The Establishment was defined by this vision. The founders of the Council, who included Thomas Lamont, a J. P. Morgan and Company partner, and businessman Whitney Shepardson, have often been described as liberal internationalists, but the term has to be carefully defined. They did not see free trade and international cooperation through organizations such as the League of Nations as ends in themselves but as the means by which American economic power, hitherto held in check by war and imperial rivalry among European powers, could come to the fore. They were willing to sacrifice some degree of diplomatic and military sovereignty to gain national economic ends. But when they saw that international organization could not stem the threat of fascism or communism to an open market system, they were among the first to favor taking up arms.

In the 1920s and early '30s, the Council's hundred-odd members, who met regularly for dinner at New York City's Harvard Club before a permanent headquarters was established in a brownstone on East 65th Street, constituted a center of dissent against the prevailing Republican isolationism. They were prestigious outsiders rather than powerful insiders. During the Roosevelt administration, however, Council members began to play a leading role in foreign policy. A Council group helped draft legislation for an Export-Import Bank and for reciprocal trade agreements, and in the late 1930s, as Roosevelt prepared the country for war, he called on Council members to fill the highest positions in the State and War departments and to help plan the postwar order. After the war, the Council and its members in the Truman administration, drawing upon lessons learned at Versailles, helped frame the objectives of the postwar era: to create an American-dominated international order, based on the dollar and free trade, and to contain the spread of Soviet communism.



The Council on Foreign Relations

The Council was by no means the only elite organization that contributed to this new consensus—other groups such as the Twentieth Century Fund, the Carnegie Endowment for International Peace, the Committee for Economic Development, and the Brookings Institution also played significant roles. After the war, Ivy League universities also established foreign-policy institutes that contributed. But these organizations and institutes, whose members regularly corresponded with one another and sat together in Council study groups, supplemented rather than countered the Council's work. Collectively, they demonstrated the Establishment's expanding reach and power.

The Establishment's influence reached a peak in the early 1960s. In a process memorialized in David Halberstam's *The Best*

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and the Brightest (1972), President-elect John F. Kennedy gave banker and Council of Foreign Relations director Robert Lovett virtual veto power over his key cabinet appointments. JFK chose men like investment banker Douglas Dillon of Dillon, Read, and Company, McGeorge Bundy of Harvard, and Dean Rusk of the Rockefeller Foundation, all of whom had spent decades in Council study groups and discussions. Kennedy's successor, Lyndon B. Johnson, paid just as close attention to Establishment opinion. During the war in Vietnam, Johnson summoned the Establishment's "Wise Men," including Chase Manhattan chairman John McCloy, former secretary of state Dean Acheson, and Dillon, to the White House to advise him, and it was their counsel against further escalation in March 1968 that precipitated Johnson's decision to seek a negotiated settlement. But by then not only the country but the Establishment itself had been torn apart by the war.

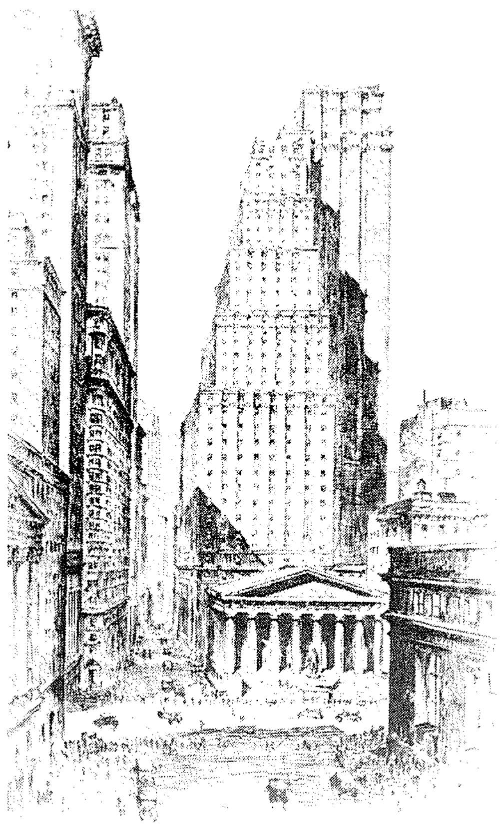
During the 1950s and early '60s, the Council held study groups on Southeast Asia that recommended containing Vietnamese communism. One report in 1956, for instance, warned that "the independent existence of the nations of Asia is at stake." But as early as 1965, Establishment stalwarts began voicing reservations about the war. They included Walter Lippmann, who was perhaps the nation's most eminent columnist, University of Chicago political scientist and foreign-policy theorist Hans Morgenthau, and former State Department official George F. Kennan, Jr., the author of the famous "X" article in *Foreign Affairs* in 1947, which laid the foundation for containment. These dissenters initially argued that the United States was committing itself to a disastrous land war over a militarily unimportant country, but as the war dragged on, they and other Council members began to voice disagreement with the larger Cold War strategy that had guided American foreign policy since the end of World War II. Was communism, they asked, a monolithic movement that the United States had to contain at all costs and in all regions? Could communism in a small Third World country like Vietnam be merely an expression of anticolonial nationalism?

The war in Vietnam also struck at the democratic pretensions of the Establishment's liberal internationalism. Most members of the Establishment continued to adhere to the Wilsonian faith that by encouraging national self-determination, the United States was making the world safe for democracy. In Vietnam, however, it appeared that the United States was fighting on behalf of a regime no more committed to democracy than its communist adversaries were. Moreover, the United States was not simply repelling an invasion, as it had in South Korea, but was intervening in a civil war that it had helped to precipitate.

The debate over the war within the Establishment paralyzed the Council on Foreign Relations. From 1964, when the escalation began, until 1968, the Council failed to hold any study groups on Vietnam, because, the *New York Times* reported, two board members felt the issue was "too divisive." Then in the fall of 1970, matters unexpectedly came to a head.

Because of retirements, the Council had to find both a new president and a new editor of *Foreign Affairs*. A search committee, chaired by David Rockefeller, of the Chase Manhattan Bank, was created to seek replacements. The committee decided to ask William Bundy to be president, and at that year's Harvard-Yale game, Harvard graduate Rockefeller asked Yale graduate Bundy if he was interested in the job. Bundy, who had developed ulcers serving in the Defense and State departments under Kennedy and Johnson, was not interested in be-coming the Council's chief administrator, but he told Rockefeller that he would like to edit *Foreign Affairs*. Over drinks after the game, Rockefeller and Bundy settled it: Bundy would replace the venerable Hamilton Fish Armstrong as editor of *Foreign Affairs*. The appointment would be announced the following summer.

To Rockefeller, Bundy seemed the perfect choice. A graduate of Groton and Yale, he was the son-in-law of former secretary of state Dean Acheson. He had been a member of the Council since 1960 and a director since 1964. But as the *Pentagon Papers* would reveal that June, Bundy was also the man most responsible in the Johnson administration for planning the secret escalation of the war in Vietnam.



The Chase Manhattan Bank

The search committee was in no position to withdraw Rockefeller's offer, but when the appointment was finally announced, a number of younger members, including political scientists Richard Falk and Richard Ullman, organized a protest that split the Council ranks and for the first time opened its deliberations to public scrutiny. Historian Arthur M. Schlesinger, Jr. declared his support for the protesters, and Walter Lippmann, one of the Council's original members, chose that moment to resign.

The Council's old guard closed ranks around Bundy. Rockefeller refused to acknowledge that what Bundy had done in the State Department was relevant. "Why I know all the Bundys. They're a fine upright family," he declared at a meeting with the dissidents. Former Council chairman McCloy was indignant. "The real intolerance these days is found among the professors who sit up on every goddam hilltop in their institutes for international affairs," McCloy told the *New York Times*. "They're positively monastic up there. They need the Council the way the Greek philosophers needed the Agora—a place where they can walk among practical men and keep in touch with reality."

The old guard prevailed, and Bundy became editor, but the Council never completely recovered from the imbroglio. Through the next decade, it kept trying, unsuccessfully, to restore the powerful consensus that had made possible the Establishment's hold over foreign policy. In 1973, it started an ambitious "1980s Project" to chart the "structure, key relationships, rules, processes, and institutions" of the international system, but by the decade's end, it abandoned the effort.

The other factor threatening the consensus within the Establishment was the decline of the American economy. The Wilsonian internationalism that underlay the

Establishment had been based on the recognition that the United States was displacing Great Britain as the world's most powerful economy. The United States thus stood to benefit from free trade and open markets just as Britain had in the 19th century.

The heyday of liberal internationalism had occurred after the United States emerged from World War II in a position of unchallenged economic superiority. In 1950, the United States accounted for an astonishing 50 percent of the world's gross national product. But Western Europe and Japan began to rebuild their economies, opening new factories that were often more productive than older American plants and protecting their fledgling industries with trade barriers. Like Great Britain a century before, the United States chose to ignore and sometimes even to encourage foreign protectionism, recognizing that American prosperity depended on recovery in Western Europe and Japan.

By the end of the 1960s, spurred by growing U.S. demand, Japan and Western Europe caught up. While American exports grew by 67 percent during the 1960s, West German exports jumped 109 percent and those of Japan 333 percent. As the United States entered the 1970s, it faced its first trade deficit since 1893 and a mounting dollar crisis as foreigners, inundated by dollars, threatened to empty the nation's reserves by exchanging dollars for gold at the fixed rate set at Bretton Woods. The American economy was still the most powerful in the world, but it was now first among equals. And as the more prescient Americans peered into the future, they could see the signs of further decline.

In August 1971, the Nixon administration took action. Nixon slapped a tariff on imports, abandoned the gold standard, and imposed wage and price controls to stem inflation. While many businessmen applauded Nixon's moves, the Wall Street bankers, lawyers, and policymakers of the Establishment were alarmed. They saw the aggressive nationalism of what they called the "Nixon shocks" as a threat to the international order they had created after World War II.

The next month brought more differences over the trade issue. After World War II, the Council and other Establishment organizations had welcomed national labor leaders into their ranks. In the 1920s, organized labor had been highly protectionist, but a new generation of trade union leaders, notably the United Auto Workers' Walter Reuther, had come to see free trade as being in labor's overall interest. In 1947 the Twentieth Century Fund had brought business and labor leaders together in an influential report, *Rebuilding the World Economy—America's Role in Foreign Trade and Investment*, that strongly endorsed a liberalized international trading regime. With over a third of America's workers unionized, labor's support was critical to the Establishment's hegemony in foreign affairs. It provided the crucial link between the higher circles and the average voter and was the most valuable defense against the recurrence of popular isolationism.

But the growth of imports and the exodus of American companies to low-wage countries, which accelerated during the 1960s, cooled the liberal internationalist enthusiasm of both labor leaders and domestic manufacturers. In September 1971, the unions introduced a precedent-breaking bill in Congress to limit imports and to remove the tax exemption on U.S. multinational corporations, which stood accused of shifting American jobs overseas. The bill, sponsored by Senator Vance Hartke (D.-Ind.) and Representative James Burke (D.-Mass.), did not pass, but its very existence alarmed the proponents of liberal internationalism. In Washington, several multinational corporations and banks organized through the Emergency Committee for American Trade (ECAT) to fight it.

These looming disputes over the Nixon shocks and the Burke-Hartke bill seemed far less important than the sharp clash over Vietnam, but in the years to come they would prove to be more serious and lasting. While the debate over Vietnam threw into question the Establishment's post–World War II containment strategy, the debate over trade shook the very foundations of Wilsonian internationalism.

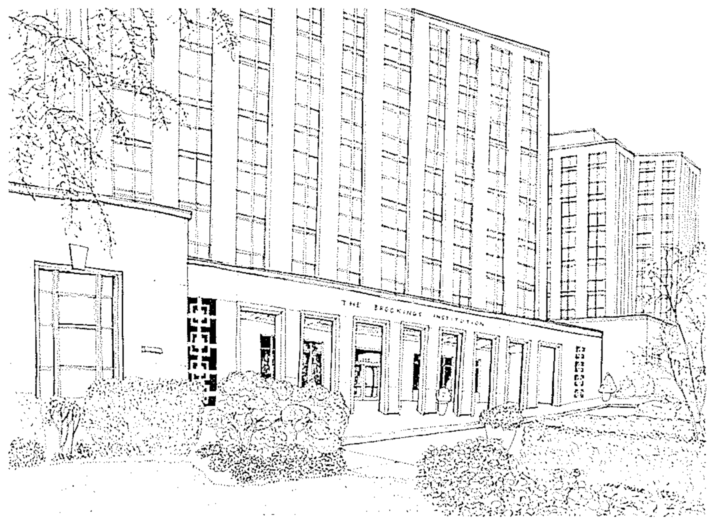
In 1971 and '72 Establishment circles reverberated with concern over Nixon's policies and Burke-Hartke. In September 1971, Fred Bergsten, an economist with longstanding ties to the Council who had just resigned as National Security Adviser Henry Kissinger's economics analyst, along with former Johnson administration officials Richard Gardner and Richard Cooper, warned at a congressional hearing that Nixon's policies could lead to an international trade war. In *Foreign Affairs*, Bergsten attacked Nixon for promoting a "protectionist" and "disastrous isolationist" trend. Another Nixon official, Philip Trezise, resigned partly out of dissatisfaction with Nixon's policies and began to battle the administration's trade measures from inside the Brookings Institution and the Council.

Chase Manhattan Bank Chairman David Rockefeller shared the policy experts' concern. But after the bruising battle over Bundy's appointment, he had lost confidence that high-level policy discussions could be carried on at the Council on Foreign Relations. Even though he remained the chairman of the Council's board of directors, Rockefeller had begun to cast about for a new organization. He got his inspiration for the form it might take from Zbigniew Brzezinski, a Columbia University professor and Council member who, like Rockefeller, vacationed in Seal Harbor, Maine.

Brzezinski, a longtime competitor of Kissinger, was also critical of Nixon's economic initiatives. The Polish émigré made his mark as a hardline Sovietologist, but by the late 1960s he had become interested in relations among the developed countries. Indeed, he had written a book, *Between Two Ages* (1970), in which he called for the United States, Canada, Japan, and Western Europe to form a "community of developed nations." Now in reaction to the Nixon shocks, Brzezinski convinced Brookings Foreign Policy Director Henry Owen to sponsor a series of tripartite studies along with the Japanese Economic Research Center and the European Community Institute of University Studies. He also talked to Rockefeller and Owen, another Seal Harbor vacationer, about the idea of an organization that would draw together leaders from North America, Japan, and Western Europe.

In the spring of 1972, Brzezinski, Rockefeller, and Bergsten attended the annual meeting of the Bilderberg Society, held at the Hotel de Bilderberg in Oosterbeek, The Netherlands. The society had been set up in 1954 as a private forum where American and European political leaders, businessmen, and policy experts could air their concerns. According to one participant at the meeting, Rockefeller proposed a tripartite or trilateral organization, and then Brzezinski, acting as if he were hearing the idea for the first time, enthusiastically seconded his suggestion. That July, 17 men, including Brzezinski, Bergsten, Owen, and McGeorge Bundy, met at Rockefeller's Pocantico Hills estate in the New York suburbs to plan what came to be called the Trilateral Commission.

The new group, which was officially established the next year, held its first executive committee meeting in Tokyo in October. Brzezinski was director and Rockefeller chairman of the executive committee. The 60-member American contingent included Bergsten, Gardner, Trezise, and most of the key Establishment figures who had protested the Nixon shocks. American funding came from the same corporations and banks, such as Caterpillar Tractor and Exxon, that had contributed to ECAT. With 180 members overall (later rising to 300), the Commission had offices in Manhattan, Paris, and Tokyo.



The Brookings Institution

Like the Council on Foreign Relations, the Trilateral Commission did not have an official ideology. Yet, as economist Jeffrey Frieden has explained, the Commission's leaders had a common vision of a "transnational world economy." The Commission's first report stressed the economic interdependence of nations and opposed any attempt to restrict trade or investment. The Commission's "overriding goal is to make the world safe for interdependence," the report declared. This "will call for checking the intrusion of national governments into the international exchange of both economic and noneconomic goods."

Commission members also backed a version of the Nixon administration's strategy of détente with the Soviet Union, calling for the trilateral nations to draw the Soviet Union and its East European satellites into growing trade relations. In 1977, it issued an optimistic report on *Collaboration with Communist Countries on Managing Global Problems.* In the wake of Vietnam and the rise of the Organization of Petroleum Exporting Countries (OPEC), it rejected the Cold War practice of viewing North-South relations with less developed nations through the prism of East-West relations. Speaking at the Commission's 1977 meeting, Brzezinski, who had just become President Jimmy Carter's National Security Adviser, called on the trilateral nations to "assimilate East-West relations into a broader framework of cooperation, rather than to concentrate on East-West relations as the decisive and dominant concern of our time."

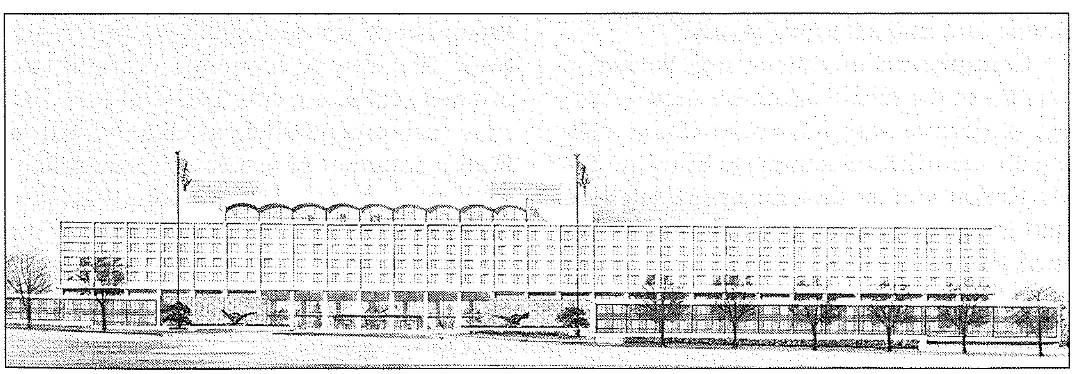
From the beginning, the Commission had the support of the American, Japanese, and West European governments, and its reports and conferences served to lay the groundwork for several important initiatives. The idea of economic summits, for instance, came out of a Trilateral Commission recommendation, as did the World Bank's adoption of a special "petrodollar" window to handle burgeoning OPEC surpluses and Third World deficits. But the most visible sign of Commission influence came when an obscure Georgia governor was elected president. Rockefeller had first met Jimmy Carter when the Georgia governor came to New York in 1971 to meet with bankers about underwriting his state's loans. Impressed by the southerner, Rockefeller had decided to make him one of two governors invited to join the Trilateral Commission. Brzezinski became Carter's foreign-policy mentor, tutoring him and writing his major speeches during his presidential campaign. When Carter won, he appointed 26 Commission members—about a fourth of the American contingent—to high administration posts. The appointees included Brzezinski, Secretary of State Cyrus Vance, Secretary of Defense Harold Brown, and Secretary of the Treasury W. Michael Blumenthal.

Like the Council on Foreign Relations of the 1920s, the Trilateral Commission reflected a new consensus among Establishment figures. And the large number of Commission members in the Carter administration, united by a common ideology, seemed to suggest that the foreign-policy Establishment—given up for dead after the clash over Bundy's appointment—had been revived. But by 1980, when Ronald Reagan won a landslide victory over Carter, the Trilateral Commission had itself become a casualty of American politics.

What eventually doomed the Commission was its identification with the Carter administration. As Carter's reputation sank under the weight of stagflation and the Iranian hostage crisis, membership in the Trilateral Commission became a badge of dishonor that could be hung around the neck of political opponents. In 1980, candidate Ronald Reagan was able to use the Commission memberships of George Bush and then Carter to discredit them with voters. But even before 1980, the Commission had been undermined by policy disagreements within it and within the broader foreign-policy Establishment.

From the beginning, some members of the Establishment rejected the Commission's optimistic assumptions about U.S.-Soviet relations. In the summer of 1974, Paul Nitze, a former investment banker at Dillon, Read, and Company, who had been in and out of high government positions since World War II, resigned as a Nixon administration arms negotiator, denouncing Nixon and Kissinger for encouraging the "myth of détente." In 1976, after Carter's election, Nitze and other Establishment figures, including former Pentagon officials James Schlesinger and David Packard, formed the Committee on the Present Danger to reassert the Cold War view of U.S.-Soviet relations, calling for an arms build-up and opposing new arms-control agreements.

Nitze's initiative divided the Establishment, even as it split the Carter administration. As the Committee took the offensive, lobbying against the confirmation of Trilat-



The State Department

eral Commission member Paul Warnke as chief arms negotiator, it succeeded in dividing Brzezinski from Vance. Under attack from the conservatives, Brzezinski rediscovered the hardline views he had abandoned in the early 1970s, and this led to ongoing strife with Vance and the State Department. The turmoil also penetrated the Trilateral Commission, which followed its optimistic 1977 report on East-West relations with a bleaker Cold War assessment in 1978. By the late 1970s, the Establishment and the American members of the Trilateral Commission had become as bitterly divided over Cold War strategy as they had been over Vietnam.

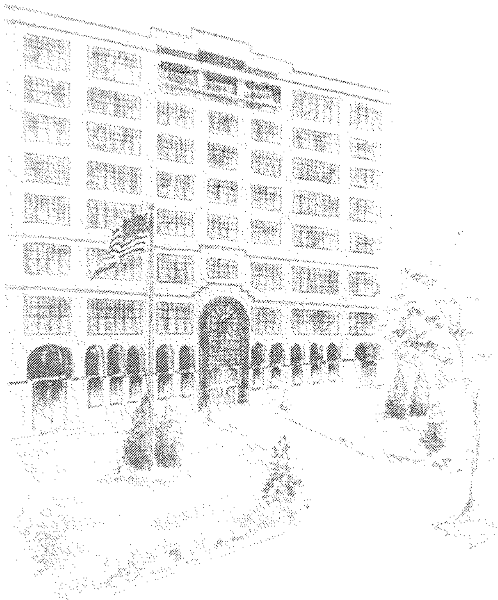
The American members of the Trilateral Commission also encountered some opposition to their economic stands. Rockefeller and Brzezinski's concept of a trilateral alliance looked like a continuation of the Establishment's Wilsonian internationalism, but in fact it represented a subtle departure from it. Wilson's internationalism had been based on an assumption of American economic, but not military, superiority. Its goal was to eliminate military competition among nations so that the United States could flourish in free economic competition. But the Trilateral conception assumed that America, having lost its absolute superiority, would profit most by ceding its economic sovereignty to a seamless international capitalism. While Wall Street bankers and lawyers would continue to press this idea for the next decade, it would attract growing opposition not only from labor unions but from American manufacturing firms threatened by foreign competition.

As Rockefeller and McCloy's Establishment fell to blows over U.S.-Soviet relations and international economics, other institutions became more important in determining the course of American foreign policy. Beginning in the mid-1970s, conservatives tried to build what journalist Sidney Blumenthal has called a "counter-Establishment," creating a variety of new think tanks and journals of their own. These institutions were highly effective in influencing policy, but they failed to play the dominant role that the Council on Foreign Relations or the Brookings Institution had played from the late 1930s to the late '60s.

One such institution was the Washington-based Heritage Foundation, founded in 1973 by activists Ed Feulner and Paul Weyrich with financial backing from brewer Adolph Coors and textile magnate Roger Milliken. In contrast to the Council on Foreign Relations and other Establishment institutions, Heritage never pretended to be nonpartisan or to represent a consensus of elite opinion. Heritage and other conservative think tanks were much closer to being lobbies for conservative causes and, later, for the Reagan administration. They were too embroiled in the present to plan the future.

Indeed, once Reagan assumed office, Heritage became an annex of the government, providing junior employees through its job banks, and issuing policy briefings to influence day-by-day debate on Capitol Hill. Its own junior staff adhered to a broad line set down by Heritage's management. On U.S.-Soviet relations, Heritage stood for the "rollback" of the Soviet empire—the conservative alternative to the older Establishment's strategy of Cold War containment—and on trade and foreign investment, Heritage shared the Wall Street bankers and multinational executives' support for free trade and unfettered investment.

By the mid-1980s, Heritage and its funders were as divided and confused as the liberal Establishment they had hoped to supplant. Soviet President Mikhail Gorbachev rendered conservative Cold War doc-



The Heritage Foundation

trine moot, and the flood of imports, encouraged by Reagan economic policies, battered many of the American manufacturers that had sustained Heritage and the Right. Abandoning their unequivocal support for free trade, both Milliken and Coors began to balk at supporting a think tank that opposed trade relief for domestic manufacturers, and they complained bitterly about Heritage's growing reliance on contributions from South Korea and Taiwan.

The one conservative group that consciously tried to mimic the older Establishment institutions was the American Enterprise Institute (AEI). Under William Baroody and then his son William, Jr., who took over from his father in 1978, AEI sought to create scholarship rather than propaganda. It recruited Democrats and liberal researchers as well as conservatives and Republicans. In the late 1970s, it played an important role in winning support for deregulation of business. But by the mid-1980s, AEI faced a financial crisis, brought about partly by a revolt from conservative funders who were not interested in financing a nonpartisan institution that did not mirror their views. William Baroody, Jr. departed in 1986, and AEI, once the flagship of the conservative think tanks, became a lesser version of Heritage. Far from representing the creation of a new consensus, the conservative organizations simply reflected the breakup of the old.

Even more important than the birth of the new conservative think tanks was the growth of "K Street," the law offices and public-relations firms situated on or around one of downtown Washington's main thoroughfares. These firms—tied into the foreign-policy Establishment by prominent former officials such as Clark Clifford or Elliot Richardson—came to have considerable influence over foreign policy, but increasingly on behalf of overseas clients. Instead of contributing to a new consensus, they provoked charges of corruption and conflict of interest within the Establishment.

Prior to the New Deal, a few law firms had Washington offices specializing in patent law, but the New Deal created a demand for lawyers who could help clients deal with government. Covington and Burling, which Dean Acheson joined in 1921, grew into one of the nation's most powerful firms during the 1930s. Then came the boom during the 1970s and '80s, brought about first by the growth of regulatory agencies during the Nixon years and then by a surge of trade cases and legislation, which stimulated a flood of foreign money into K Street. In 1989, Japanese firms alone paid $150 million for the services of Washington lawyers and lobbyists. These included 125 former officials, many of them prominent members of the foreign-policy Establishment like Richardson, a former Nixon administration official and a member of Rockefeller's Trilateral Commission.

Typical of the new K-Street firms was

Akin, Gump, Strauss, Hauer and Feld. Texas lawyer, banker, and real-estate tycoon Robert Strauss established a Washington branch of the Dallas firm in 1971 when he came to Washington as treasurer of the Democratic National Committee (DNC). Strauss then served as chairman of the DNC from 1972 to 1976, U.S. special trade representative from 1977 to 1979, Mideast negotiator in 1979, and then in 1980 as Carter's campaign manager. By the time he returned to the firm in 1981 it was one of Washington's most powerful, and this was no coincidence. Clients flocked to Akin, Gump because of Strauss's association with the firm. Moreover, when he returned, Strauss brought top officials from the U.S. trade representative's office with him, attracting important foreign clients, including the Japanese electronics giant Fujitsu. By 1991, Akin, Gump had 206 lawyers in Washington alone and had become one of the nation's top 35 law firms. And Strauss, before being appointed ambassador to the Soviet Union in June 1991, was able to move in the gray area between private wealth and public power, advising presidents and serving on prestigious commissions, while working as a lawyer to promote the interests of his firm and its clients.

In the 1980s, the K-Street firms proved extremely successful in shaping the government's agenda on trade and foreign investment. Law firms hired by Japanese electronics companies delayed the implementation of trade penalties against Japanese consumer electronics and semiconductor firms until after American industries had been decimated by below-cost imports; they lobbied against more restrictive trade laws; they helped block any congressional attempts to restrict or even gather information on foreign investors; they threw their weight against proposals to subsidize research and development by American firms. When challenged, these lawyers and public-relations experts responded that they were furthering the principles of liberal internationalism.

Indeed, there was nothing new in what these firms and their lawyers were doing. Since the turn of the century, prominent lawyers had represented foreign firms and governments. In the 1950s, former New York Governor Thomas Dewey was hired by Japan to enhance its reputation in the United States, and Acheson's firm was employed by South Africa. But the decline of the American economy put this kind of representation in a different light. Instead of being seen as part of a larger effort to draw foreign countries and their firms into a U.S.-dominated world economy, prominent lawyers such as Richardson and Strauss were increasingly accused of betraying American interests—of using liberal internationalism to justify predatory trade practices by America's competitors.

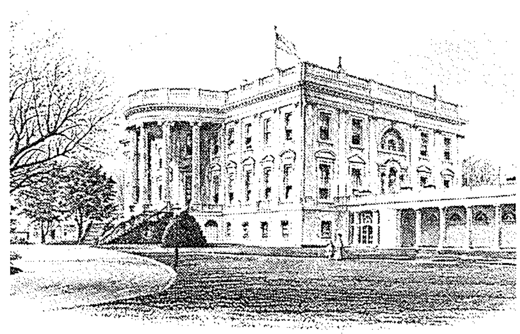
Beginning in the late 1980s, a spate of books and articles appeared warning that K-Street lawyers and lobbyists were doing just that. Many of the authors represented wings of the Establishment, and their views were given currency in prestigious publications. Former TRW Vice President Pat Choate saw part of his book, *Agents of Influence* (1990), excerpted in the *Harvard Business Review*, and former Reagan administration official Clyde Prestowitz parlayed the success of his book *Trading Places* (1988) into a think tank, the Economic Strategy Institute, funded by major U.S. corporations and unions and dedicated to countering foreign influence on K Street.

These books and articles also raised questions about the independence from foreign influence of think tanks like Bergsten's Institute for International Economics, founded in 1981 with a grant from the German Marshall Fund. In 1989, the Committee for Economic Development (CED) became embroiled in controversy when it sponsored a U.S.-Japan joint economic study in which the Japanese group was chaired by Nissan's chief executive officer and the American group by a former U.S. trade representative whose public-relations firm was representing Nissan.

As was the case with K-Street lawyers, the think tanks and policy groups' acceptance of foreign contributions and advice represented nothing new in itself. But with American firms fighting for survival against foreign competitors, these contributions took on a different meaning, placing the organizations on one side of a new ideological and commercial divide. With their integrity and independence in doubt, the organizations in turn became even more cautious about what they said and did, making it even less likely that they would be able to forge a new consensus.

In Washington, some expected that the end of the Cold War and the accession of George Bush would revive the Establishment. Indeed, in the mid-1980s, Nitze, who became Reagan's arms negotiator, found himself allied with Warnke and other former adversaries against Reagan conservatives who rejected any arms agreement with the Soviet Union. By the end of the decade, Nitze, Warnke, Kissinger, Vance, and Brzezinski, while disagreeing on some particulars, shared roughly similar positions on U.S.-Soviet relations. Kissinger and Vance were even joint authors of an article for *Foreign Affairs*. But such newfound unity on U.S.-Soviet relations did not carry over into other areas of foreign policy, such as the Mideast, or into the most contentious questions of international economics.

The divisions over economic policy that surfaced in 1971 continued to widen, preventing any new consensus from emerging. In 1971, labor was the main dissenter from the postwar consensus on free trade and unfettered foreign investment, but by the late 1980s, major corporations, including TRW, Corning Glass, Chrysler, Ford, General Motors, and USX, had declared their support for "managed trade" with Japan and Western Europe. On any major issue, coalitions of corporations and banks were likely to be arrayed against each other. During the recent Uruguay round of the General Agreement on Tariffs and Trade (GATT) talks, the Emergency Committee for American Trade joined Japanese and South Korean companies in pressing for the elimination of penalties against companies that "dump" their goods below cost in foreign markets. On the other side of the issue was



The White House

the Labor-Industry Coalition for International Trade, including B. F. Goodrich, Motorola, Corning, Inland Steel, TRW, and W. R. Grace and Company.

The Establishment institutions dealt with the lack of unity on these issues by staging debates and publishing pro and con reports. The Council on Foreign Relations held a debate in 1989 between financiers Felix Rohatyn and Peter Peterson, the new chairman of the Council, on whether foreign investment was helping or hurting America. Bergsten's Institute for International Economics, after being criticized for putting out a report downplaying the importance of Japanese trade barriers to the

American trade deficit, turned around and published a study documenting these barriers. But the clearest indication of irreconcilable differences occurred in 1989 when the New York-based Twentieth Century Fund set up a Task Force on the Future of American Trade Policy. Four decades before, a Twentieth Century Fund task force had played a critical role in establishing a consensus in favor of free trade, but this time the 12 participants, including two bankers, two corporate vice-presidents, one AFL-CIO official, and policy analysts from MIT, Brookings, Georgetown, and the Carnegie Endowment, failed to agree. Finally, the Fund published a report entitled *The Free Trade Debate* with opposing positions on trade and foreign investment.

As influence over foreign economic policy became more widely diffused, responsibility for American military-diplomatic strategy narrowed. During the months before the U.S. war against Iraq, Establishment policy experts—lacking a common framework—were hopelessly divided over what the administration should do; and President Bush kept decisionmaking focused in a small circle cut off even from his own National Security Council. As the Cold War continues to ebb and as consensus further erodes, the major Establishment institutions serve largely as debating societies. They will perform an important function—but no more so than any university or publication that is willing to air both sides of a controversy. Whether the Establishment itself still exists is a matter of semantics, not history. If one means by the Establishment merely a collection of upper-class individuals and elite institutions, then the Establishment is alive and well. Even the Trilateral Commission survives, its North American office run by a former Brzezinski graduate student out of a warren of offices on Manhattan's East Side. But if one means by the Establishment the people and institutions whose liberal international outlook dominated American foreign policy from 1939 to 1969, then the Establishment is in severe disarray.

The decline of this Establishment has not benefited the country. Contrary to what its critics might have supposed, its fall did not lead to the rise of popular democracy, nor even to representative government. In a nation of 250 million, direct democracy is not possible; and in foreign policy—where the questions are often obscure—it is inconceivable. Ideally, government should function transparently, providing citizens with the ability to set policy by influencing the decisions of their elected representatives. Governments have invariably relied on informal networks of private citizens, organized through pressure groups, lobbies, political organizations, and elite groupings like the Council on Foreign Relations to fill the interstices between individual will and public power.

For three decades, the old Establishment occupied this area, holding study groups, publishing papers, and providing the officials that filled the upper echelons of government. But as it has disintegrated, narrow lobbies and pressure groups rather than an enlightened citizenry have filled the vacuum. Worse still, these lobbies and pressure groups represent no underlying consensus but only their own separate interests. American foreign policy, once the realm of the gods, has become the domain of mere influence peddlers.