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Christy Ford Chapin

The Politics of Corporate Social Responsibility in American Health Care and Home Loans

Corporate social responsibility (CSR) became an important subject among business leaders during the post–World War II era. Business leaders often used the idea of CSR to explain actions they took to prevent additional government involvement in their industry. They argued that because they were behaving in a socially responsible manner, further federal programming was unnecessary. The cases of health insurance and home mortgages demonstrate how this political approach frequently required business leaders to alter their profitmaking strategies in order to substantiate their argument before the public. Thus, the history of corporate social responsibility is critical for understanding a hidden facet of American political development.

Between 1945 and the early 1960s, the concept of “social responsibility” became popular among business leaders because it provided a language and loose set of ideas to help them improve their image and strengthen their ability to negotiate their relationship with the government. The term “social responsibility” expressed the idea that business had obligations to society that went beyond profitmaking. The concept contained considerable ambiguity. But it was precisely this lack of clarity that made the doctrine so useful, allowing it to serve the interests of a variety of businessmen (and they were primarily men), from corporate liberals, who favored limited government economic programming, to conservatives, who wished to check almost all accretions of public power. The one idea that united industry representatives was the belief

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that business occupied a legitimate and positive place in the nation's economy and culture. When business leaders—that is, the executives, directors, and managers of medium-sized and large corporations—discussed their desire to uphold “social obligations,” “the community welfare,” “public responsibilities,” and “business morality,” they were arguing that their organizations played a beneficial role in society.¹

Business executives used this language to bargain with policymakers over the shifting lines of authority in public-private governance. Corporate representatives employed social responsibility to prevent robust government intervention in their industries. Citing obligations to the public interest, they argued that private enterprise could accomplish economic and social welfare goals with either limited or no government involvement. To make such claims, business leaders often took specific actions to address public policy matters.

For their part, most policymakers linked the public welfare to mass consumption. Leading politicians in both parties believed that inexpensive, widely available goods would provide citizens with financial security, establish the American system's superiority over communism, and realize Keynesian preferences for stimulating demand to encourage economic growth.² Consequently, government officials frequently pressured businesses—especially those selling goods deemed vital to societal well-being—to manufacture products in a manner that addressed concerns about price and widespread distribution. In the two cases I look at in this essay, for instance, a majority of policymakers believed that families should have easy access to health insurance and home mortgages. Thus, insurance leaders and commercial bankers created products in a manner designed to satisfy these political objectives. By demonstrating that they were fulfilling their “social responsibilities” to aid “the public welfare,” corporate executives could bolster their political position and undercut the rationale for expanding federal intercessions in their market.

The cases of health insurance and home mortgages illuminate an overlooked but crucial relationship between corporate social responsibility (CSR) and American political development. In both of these industries, politicians advanced competing visions of how to facilitate mass consumption, often clashing over the appropriate degree of state

¹ Similarly, Neil Mitchell and David Vogel argue that corporations employed social responsibility to justify their power, at the beginning of the twentieth century and in the 1960s and 1970s, respectively. Neil Mitchell, *The Generous Corporation: A Political Analysis of Economic Power* (New Haven, Conn., 1989); David Vogel, *The Market for Virtue: The Potential and Limits of Corporate Social Responsibility* (Washington, D.C., 2005).

² Robert M. Collins, *More: The Politics of Economic Growth in Postwar America* (New York, 2000); Elizabeth Cohen, *A Consumers' Republic: The Politics of Mass Consumption in Postwar America* (New York, 2003).

empowerment.³ Still, most policymakers—on the ideological left and right—believed that they, not private-sector leaders, would decide whether consumer needs were being suitably met. Where politicians identified an economic problem and objectives for improving consumer welfare, businessmen understood that they had to achieve those goals, at least in part, or policymakers would augment federal power to do so. In the parlance of the period, business leaders either had to “meet their social responsibilities” or make way for additional government programming.

Social Responsibility: The Rationale

Following World War II, business, media, and academic leaders paid increasing attention to the so-called social responsibilities of companies.⁴ The term “corporate social responsibility” became popular during the 1960s and 1970s. During the immediate postwar period, “social responsibility” was far more common, as were associated expressions such as the “corporate conscience” or business pursuit of “societal welfare” and the “public interest.”⁵ In 1960, Keith Davis, professor of management and a recognized authority on the subject, defined social responsibility as comprising “businessmen’s decisions and actions taken for reasons at least partially beyond the firm’s direct economic or technical interest.”⁶ This definition permitted corporations to label a range of activities as socially responsible, from assuming a more conciliatory tack toward labor unions to contributing money to local hospitals or the community chest.⁷ The imprecise nature of social responsibility enabled it to serve the interests of various—sometimes overlapping

³ Robert M. Collins, *The Business Response to Keynes, 1929–1964* (New York, 1981), chaps. 5 and 6.

⁴ Corporate social responsibility literature has traditionally identified the topic as a phenomenon of the 1960s and 1970s. Scholars recently began examining the theme’s post–World War II prevalence. See Bert Spector, “Business Responsibilities in a Divided World: The Cold War Roots of the Corporate Social Responsibility Movement,” *Enterprise & Society* 9 (June 2008): 314–36; Ernie Englander and Allen Kaufman, “The End of Managerial Ideology: From Corporate Social Responsibility to Corporate Social Indifference,” *Enterprise & Society* 5 (Sept. 2004): 404–11; and Archie B. Carroll, “Corporate Social Responsibility: Evolution of a Definitional Construct,” *Business & Society* 38 (Sept. 1999): 268–95. Scholars debate whether the philosophy originated much earlier, during the Gilded Age or even at the nation’s founding. See, for example, Mitchell, *Generous Corporation*; Archie B. Carroll, Kenneth J. Lipartito, James E. Post, Patricia Werhane, and Kenneth E. Goodpaster, *Corporate Responsibility: The American Experience* (New York, 2012); and Morrell Heald, *The Social Responsibilities of Business: Company and Community, 1900–1960* (Cleveland, 1970), 270–80.

⁵ Google NGram search, accessed 27 June 2015, <http://books.google.com/ngrams>.

⁶ Keith Davis, “Can Business Afford to Ignore Social Responsibilities?” *California Management Review* 2 (Spring 1960): 70.

⁷ On postwar business-labor relations, see Elizabeth A. Fones-Wolf, *Selling Free Enterprise: The Business Assault on Labor and Liberalism, 1945–60* (Urbana, Ill., 1995); Sanford Jacoby, *Modern Manors: Welfare Capitalism since the New Deal* (Princeton, N.J., 1997).

and sometimes competing—business factions, including industry representatives attempting to legitimize corporate influence, corporate liberals promoting harmonious business-state relations, company heads lobbying for governmental assistance, and conservative executives who sought to curtail federal power. It is impossible to gauge whether corporate leaders who used the rhetoric of social responsibility had sincere intentions, particularly since the business community hosted differing ideologies and individuals likely had more than one motive. What is clear is that business representatives usually articulated the doctrine when attempting to advance the cultural image of corporations or to improve their political standing.

Societal discussions about the validity of business power accompanied the arrival of the large corporation at the end of the nineteenth century. Groups voicing hostility included workers in unsafe and unstable employment, consumers mistrustful of commercial merchandise, and voters uneasy about corporate political control. While public esteem of business was at a particular low during the Great Depression, law professor Adolf Berle and economics professor Gardiner Means published *The Modern Corporation and Private Property*, an influential tract claiming that large firms undermined democratic values. The authors examined how stock issues had shifted company authority from owners to managers. While markets had disciplined business proprietors who chased profits, managers, as salaried employees, operated with less regard for competitive conditions or stockholder concerns. Berle and Means maintained that although company managers profoundly shaped American society, they operated with unprecedented autonomy.⁸ This assessment, combined with similar criticisms and New Deal economic reforms, convinced many business leaders that corporate legitimacy was under severe assault. It would take successful mobilization for World War II to renew their confidence.

After the war, company leaders joined with prominent academics and members of the business press to argue that social responsibility would help corporations prove their worth to the nation. Proponents of social responsibility heralded a “retreat from the old philosophy of self-interest.”⁹ None other than Adolf Berle championed the trend. Berle repeated an adage so common among social responsibility advocates that it became cliché: “managers have an obligation, not only to stockholders but also to workers, customers, and the community.”¹⁰ By

⁸ Adolf A. Berle and Gardiner C. Means, *The Modern Corporation and Private Property* (New York, 1932).

⁹ Benjamin M. Selekman, *A Moral Philosophy for Management* (New York, 1959), 6–7.

¹⁰ Adolf A. Berle, *Power without Property: A New Development in American Political Economy* (New York, 1959), 90–91; Carroll et al., *Corporate Responsibility*, 199–200;

1948, General Foods Chairman Clarence Francis was contending, before an audience at Harvard Business School (HBS), that most managers “operate as trustees in recognition of the claims of employees, investors, consumers, and government.”¹¹ Henry Ford II asserted that because of “its early excesses,” business had become “the scapegoat for many of the Nation’s problems” during the Great Depression. Ford believed that business leaders had absorbed the lessons of previous mistakes: “The American corporation painfully learned that it must assume responsibilities beyond its traditional function of making money for the stockholders.”¹² The mission statement of Sears, Roebuck and Company reflected this idea: “This company must be so managed as to make everything likely to strengthen our country. . . . [W]hat is good for the country must be made to be good for Sears.”¹³ Much of James Cash Penney’s homespun image—one journalist described him as “chipper and full of beans”—stemmed from his insistence that business leaders follow the Golden Rule.¹⁴ In contrast to Penney’s folksy exhortations, General Motors President Harlow H. Curtice announced his company’s 1954 \$1 billion investment campaign as a show of “the responsibility” that “rests with industry and business to keep the economy strong.”¹⁵

Business publications regularly featured articles on social responsibility. Throughout the postwar era, the management magazine *Harvard Business Review* provided a forum for examining how companies could behave morally toward society. Contributing authors included Frank W. Abrams, chairman of Standard Oil; historian Arnold Toynbee; and Christian scholar Reinhold Niebuhr.¹⁶ *Fortune* writer John Knox

Wilber G. Katz, “Responsibility and the Modern Corporation,” *Journal of Law and Economics* 3 (Oct. 1960): 75–85; “David E. Lilienthal: The Case for Big Business,” *BusinessWeek*, 14 Feb. 1953, 75–76; Richard Eells, *The Meaning of the Modern Business: An Introduction to the Philosophy of Large Corporate Enterprise* (New York, 1960), 23.

¹¹ Clarence Francis, “Responsibilities of Business Leadership to the Public,” *Vital Speeches of the Day*, 1 July 1948, 563.

¹² Henry Ford II, “Business Ethics in 1961,” *Vital Speeches of the Day*, 15 May 1961, 454–55; and Henry Ford II, *The Human Environment and Business* (New York, 1970), 54.

¹³ Quoted in Peter Drucker, *The Practice of Management*, 2nd ed. (New York, 1993), 390–91.

¹⁴ J. C. Penney, *View from the Ninth Decade: Jotting from a Merchant’s Daybook* (New York, 1960); “Business and Finance: The 1,001 Partners,” *Time*, 20 June 1949, 80.

¹⁵ Harlow H. Curtice, “Meeting the Challenge Ahead: The Initiative Now Has Passed to Private Industry,” *Vital Speeches of the Day*, 15 Feb. 1954, 288.

¹⁶ Frank W. Abrams, “Management’s Responsibilities in a Complex World,” *Harvard Business Review* (hereafter *HBR*) 27 (May 1951): 29–34; Arnold J. Toynbee, “Thinking Ahead,” *HBR* 36 (Sept./Oct. 1958): 23, 26, 29–30, 32, 34, 36, 38, 164, 166, 168, 170; Reinhold Niebuhr, “Goals of Economic Life,” *HBR* 31 (Mar./Apr. 1953): 115. Additional examples include Peter F. Drucker, “Big Business and National Purpose,” *HBR* 40 (Mar./Apr. 1962): 49–59; Bernard W. Dempsey, “The Roots of Business Responsibility,” *HBR* 27 (July 1949): 393–404; O. A. Ohmann, “Search for Managerial Philosophy,” *HBR* 35 (Sept./Oct. 1957):

Jessup entreated businessmen to care for their workers by running their organizations as “a sort of welfare community.”¹⁷ In his widely read book *The Practice of Management* (1954), business consultant Peter Drucker insisted that the corporate manager should “assume responsibility for the public good” and “restrain his self-interest and his authority wherever their exercise would infringe upon the commonweal.”¹⁸ Writing for a broader audience, newspaper editor Erwin Canham used his regular *Christian Science Monitor* column to argue that businesses should exercise social responsibility by working with government officials to grow the economy.¹⁹

Economists supplied the developing doctrine’s scholarly underpinnings. Howard Bowen’s *Social Responsibilities of the Businessman* (1953) contended that “[b]usiness, like government, is basically ‘of the people, by the people, and for the people.’”²⁰ Though often referred to as the “father of corporate social responsibility,” Bowen was simply reiterating a prevailing trend. Stuart Chase, Stanley H. Ruttenberg, Edwin G. Nourse, and William B. Given Jr. had published *The Social Responsibility of Management* two years earlier. Nourse, who had served as chairman of President Harry S. Truman’s Council of Economic Advisers, observed that he could have chosen from among hundreds of similar quotes when he cited a manufacturing executive who stated that businesses had responsibilities toward not only stockholders but also workers, customers, and the public.²¹ Keynesian economist John Maurice Clark’s *Economic Institutions and Human Welfare* (1957) argued for a “constructive serviceability” that called on business leaders to shun “irresponsible self-seeking” and view dealings as “matters of vital community interest.”²²

Social responsibility boosters looked to business schools to teach future executives how to apply the philosophy. During the 1940s, Donald K. David, dean of HBS, championed the doctrine of social responsibility within the context of Soviet tensions: corporations, he maintained, should look beyond profitmaking toward strengthening the nation’s economy and international position.²³ In 1947, HBS published *Education for Business Responsibility*, a pamphlet that tasked corporate

41–51; and Harold L. Johnson, “Can the Businessman Apply Christianity?” *HBR* 35 (Sept./Oct. 1957): 68–76.

¹⁷ John Knox Jessup, “A Political Role for the Corporation,” *Fortune*, Aug. 1952, 112–13.

¹⁸ Drucker, *Practice of Management*, 382–83.

¹⁹ Erwin D. Canham, *New Frontiers for Freedom* (New York, 1954).

²⁰ Howard R. Bowen, *Social Responsibilities of the Businessman* (New York, 1953), 5.

²¹ Stuart Chase, Stanley H. Ruttenberg, Edwin G. Nourse, and William B. Given Jr., *The Social Responsibility of Management* (New York, 1950), 53.

²² John Maurice Clark, *Economic Institutions and Human Welfare* (New York, 1957), 5, 11.

²³ Donald K. David, “Business Responsibilities in an Uncertain World,” *HBR*, supplement (May 1949): 1–8; Spector, “Business Responsibilities in a Divided World,” 314–36.

executives with no less than ensuring the survival of free enterprise and American democracy.²⁴ David's colleague, labor relations expert Benjamin Selekman, taught that a newfound sense of moral responsibility had rightly convinced managers to improve workers' quality of life by supplying pensions, life insurance, and health-care coverage.²⁵ During the 1950s, the University of Georgia's dean of business administration, J. Whitney Bunting, insisted that inculcating students with a strong commitment to social responsibility should be a primary goal of MBA programs.²⁶ About a decade later, Joseph McGuire, dean of the University of Kansas business school, conceded that the philosophy of social responsibility could be "fuzzy," but he lauded the movement "away from the maximization of profits at any cost, and toward a more considerate and more meaningful context for profits."²⁷

Concepts of social responsibility gained currency by helping business leaders navigate the mixed public-private economy. A Keynesian focus on aggregate demand accorded policymakers a moderated but still significant role in economic management. Both Democrats and Republicans believed that promoting mass consumption would ensure collective prosperity. Policymakers on the left attempted to press redistributive aims through this template while the ideological right tried to limit government growth, resorting to public authority only where the private sector failed to realize the political ideal of American consumerism. Truman sought a much larger role for the state than did President Dwight D. Eisenhower, but both presidents believed that by promoting mass consumption, federal policy could strengthen the middle class and ensure societal accord.²⁸ Vice President Richard M. Nixon supported government spending to counter economic downturns as well as federal involvement in causes ranging from urban renewal and job training to scientific research. "While we must put our primary faith in creative private enterprise as the major dynamic force in assuring growth of our economy," Nixon stated during his 1960 presidential run, "we recognize that where private enterprise can't or won't do the job, government activity is not only justified but essential."²⁹

²⁴ Russell Porter, "Stress Social Responsibility as a Factor in American Life," *New York Times*, 7 Sept. 1947, F1, 3.

²⁵ Selekman, *Moral Philosophy for Management*.

²⁶ J. Whitney Bunting, *Ethics for Modern Business Practice* (New York, 1953), 34–35.

²⁷ Joseph W. McGuire, *Business and Society* (New York, 1963), 144–45.

²⁸ Robert Griffith, "Dwight D. Eisenhower and the Corporate Commonwealth," *American Historical Review* 87 (Feb. 1982): 87–122; David Stebenne, *Modern Republican: Arthur Larson and the Eisenhower Years* (Bloomington, Ind., 2006).

²⁹ "Text of Nixon's Address Outlining His Views on the Economic Policy," *New York Times*, 22 June 1960, 20; Wayne Phillips, "Nixon Declares 'Middle of Road' Is Economic Aim," *New York Times*, 24 Apr. 1960, 1, 59; Joan Hoff, *Nixon Reconsidered* (New York, 1995).

Similarly, tax cuts designed to stimulate consumption and investment were a key aspect of President John F. Kennedy's domestic policy. Accordingly, private and governmental authority intermixed. Businesses produced goods that were often regulated and subsidized by the government. For example, federally funded roads and government-insured mortgages spurred suburban housing construction while tax breaks to companies that provided employee fringe benefits helped insurance companies increase sales of pension products and life and health policies.

Within this environment, corporate liberals emerged as the most ardent supporters of social responsibility. While apprehensive of European-style welfare and industry nationalization, corporate liberals also rejected unfettered free markets. They believed that the government should undertake activities important for social harmony but too complex for private-sector execution; business leaders who encouraged such government activity appropriately displayed their social responsibility.³⁰ William Benton, a founder of the Committee for Economic Development, a business-led policy association and hotbed of corporate liberalism, argued that the "free-enterprise system is not, never has been, and never should be, [sic] a system of complete laissez faire." Benton maintained that companies did not have "the right to profit at the expense of the welfare of the community" and should "seek the common good."³¹ Thomas J. Watson Jr. of IBM urged his colleagues to abandon rigidly conservative or "stubborn doctrinaire" political positions: "If we ever seem to oppose all forms of social welfare, then the American people can hardly be blamed if they seem insensitive to our pleas for the protection of our business system." Watson further contended that the "special power [of business] imposes special responsibilities. . . . [W]e can make business decisions with a proper regard for the public interest."³²

Tenets of social responsibility also proved useful for businessmen who lobbied for government assistance. Executives could obtain federal funding to carry out "socially responsible" goals intended to aid mass consumption. For example, as David promoted the "new responsibilities" and "growing idealism" of businessmen, the HBS dean also called for government action "to support the independence and

³⁰ Collins, *Business Response to Keynes*, 85–96, 129–41; Kim McQuaid, *Uneasy Partners: Big Business in American Politics, 1945–1990* (Baltimore, 1994).

³¹ William B. Benton, "The Economics of a Free Society," *Fortune*, Oct. 1944, 163–64. See also Peter Drucker, *Concept of the Corporation* (New York, 1946), 255–59; Arthur B. Van Buskirk, "Responsibilities of American Business Leaders," *Vital Speeches of the Day*, 1 Sept. 1959, 690–93; and James C. Worthy, *Big Business and Free Men* (New York, 1959), 181–87.

³² Thomas J. Watson Jr., *A Business and Its Beliefs: The Ideas that Helped Build IBM* (New York, 1963), 95, 97.

self-sufficiency of the individual citizen.”³³ Such reasoning provided justification for projects that might otherwise attract negative attention as corporate welfare: firms with lucrative government contracts to build roads also connected communities and aided commerce; federally insured mortgages benefitted real estate agents and construction companies while increasing home ownership; and tax concessions for occupational fringe benefits boosted business and insurance company profits while enhancing employee pensions and health care. In each of these cases, business leaders could claim solidarity with the dominant political philosophy, as epitomized by Republican business magnate and Vermont Senator Ralph Flanders’s statement that corporations had a “responsibility” to collaborate with government officials for the “evolution of our system, instead of its destruction.”³⁴

Some conservative business leaders opposed corporate social responsibility on the grounds that it nudged the economy toward collectivism; however, others found the doctrine useful for impeding federal regulations and programming.³⁵ During this period, the choral refrain of the political economy’s anthem was “where the private sector fails, the government will intervene.” Social responsibility advocates continually warned business leaders that disregarding policy goals, particularly those directed toward mass consumption, would only invite government economic action. According to management expert Harwood F. Merrill, if “he [the businessman] refuses to accept these responsibilities, then they certainly will be taken over by someone else—by someone antagonistic to business management and to free enterprise.”³⁶ Thus, conservative executives, though not usually the most passionate backers of social responsibility, sometimes employed its language to describe the activities they assumed to thwart federal power. One example was Lemuel Boulware, a General Electric executive known for managing labor relations to convince workers that increased pay and benefits came from competitive markets and profitable corporations rather than from government programs and labor unions. For Boulware, “business in

³³ Donald K. David, “The Danger of Drifting,” *HBR* 28 (Jan. 1950): 28.

³⁴ Ralph E. Flanders, “Businessmen’s Responsibilities to Government,” in *The Responsibilities of Business Leadership*, ed. Harwood F. Merrill (Cambridge, Mass., 1949), 38.

³⁵ Arguing on behalf of conservative leaders who resisted social responsibility were Milton Friedman and Theodore Levitt, editor of the *Harvard Business Review*. Milton Friedman, “Social Responsibility: A Subversive Doctrine,” *National Review*, 24 Aug. 1965, 721–72; Theodore Levitt, “The Dangers of Social Responsibility,” *HBR* 37 (May/June 1959): 105–13.

³⁶ Harwood F. Merrill, “Introduction,” in *Responsibilities of Business Leadership*, vi. See also “Defense against Decline,” *BusinessWeek*, 27 Mar. 1954, 180; “Is Business Selling Itself?” *BusinessWeek*, 3 Apr. 1954, 167; Gilbert Burck, “The Jersey Company,” *Fortune*, Oct. 1951, 99, 184; Jessup, “Political Role for the Corporation,” 112–13; Selekmán, *Moral Philosophy for Management*, chap. 2; Drucker, *Practice of Management*, 382–83; and Eells, *Meaning of the Modern Business*, 201–3.

the public interest” signified employee education campaigns and community-wide public relations activities to increase awareness of how the “common interest was served by cooperation with rather than resistance to private business.”³⁷ Of course, pledges to uphold social responsibility from such quarters unnerved critics who saw the doctrine as nothing more than a gambit to increase business power.³⁸

This assessment of postwar business thought elucidates why leaders from a variety of industries and ideological backgrounds supported social responsibility. The following case studies examine how “socially responsible” pursuits, when employed as a political tool, could extend beyond mere oratory to include the manufacturing of products specifically designed to satisfy policymaker concerns about mass consumption.

Commercial Health Insurance

After World War II, most policymakers believed that some type of health care reform was necessary because the insurance industry lacked the ability to adequately cover consumers. In order to block federal reform, insurance companies rapidly organized the health care financing market, attempting to meet policy goals for broader coverage and more liberal policy benefits.³⁹ Insurance leaders used the vocabulary of social responsibility to explain their actions.

Insurance executives never intended to become the primary financiers of health care. They worried that insured patients had an incentive to request unnecessary health services. Furthermore, the American Medical Association (AMA) forbade insurers from overseeing physician work while requiring them to reimburse doctors for each service and procedure delivered (fee-for-service payments) rather than using salaries or per-patient compensation. Numerous alternative financing models existed, including health services managed by mutual aid associations, unions, consumer cooperatives, and doctor groups. However, AMA leaders endorsed the “insurance company model” during the 1930s and punished physicians who failed to conform, usually by having

³⁷ Lemuel R. Boulware, *The Truth about Boulwarism: Trying to Do Right Voluntarily* (Washington, D.C., 1969), 24, 61–62; Kim Phillips-Fein, *Invisible Hands: The Businessmen's Crusade against the New Deal* (New York, 2009), 97–105.

³⁸ For example, Edward S. Mason, “Introduction,” in *The Corporation in Modern Society*, ed. Edward S. Mason (Cambridge, Mass., 1959).

³⁹ This narrative draws heavily from Christy Ford Chapin, *Ensuring America's Health: The Public Creation of the Corporate Health Care System* (New York, 2015). See also Jacob Hacker, *The Divided Welfare State: The Battle over Public and Private Social Benefits in the United States* (New York, 2002); Jennifer Klein, *For All These Rights: Business, Labor, and the Shaping of America's Public-Private Welfare State* (Princeton, N.J., 2003); and Colin Gordon, *Dead on Arrival: The Politics of Health Care in Twentieth-Century America* (Princeton, N.J., 2003).

their medical licenses pulled.⁴⁰ Thus, for-profit or commercial insurers hesitantly entered medical underwriting believing that failure to support health care would leave it vulnerable to nationalization. Insurers also wished to assuage business clients who had repeatedly requested health insurance to supplement the life insurance and pension products they already bought as a means of providing employee fringe benefits and discouraging union organizing.⁴¹

Because of the costs associated with the insurance company model, firms severely restricted coverage. Commercial insurers generally limited sales to employee groups, which contained healthier subscribers than the broader population. As the nation emerged from World War II, about one-quarter of Americans had health insurance.⁴² Moreover, most policies covered only a portion of the hospital bill in case of an accident or serious disease. Through consumer pamphlets, speeches to employee groups, and billing inserts, insurers instructed policyholders to consider health insurance a “limited mechanism.”⁴³ Meanwhile, some industry leaders cautioned their colleagues against any further involvement with medical care.⁴⁴

President Truman and political allies cited the industry’s inability to mass produce reasonably priced, generous insurance policies as their primary reason for advancing government-managed, universal health care.⁴⁵ For example, the Committee for the Nation’s Health published

⁴⁰ Chapin, *Ensuring America’s Health*, chap. 1; Paul Starr, *The Social Transformation of American Medicine* (New York, 1982), 200–18, 290–91; Klein, *For All These Rights*, 122–25, 130–31, 153–54; Edward D. Berkowitz and Wendy Wolff, *Group Health Association: A Portrait of a Health Maintenance Organization* (Philadelphia, 1988); Rickey Hendricks, *A Model for National Health Care: The History of Kaiser Permanente* (New Brunswick, N.J., 1993); Ivana Krajcinovic, *From Company Doctors to Managed Care: The United Mine Workers’ Noble Experiment* (Ithaca, N.Y., 1997).

⁴¹ Klein, *For All These Rights*, 211–12; Hacker, *The Divided Welfare State*, 212–19; Gordon, *Dead on Arrival*, 20–21, 54–76. See also Memo to the President, “Medical Reimbursement Insurance,” 14 Feb. 1945, box 34C, RG 4, Equitable Historical Archives, New York (hereafter EHA); and “Keeping Up with the Social Planners,” *National Underwriter*, 1 Jan. 1943, 10.

⁴² Health Insurance Institute, *Source Book of Health Insurance Data* (New York, 1965), 11.

⁴³ Klein, *For All These Rights*, 242–43; Chapin, *Ensuring America’s Health*, 48–50; John H. Miller, “Basic Principles of Health Insurance,” in *A Look at Modern Health Insurance* (Washington, D.C., 1954), 49–57; Edwin J. Faulkner, *Health Insurance* (New York, 1960), 73; “Insurance Really Fulfilling Function,” *National Underwriter*, 8 May 1953, 23, 27; David M. Harris to R. D. Murphy, 27 Oct. 1950, box 42 A, RG 4, EHA.

⁴⁴ “ALC President Comments on New Role of A&H,” *National Underwriter*, 8 May 1953, 26; Arthur J. Offerman, interview by Odin W. Anderson, 26 Mar. 1971, transcript, Robert M. Cunningham Jr. Papers, private collection, Gaithersburg, Md.; “Terms Catastrophe Only True Insurance in Medical Field,” *National Underwriter*, 9 Feb. 1951, 17.

⁴⁵ U.S. Federal Security Agency, *The National Health, A Ten-Year Program: A Report to the President* (Washington, D.C., 1948), 7; Margaret McKiever to Margaret C. Klem, “Statements on Voluntary Health Insurance Made at Hearings on S. 1606,” 31 May 1946, General Correspondence, 1946–50, Records of the Social Security Administration (hereafter SSA),

editorials and pamphlets arguing that the proposed program would provide all citizens with comprehensive care, including preventative and diagnostic services, at lower costs than existing private coverage.⁴⁶

Truman's legislation ultimately failed. Yet it influenced private-sector development by establishing product standards that insurance companies attempted to meet to obstruct federal reform. During debates over the initiative, politicians advanced the idea that health insurance should cover the entire populace and provide liberal benefits. Consequently, insurers ignored ominous actuarial forecasts to significantly increase individual (non-employee-group) subscriber sales and to begin covering services delivered outside the hospital. Insurers stated two reasons for elevating their financial risks: defeating nationalized medicine and, when they wanted to appear less divisive, fulfilling their social responsibilities.⁴⁷ According to one industry analyst, the insurance executive believed he had "become in effect a trustee of public funds," and thus had "definite social responsibilities."⁴⁸

The numerous reform proposals offered during Eisenhower's two terms signaled to insurers that, according to policymakers, their industry was failing to satisfactorily insure citizens. Moderate Republicans and conservative Democrats who had opposed Truman's universal health care plan nonetheless accepted his critique of private insurance and thus sought to reorganize the market for broader coverage and lower costs. Health, Education, and Welfare Secretary Oveta Culp Hobby explained that although Eisenhower favored free enterprise, he would support reform "in matters where the resources of only the Federal Government are sufficient to assure economical and effective action."⁴⁹

By the mid-1950s, many insurance executives had a vested interest in health care underwriting. These insurers viewed federal initiatives as threatening because although the measures attempted to build on private-sector organization, they also promised to weaken commercial companies. Eisenhower's reinsurance legislation recommended federal

box 3, National Archives at College Park, Md. (hereafter NARA); I. S. Falk, "Old-Age and Survivors Hospitalization Insurance," "The Need for the Program," 25 June 1951, Commissioner's Correspondence, 1936–1969, SSA, box 38, NARA.

⁴⁶ Jerry Voorhis, "Money Spent Unwisely," *Committee for the Nation's Health Information Letter* (Mar. 1955), reel 1, microfilm, Michael Davis Papers, NARA.

⁴⁷ Hacker, *Divided Welfare State*, 225–31; Gordon, *Dead on Arrival*, 60–76; "Hipp Calls Experimentation Spirit Greatest Bulwark against Socialism," *Eastern Underwriter*, 16 Feb. 1951, 36; "Medical Insurance, Latest A&H Coverage a Fascinating Subject," *Eastern Underwriter*, 5 Jan. 1951, 29; Morton D. Miller, "Group Medical Expense Insurance," 7 Feb. 1951, box 32 A, RG 4, EHA.

⁴⁸ Frank Lang, "Insurance Research," *Journal of Marketing* 12 (July 1947): 66–71.

⁴⁹ "Address by Oveta Culp Hobby" (National Association of State Insurance Commissioners Meeting, June 10, 1954), box 7, F. J. L. Blasingame Papers, Truman G. Blocker Jr. History of Medicine Collections, University of Texas Medical Branch, Galveston.

underwriting to compensate insurers for financial losses related to coverage expansion. However, in addition to compelling companies to open their books to federal officials, the plan would have hurt commercial insurers by favoring their nonprofit competitors. Meanwhile, congressional members proposed an assortment of bills that would have improved coverage by financing either nonprofit plans or prepaid physician groups.⁵⁰

Publicly, insurers argued that the swift growth of private coverage rendered such legislation gratuitous. Behind the scenes, almost every trade publication and industry conference featured executives pleading with their peers to rapidly expand insurance.⁵¹ According to the Health Insurance Association of America (HIAA), the industry's goal amounted to "bringing about adequate medical care for the entire American public."⁵² This objective, included in the HIAA's 1956 blueprint for market development, was stunning given that only ten years earlier, insurance executives viewed even the most restrictive health care policies as financially perilous.

The industry hosted both corporate liberals, often the leaders of large northeastern companies, and conservative executives, who tended to hail from the Midwest. The doctrine of social responsibility resolved challenges for each ideological flank. More progressive businessmen claimed that firms should behave in a socially responsible manner by growing insurance coverage and considering how moderate governmental reforms might be tailored to bankroll such efforts. Orville F. Grahame, a self-described "liberal Republican," served as vice president of the Paul Revere Life Insurance Company in Massachusetts and held various HIAA leadership positions.⁵³ Grahame urged insurers to endorse his concept of "Capitalism Plus," through which companies would demonstrate "a philosophy of service to the public and to the interests we serve that goes way beyond Capitalism." As Grahame delivered speeches and corresponded with colleagues, some suggested alternative phrases such as "Creative Capitalism" or "Progressive Capitalism" to signify that businessmen had duties beyond profit

⁵⁰ Chapin, *Ensuring America's Health*, 50–56.

⁵¹ For example, "Shift to Offensive Will Put Stopper on Government," *National Underwriter*, 14 Sept. 1951, 1, 20; "A&H Companies Can't Operate in Vacuum," *National Underwriter*, 6 June 1952, 6; E. J. Faulkner, "Presidential Address" (Health Insurance Association of America [hereafter HIAA] Annual Meeting, Washington, D.C., 7 May 1957); V. J. Skutt, "Keynote Address" (HIAA Annual Meeting, Dallas, 16 May 1960); Paul B. Cullen, "No One But You" (HIAA Annual Meeting, Dallas, 17 May 1960).

⁵² Today the HIAA is known as America's Health Insurance Plans or AHIP. HIAA, "Blueprint of a Proposed Industry Program," Oct. 1956, box 18, Orville Francis Grahame Papers, University of Iowa Special Collections, Iowa City (hereafter OFGP).

⁵³ Orville F. Grahame to Joe S. Lassiter, 9 Nov. 1948, box 3, OFGP.

seeking.⁵⁴ For conservative insurers, “socially responsible” activities presented an opportunity for defeating any government encroachment on their domain. E. J. Faulkner, president of the Nebraska-based Woodmen Accident and Life Company, used the doctrine to oppose all federal reforms, no matter how modest. As the HIAA’s first president and leader of the industry’s conservative wing, Faulkner argued that expanding health insurance to prevent government programming represented “enlightened underwriting.” He believed fellow executives would “ultimately succeed in providing practically every insurable American with sound and adequate coverage” because of “the strong sense of social responsibility of this most American of businesses.”⁵⁵

Insurers also used social responsibility terminology to explain specific activities. Because small employee groups had fewer healthy subscribers to offset the cost of covering sick members, they posed greater financial risks than did large groups. When the company John Hancock introduced health insurance for businesses with fewer than twenty-five workers, a representative explained that executives had a “feeling of social responsibility to provide group benefits for small employers.”⁵⁶ In another instance, the HIAA directed member companies to experiment with noncancellable insurance, because policy terminations were widely seen “as depriving an insured of coverage at a time when he needs it most.” Although firms had long used policy cancellations to dump expensive-to-insure subscribers, HIAA literature requested that underwriters consider “the public interest as paramount.”⁵⁷

As they pursued “the social good,” insurers radically expanded both the breadth and depth of coverage.⁵⁸ Between 1945 and 1965, the number of Americans with health insurance increased from approximately 25 percent to almost 80 percent of the population. To achieve this growth, insurers significantly enlarged the individual-purchase market. Despite the higher likelihood of adverse selection

⁵⁴ Orville F. Grahame, “Capitalism Plus” (Annual Meetings of the Insurance Economics Society of America, 11 Oct. 1955); and Grahame to Abram T. Collier, 31 Oct. 1955; Bradley B. Gilman to Grahame, 31 Oct. 1955; Walter Donald Kring to Grahame, 3 Nov. 1955; Samuel M. Lane to Grahame, 23 Nov. 1955, all in box 29, OFGP.

⁵⁵ E. J. Faulkner, “Meeting Health Care Costs through Insurance,” *Journal of Insurance* 24 (Sept. 1957): 17, 22.

⁵⁶ “Group Insurance,” *Transactions of Society of Actuaries* 7 (Jan. 1955): 17.

⁵⁷ HIAA, “Blueprint of a Program of Research, Education, and Information,” 8 Mar. 1958, box 18, OFGP. Additional examples citing the industry’s “social responsibilities” include “Proposal to Establish the Health Insurance Association of America,” Dec. 1955, box 19, OFGP; HIAA, “Code of Ethical Standards,” Jan. 1957, box 19, OFGP; Charles E. Stevens, “Opportunities Unlimited” (HIAA Annual Meeting, 18 Nov. 1959), box 19, OFGP; and Milford A. Wieser, “Panel Discussion,” *Transactions of Society of Actuaries* 11 (Jan. 1959): 217.

⁵⁸ Frank O. H. Williams, “Speaking of Images” (HIAA Annual Meeting, 17 Nov. 1959), box 19, OFGP.

associated with such coverage, by the end of the 1950s, firms sold roughly one-third of policies to individuals. For many policyholders, health insurance evolved from a limited device that partially covered hospital bills into a means of paying most medical costs. Union leaders advanced this liberalization by negotiating for generous policy benefits, thereby raising the expectations of all consumers.⁵⁹

When Medicare debates gained momentum with the 1957 Forand bill, insurers obtained state enabling legislation that permitted their companies to bypass antitrust laws so that they could pool resources and share administration costs in order to cover the elderly. Between 1958 and 1961, insurers doubled the number of aged citizens with medical policies; almost three-fifths of seniors owned some form of coverage.⁶⁰ Employing these data to lobby against federal reform, HIAA officials praised their industry's ability "to do a real service job in the public interest."⁶¹

As predicted, the insurance company model drove up health care costs. When insurance financing took hold during the 1940s, medical costs began outstripping average annual increases in the Consumer Price Index.⁶² Commenting on the skyrocketing costs of elderly coverage, an executive with the Massachusetts Protective Association explained that companies "have felt it consistent with industry statesmanship and public relations to participate in certain coverages, being at the same time fully cognizant of the unlikelihood of their being financially profitable." He noted that such activities realized a "purpose of public service."⁶³

But social responsibility could only carry industry development so far. By the early 1960s, revenue losses had made many HIAA member firms reluctant to increase elderly coverage. Fearful of government programming, conservative insurers continued to urge coverage expansions, citing the industry's "responsibility to the public" and operation "in the public interest."⁶⁴ Grahame argued on behalf of insurers who favored legislation that would shift financially hazardous subscribers onto the government's ledger. Venting about conservative executives, Grahame

⁵⁹ Chapin, *Ensuring America's Health*, 114–18; Klein, *For All These Rights*; Health Insurance Institute, *Source Book of Health Insurance Data* (New York, 1964), 11, 14.

⁶⁰ Because of the high cost of insuring the elderly, this coverage was usually limited to hospital benefits. "The Extent of Insurance Company Coverage for the Medical Expenses of the Senior Citizen," Dec. 1961, box 22, OFGP.

⁶¹ Morton D. Miller, "The '65' Plans and Their Future," *Insurance Management Review*, 13 Apr. 1963, 39, RG 4, Secretary's Department, box 51C, EHA; Associated Connecticut Health Insurance Companies, "The Story of Connecticut 65," 29 Jan. 1962, box 15, OFGP.

⁶² Klein, *For All These Rights*, 217–28; Chapin, *Ensuring America's Health*, 154–60.

⁶³ Russell M. Stobbs to Grahame, 2 Aug. 1961, box 15, OFGP.

⁶⁴ John H. Miller to Travis T. Wallace, 1 Aug. 1958, box 18, OFGP; "Report to Board of Directors," Feb. 1965, box 25, OFGP.

charged that insurers “were not a meeting of the John Birch Society.” Corporate liberals ultimately refused to mount vigorous opposition to Medicare.⁶⁵

In 1965, policymakers created Medicare to provide the elderly with health insurance. Nonetheless, the activities undertaken under the banner of social responsibility had helped create a medical system built on very specific arrangements—the insurance company model.

Commercial Bank Mortgages

The mortgage industry attracted political attention because no other category of consumption showcased “the American dream” like home ownership. Commercial banks were one lending group among several that provided mortgages. They are ideal for evaluating the relationship between political development and social responsibility because unlike savings and loans and mutual savings banks, which focused almost exclusively on home mortgages, commercial banks catered to the credit demands of numerous customers, ranging from businesses to automobile buyers.⁶⁶ Since they often had more profitable avenues of investment available to them, commercial bankers resisted proposals to expand and liberalize government-insured mortgages.⁶⁷ As they opposed such initiatives, commercial bankers employed the principles of social responsibility to serve their political purposes. However, whereas insurers used social responsibility to impede any government impingement on their business, commercial bankers employed it to nigger over existing, largely beneficial federal programming. Because

⁶⁵ Grahame to Benjamin B. Kendrick, 13 June 1961, box 21, OFGP; “Minutes of the Meeting of the ALC-LIAA Joint Committee,” 8 June 1961, box 20, OFGP; “Minutes of the Meeting of the ALC-LIAA Joint Committee,” 16 Feb. 1961, OFGP.

⁶⁶ During the 1950s, commercial banks underwrote between 15 and 22 percent of home mortgages. Edward W. Reed, *Commercial Bank Management* (New York, 1963), 349; Marc A. Weiss, “Marketing and Financing Home Ownership: Mortgage Lending and Public Policy in the United States, 1918–1989,” *Business and Economic History* 18 (1989): 109–18. On the political economy of credit and the shaping of mass consumption, see Louis Hyman, *Debtor Nation: The History of America in Red Ink* (Princeton, N.J., 2011); Cohen, *Consumers’ Republic*, 121–24, 147–48; Jan Logemann, “Different Paths to Mass Consumption: Consumer Credit in the United States and West Germany during the 1950s and ’60s,” *Journal of Social History* 41 (Spring 2008): 525–59.

⁶⁷ Much of the history of government-secured mortgages explores how they promoted and shaped suburbanization while exacerbating urban decline and racial divisions. See, for example, Kenneth T. Jackson, *Crabgrass Frontier: The Suburbanization of the United States* (New York, 1985); Thomas J. Sugrue, *The Origins of the Urban Crisis: Race and Inequality in Postwar Detroit* (Princeton, N.J., 1996); Kevin Kruse, *White Flight: Atlanta and the Making of Modern Conservatism* (Princeton, N.J., 2006); Cohen, *Consumers’ Republic*, chap. 5; Matthew Lassiter, *The Silent Majority: Suburban Politics in the Sunbelt South* (Princeton, N.J., 2006); and David M. P. Freund, *Colored Property: State Policy and White Racial Politics in Suburban America* (Chicago, 2007).

government mortgage insurance had revitalized their industry at the nadir of the Great Depression and because corporate liberals dominated the industry's leadership, bankers pursued more limited political objectives than insurers and assumed fewer financial risks in the implementation of "socially responsible" policies.

In 1934, to reinvigorate the devastated residential market, Congress created the Federal Housing Administration (FHA) to coax banks back into home lending by offering them mortgage insurance to cover potential financial losses. Four years later, policymakers established a secondary market, the Federal National Mortgage Association (Fannie Mae). Fannie Mae purchased government-backed mortgages from banks, thereby freeing up assets to provide additional mortgages. Subsequently, the 1944 GI Bill granted the Veterans Administration (VA) authority to insure residential loans for returning soldiers. In exchange for decreasing lending risks, the FHA and VA programs required bankers to design mortgages according to certain specifications.⁶⁸ These provisions transformed mortgages from a product reserved for the upper classes into one for middle-income consumers. With a small down payment, home buyers could obtain a low-interest-rate mortgage with a lengthy repayment period and amortized, level monthly billing.⁶⁹

Following World War II, a swift increase in newly formed families and the nation's return to prosperity unleashed pent-up housing demand. In 1947, after a flurry of mortgage writing sopped up surplus money, banks began pulling back on mortgage lending.⁷⁰

This development combined with a housing shortage and rising unit prices to encourage calls for additional federal intervention. A diverse coalition of interest groups—representing progressive reformers, veterans, real estate agents, and home builders—wanted to facilitate home ownership by liberalizing federally insured mortgages for smaller down payments, longer repayment periods, and lower interest rates. Additionally, housing reformers and liberal Democrats promoted an expansive public housing program.⁷¹ Republican pressure made reform overtures

⁶⁸ For more on this early history of federal intervention in the housing market, including public housing, see Alexander von Hoffman, "The End of the Dream: The Political Struggle of America's Public Housers," *Journal of Planning History* 4 (Aug. 2005): 222–53; and Gail Radford, *Modern Housing for America: Policy Struggles in the New Deal Era* (Chicago, 1996).

⁶⁹ These terms applied to government-backed loans, which comprised almost 50 percent of the mortgage market by the 1950s. Lenders also began applying them to some conventional or non-government-insured loans. Gordon W. McKinley, "Insured and Guaranteed versus Conventional Mortgages," *Proceedings of the Tenth Annual Conference of the Mortgage Bankers Association of America* (New York, 1954), 84.

⁷⁰ Miles L. Colean, "Federal Mortgage Lending and Insuring Practices," *Savings and Loan News*, Feb. 1953, 10–11.

⁷¹ Von Hoffman, "End of the Dream," 222–53.

particularly threatening to commercial bankers. None other than Republican Senator Robert Taft, the renowned postwar conservative from Ohio, joined with Democrats to endorse augmenting federal control over the housing market. The Wagner-Taft-Ellender bill, first presented in 1945, sought, among other proposals, increased public housing, direct government-to-consumer loans for some mortgagors, and liberalization of federally insured mortgages.⁷² Taft stated that he favored these measures only because the private sector had “failed to find a solution” to the housing problem.⁷³

The American Bankers Association (ABA) joined with other lenders and real estate interests to combat an extensive public housing program.⁷⁴ Commercial bankers also fought direct government-to-consumer home loans, decrying them as the “socialization of credit.”⁷⁵ However, the ABA’s primary struggle, which placed it at odds with real estate and residential construction groups, was contesting measures to liberalize repayment terms for government-insured mortgages. Industry leaders feared that excessively generous credit terms would encourage unsound lending, inflate home prices, and create a housing bubble. Bankers warned that if the market declined under these conditions, debtors with little equity (owing to low down payments and long repayment periods) would abandon their homes rather than repay loans worth more than the property.⁷⁶

The fate of the Wagner-Taft-Ellender bill established a pattern for subsequent reforms. Though most Republicans opposed bold housing initiatives, a majority was willing to grant easier repayment terms for government-secured loans. Each year between 1948 and 1950, Congress passed legislative reforms; the Housing Act of 1949 was the most significant. Collectively, these bills financed a small public housing program, limited urban redevelopment, and expanded lending for rural properties. Most alarming to commercial bankers was new VA authority to

⁷² Phillip H. Hill, “Housing: Legislative Proposals,” *Law and Contemporary Problems* 12 (Winter 1947): 173–85; Alexander von Hoffman, “Enter the Housing Industry, Stage Right” (working paper Wo8-1, Joint Center for Housing Studies, Harvard University, Feb. 2008), 1–47; Richard O. Davies, *Housing Reform during the Truman Administration* (Columbia, Mo., 1966), chap. 3.

⁷³ Quoted in Davies, *Housing Reform*, 104.

⁷⁴ Davies, *Housing Reform*, 112–23; Von Hoffman, “Enter the Housing Industry,” 11–13.

⁷⁵ Lawrence Stafford, “Many Bank Matters Come Up in Late Session,” *Banking News* 42 (Sept. 1949): 38–39; William A. Marcus, “Creeping Bureaucracies in Home Loans,” *Banking News* 43 (Aug. 1950): 45–46, 130.

⁷⁶ “Reliance on Government Credit Guarantees Is Serious,” *Banking News* 39 (Aug. 1946): 66; *Hearings on S.866, Before the House Comm. on Banking and Currency*, 80th Cong. 1073–74 (1948); Paul Mazur, “The Economic Influence of Consumer Credit in Use,” *Proceedings of the National Consumer Credit Conference*, 2 Apr. 1955, 19–22; George M. von Furstenberg, “The Investment Quality of Home Mortgages,” *Journal of Risk and Insurance* 37 (Sept. 1970): 437–45.

directly lend to some veterans and the loosening of federally guaranteed mortgage terms. Policymakers reduced down payments from 10 to 5 percent of a house's total cost, lengthened repayment periods to twenty-five years, and pegged most interest rates at 4 percent.⁷⁷

As the decade closed, conservative legislators pulled back on Fannie Mae's funding and bankers lost their principal means of offloading government-backed mortgages. With the economy heating up and demand for business loans increasing, commercial bankers had little desire to enlarge the position of mortgages in their investment portfolios. FHA and VA mortgages provided banks with safe, steady income, but they also reduced liquidity and incurred relatively high administrative costs because of federal processing requirements. Most significantly, the earnings potential of government-insured loans was constrained by low, fixed interest rates that compelled banks to absorb the cost of changing monetary conditions. Consequently, the willingness of commercial bankers to extend government-insured loans corresponded to Federal Reserve policies. During periods of tight money, the interest rates of government-backed mortgages fell below the rates bankers could command for other credit lines, such as business, consumer, and conventional mortgage loans.⁷⁸

Because commercial bankers decreased home lending in response to tighter monetary conditions, they encountered political difficulties under President Eisenhower. Citing the inability of some consumers—particularly rural residents and minorities—to find lenders willing to offer them a government-backed mortgage, liberal policymakers continually, although unsuccessfully, attempted to strengthen Fannie Mae.⁷⁹ Commercial bankers claimed such reforms would destabilize the market by encouraging lenders to make faulty loans, which could then

⁷⁷ Davies, *Housing Reform*, 104–105; Mason C. Doan, *American Housing Production, 1880–2000* (Lanham, Md., 1997), 56–57. Taft distanced himself from the original Wagner-Taft-Ellender bill once President Truman endorsed it as central to his “Fair Deal” policies. Nevertheless, Taft helped guide compromise legislation through the Senate.

⁷⁸ Government-insured mortgages were a great investment for commercial bankers during periods of expansionary monetary policy, for example, in 1946. However, the Federal Reserve tightened the money supply several times during the 1950s. Michael W. Keran, “Naturalization of the Money Stock,” *Federal Reserve Bank of St. Louis Review*, May 1970, 15–18; Collins, *More*, 42–45; Lynne Pierson Doti and Larry Schweikart, “Financing the Postwar Housing Boom in Phoenix and Los Angeles, 1945–1960,” *Pacific Historical Review* 58 (May 1989): 187–88; Charles M. Haar, *Federal Credit and Private Housing: The Mass Financing Dilemma* (New York, 1960), 147–66, 168–69; George Conklin, “Competition Ahead for Mortgages,” *Proceedings of the Ninth Annual Conference of the Mortgage Bankers Association of America* (New York, 1954), 106–108.

⁷⁹ Sipa Heller, “Secondary Markets for Institutional Mortgage Lenders,” *Proceedings of the Sixth Annual Conference of the Mortgage Bankers Association of America* (New York, 1952), 46–53; “Housing,” *Banking* 51 (Sept. 1958): 90; “Fundless Fannie Mae Is Still Full of Life,” *Washington Post*, 27 Sept. 1958, 3.

be dumped on Fannie Mae.⁸⁰ Meanwhile, Eisenhower commissioned the Advisory Committee on Government Housing Policies. After reviewing the committee's report, the president requested a minor expansion of public housing and further liberalization of federally secured mortgages, particularly for the elderly and the poor.⁸¹ Democrats wrangled with Eisenhower for additional public housing units, increased government-to-consumer lending, and much more generous FHA and VA mortgage terms. Through numerous partisan battles and the Housing Acts of 1954, 1956, and 1958, policymakers continually eased the terms for federally backed loans.⁸² Commercial bankers lamented that the legislation moved the nation "much farther toward a state-directed credit system."⁸³

Throughout the postwar period, government officials used the language of social responsibility to prod bankers to expand mortgage lending. Raymond Foley, an administrator with Truman's Housing and Home Finance Agency, explained that as beneficiaries of federal insurance, bankers had a "duty" and "social responsibility" to increase mortgage loans.⁸⁴ Truman economic adviser Edwin G. Nourse called on bankers to demonstrate "social responsibility," warning that failure to support "deliberate promotion of easy credit" would result in additional federal programming.⁸⁵ Republican Senator Ralph Flanders of Vermont argued that bankers should support legislative reforms, including

⁸⁰ For example, Mortgage Bankers Association of America, *A Statement of Principles and Recommendations* (Washington, D.C., 1953), 2, 5–6; Louis Rub, "The Government as Mortgage Buyer," *Proceedings of the Sixth Annual Conference of the Mortgage Bankers Association of America* (New York, 1952), 59–65. The 1954 Housing Act reorganized Fannie Mae as a mixed-ownership corporation. The government owned preferred stock while mortgage lenders purchased common stock based on the value of loans they sold to Fannie Mae. To prevent unsound lending, the ABA lobbied officials to require banks to invest heavily in Fannie Mae. Thereafter Democrats unsuccessfully attempted to reconvert the organization back to a government agency. In 1968, Fannie Mae formally became a private organization.

⁸¹ Von Hoffman, "Enter the Housing Industry," 33–39; Bradford Hunt, "How Did Public Housing Survive the 1950s?" *Journal of Policy History* 17 (Spring 2005): 194; *Advisory Committee on Government Housing Policies and Programs* (Washington, D.C., 1953).

⁸² Richard M. Flanagan, "The Housing Act of 1954: The Sea Change in National Urban Policy," *Urban Affairs Review* 33 (Nov. 1997): 265; Von Hoffman, "Enter the Housing Industry," 30, 35, 41–42; Freund, *Colored Property*, 185–86; Lawrence Stafford, "Washington," *Banking* 49 (Oct. 1956): 37–39; John D. Morris, "Administration Gives Its Support to Coalition's Housing Program," *New York Times*, 20 May 1959, 2; "President Vetoes Housing Bill," *Wall Street Journal*, 8 July 1959, 4; Richard L. Lyons, "Ike's Housing Veto Is Upheld," *Washington Post*, 13 Aug. 1959, A1; "New Housing Act Held Compromise," *New York Times*, 27 Sept. 1959, R1.

⁸³ Miles L. Colean, "Toward More Government in Housing," *Banking* 46 (Apr. 1954): 49–50, 127; "The ABA Position on Mortgage Credit," *Banking* 46 (June 1954): 42; "Banks Not Public Utilities," *Banking* 46 (Apr. 1954): 45–46.

⁸⁴ "Housing Help Held a Duty of Bankers," *New York Times*, 16 Mar. 1949, 41.

⁸⁵ "Industry Itself Holds Key to How Far Government Will Go in Its Controls," *Wall Street Journal*, 27 Dec. 1948, 2.

more generous mortgage terms, because housing had “become a social responsibility.”⁸⁶ Similarly, President Eisenhower cited the “moral obligation” of private enterprise to provide Americans with “decent housing.”⁸⁷

Therefore, bankers attempted to defeat detrimental legislation by expanding the mortgage market and, like insurers, they accounted for their actions using terms of social responsibility. Despite tightening monetary conditions and the decreasing profitability of mortgages relative to other lending opportunities, as a proportion of banking deposits, real estate loans increased from 11 percent in 1945 to 32 percent in 1955.⁸⁸ A commercial banking primer explained that this growth occurred not because of revenue expectations, but for “social reasons.”⁸⁹ Industry leaders increasingly described banking as a “public service” and discussed mortgages in terms of “the public interest.”⁹⁰ Extending FHA and VA loans became a “grave responsibility” bankers had “to their communities.”⁹¹

To demonstrate this social responsibility, bankers began experimenting with innovative credit instruments. By the second half of the 1950s, investment liquidity was becoming a key industry concern. Although bankers had increased mortgage lending 337 percent between 1945 and 1955, savings deposits rose only 60 percent. Mortgages tied up resources while federal regulations capping the interest rates that commercial banks could offer depositors limited their ability to

⁸⁶ “Housing Measure Held U.S. Bargain,” *New York Times*, 5 May 1948, 50.

⁸⁷ “Eisenhower Cites U.S. Housing Duty,” *New York Times*, 12 May 1953, 29; “Texts of Eisenhower, Baruch, and Moses Talks at Housing Projects,” *New York Times*, 20 Aug. 1953, 16.

⁸⁸ Joseph R. Jones, “Home Mortgages and the Present Money Market,” *Banking* 49 (Sept. 1956): 39, 156–58. This figure includes government-secured as well as conventional mortgages.

⁸⁹ Reed, *Commercial Bank Management*, 351–52, 367; ABA, *The Commercial Banking Industry* (Englewood Cliffs, N.J., 1962), 220. Residential loans accounted for 28.5 percent of time deposits in 1960. This decrease demonstrates that although bankers shouldered increased risks to continue supporting the mortgage market, they were willing to go only so far during periods of tight money. See ABA, *The Problems of Commercial Bank Liquidity* (New York, 1957), 14.

⁹⁰ For example, “Savings and Mortgage Conference,” *Banking News* 42 (Apr. 1950): 82–84; “Consumers Credit Bankers,” *Banking News* 42 (May 1950): 52–53; “Financing Is Real Challenge,” *Banking* 46 (Mar. 1954): 91; “Serve Credit Needs; Seek New Ways,” *Banking* 46 (Mar. 1954): 100, 103; “Bankers’ Big Opportunity,” *Banking* 49 (Feb. 1957): 110; Reed, *Commercial Bank Management*, 351–52, 367; “Benefits of Mortgage Lending to Communities and Banks,” *Banking* 52 (Jan. 1960): 108; Lewis M. Smith, “The Expanding South,” *Proceedings of the Annual National Consumer Credit Conference*, 3 Apr. 1955, 90.

⁹¹ For example, J. Howard Edgerton, “Adequate Private Home Credit—Or Government Intervention?” *Savings and Loan News*, July 1955, 26–30; C. W. Green, “More Goods to More People,” *Banking News* 39 (Sept. 1946): 138; Richard O. Wiesner, “The Impact of Consumer Credit in the Community,” *Proceedings of the National Consumer Credit Conference*, 22 Mar. 1961, 20–28; “Need Seen for Bankers to Watch Credit ‘Danger Signs,’” *Banking News* 42 (Apr. 1950): 56–58.

attract additional capital.⁹² Seeking ways to manage the “political implications of consumer credit,” bankers intensified efforts to sell bundled mortgages to institutional investors such as pension plans.⁹³ The industry also introduced “interim mortgage financing,” or “mortgage warehousing,” to make short-term loans to real estate brokers and mortgage servicing institutions. These organizations, in turn, supplied consumers with temporary credit while they shopped around for a lender to support a government-secured mortgage. Although these loans entailed substantial financial risks, banking leaders urged colleagues to remember their “responsibilities.”⁹⁴

Commercial bankers also referred to social responsibilities when they established a national program to improve mortgage distribution. To frustrate attempts to expand either Fannie Mae or direct government-to-consumer lending, bankers needed to increase mortgage availability for rural residents and minorities. During debates over the 1954 Housing Act, lenders lobbied for and received authority to create the Voluntary Home Mortgage Credit Program (VHMCP). Under the VHMCP, large urban banks purchased government-backed mortgages from small community banks.⁹⁵ ABA leaders pressed members to participate in the VHMCP, arguing that they had a “responsibility” to implement a program that was “good for the community and the nation.”⁹⁶ Within two years, almost thirty-five thousand rural families had acquired mortgages through the VHMCP.⁹⁷ Yet this demonstration of social responsibility was mostly symbolic for black citizens. Although the VHMCP helped some African Americans obtain government-backed

⁹² Jones, “Home Mortgages,” 39. Between 1934 and the 1980s, Regulation Q of the Glass-Steagall Act prohibited commercial banks from paying interest on checking accounts and limited the amount of interest that they could pay on savings accounts.

⁹³ Kurt F. Flexner, “National Mortgage Market Outlook,” *Banking* 47 (Sept. 1954): 50–51; Walter S. Rosenberry Jr., “Major Current Problems,” *Banking* 47 (Sept. 1954): 50–51; Lowell C. Klug, “Tapping New Sources of Savings for Mortgages,” *Banking* 52 (June 1960): 101; ABA, *Commercial Banking Industry*, 220, 225; “FHA and VA Mortgage Study,” *Banking* 52 (Aug. 1959): 102–104.

⁹⁴ Kurt Flexner, “New Opportunities in the Mortgage Market,” *Banking* 52 (Aug. 1959): 43–44, 112; “The Workshop Session,” *Proceedings of the Eleventh Annual Conference of the Mortgage Bankers Association of America* (New York, 1954), 114–15; “FHA and VA Mortgage Study,” 102–104; Louis S. Finger, “Complete Financial Service,” *Banking* 52 (Apr. 1960): 43.

⁹⁵ Thomas L. Nims, “The Voluntary Home Mortgage Credit Program,” *Banking* 47 (Sept. 1954): 50; “VHMCP Calling All Banks!” *Banking* 46 (May 1954): 51–52; “VHMCP Aids Small Towns,” *Banking* 48 (May 1956): 148; “One Year of VHMCP,” *Banking* 49 (July 1956): 107–108, 122.

⁹⁶ Thomas L. Nims, “New Opportunities in Home Financing,” *Banking* 47 (Feb. 1955): 43, 144; Rodney Lockwood, “Are We Reaching the Saturation Point in Housing?” *Proceedings of the Tenth Annual Conference of the Mortgage Bankers Association of America* (New York, 1954), 18–28; Rosenberry, “Major Current Problems,” 50–51.

⁹⁷ “Direct Loan Agency Has Busy Quarter,” *Washington Post*, 13 Dec. 1958, D2; Maurice Foley, “Home Loan Plan Aids Small Towns,” *New York Times*, 22 Feb. 1959, R1.

residential loans, most banks limited mortgage availability for black customers—and when they did extend them loans, did so under more punitive conditions than for white customers.⁹⁸

While commercial bankers failed to serve all consumer groups, concepts of social responsibility helped them stymie federal efforts to centralize authority over the housing market. Bankers fought federal encroachments while retaining the public assistance of mortgage insurance by sponsoring government-secured loans, testing new credit instruments, and improving nationwide mortgage distribution—all in the name of social responsibility.

Conclusion

During the immediate postwar era, “social responsibility” and similar expressions—such as “moral obligation” and acting in “the public interest”—were used more frequently than the modern-day term “corporate social responsibility.” The phrase “corporate social responsibility” rose to prominence subsequently, during the late 1960s and 1970s. This rhetorical progression reflected the passage of time, which allowed the creed to gain additional currency and crystallize into commonly recognized principles. Additionally, the adoption of “corporate social responsibility” accompanied a change in why the doctrine was employed. Though critics had questioned the legitimacy of big business since the nineteenth century, within the context of the American economy rivaling communism, the place of corporations was relatively secure. With the rise of the New Left during the 1960s, hostility toward business became increasingly vocal and public. The Cold War consensus fractured. Under attack from labor, consumer, environmental, minority, and other rights-based groups, business leaders felt more threatened. As a consequence, the business offense against government intervention became more organized and aggressive.⁹⁹ Within that broader campaign, “corporate social responsibility” was an important, and now carefully honed, tool for arguing that corporations played a positive societal role.

What this narrative demonstrates is that where business leaders have consistently deployed the doctrine of corporate social responsibility, one should expect to find a complementary story about the political pressures they faced, pressures that compelled them to modify their profitmaking

⁹⁸ Lockwood, “Saturation Point in Housing,” 18–28; Stephen Grant Meyer, *As Long As They Don't Move Next Door: Segregation and Racial Conflict in American Neighborhoods* (Lanham, Md., 2000), 156–58. See also footnote 67.

⁹⁹ Benjamin Waterhouse, *Lobbying America: The Politics of Business from Nixon to NAFTA* (Princeton, N.J., 2013).

behavior. The examples of health insurance and commercial mortgages exhibit how frequent social responsibility discussions within a business community can denote actual institutional change within that economic sector as corporate representatives attempt to prove their concern for the public interest by attempting to fulfill the objectives of policymakers, even if they do so only partially. Scholars should therefore seek to better understand how the theme of corporate social responsibility often reveals a broader narrative about informal governmental power and American political development.

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