Public affairs, issues management, and political strategy: Opportunities, obstacles, and caveats

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Received: 28th June, 2001

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Abstract

This paper evaluates research in corporate public affairs, social issues management and political strategy, and theoretical integration of the three areas and also cross-disciplinary and cross-institutional collaboration, especially with business or government officials.

KEYWORDS: business–government relations, campaign finance reform, lobbying, issues management, political strategy, public affairs

> 'The principal virtue of a commentator is an easy brevity that does not involve obscurity.' (Jean Calvin, 1540, *Commentaires sur le Nouveau Testament,* 1894 edn, vol. 3, p. 1, cited by Cottret, 2000: 143).

The present author does not pretend to meet such a high standard, but it is proper to define one at the outset. Business and society studies is a set of related, but only loosely integrated, research streams, lacking a central intellectual paradigm and drawing conceptually and methodologically on multiple disciplines (eg, economics, history, law, moral philosophy, organisation science, political science, sociology). A noticeable theme in business and society literature is the admitted ambiguity of key concepts. Substantive progress takes place, but it is largely incremental, and strongly directed in the three sub-fields studied here by data availability and methodological tools.

Corporate public affairs, social issues management and corporate political strategy lie at the interface of business and society studies with political science. *California Management Review*, *Research in Corporate Social Performance and Policy* and *Business and Society* have performed a yeoman service in the development of these areas. The growing importance of the interface is marked by the new speciality journal *Business and Politics* (vol. 1, 1999) and the *Journal of Public Affairs* (vol. 1, 2001). Certain key concepts in political analysis bearing on this interface are ambiguous: access, influence, power and public interest. Political science has been transformed, in certain sub-fields relevant to the three areas of interest here, by economics (Miller 1997; Moe 1984; the speciality journal *Economics and Politics*, vol. 1, 1989). 'Surveys reveal a majority of Americans believing that government is run for special interests, not the public interest' (McChesney 1997: 1). There may be a widespread popular (Pharr and Putnam 2000) and media (Kollman 1998: 6) cynicism about government in the democracies, that McDonough, a seven-term state representative (Jamaica Plain, Boston) in Massachusetts (1985–97), attributes to misunderstanding of politics (2000: 2–3). Brendon (2000: xvi) remarks: 'Of course, to lie is human and deceit has always been the element in which

Journal of Public Affairs
Vol. 1 No. 4 & Vol. 2 No. 1, 2002, pp. 382–415

ISSN 1472-3891

politicians, more than most people, live ... Similarly the manufacture of illusion has invariably been part of the business of government.' This cynicism is arguably *not* shared by political scientists (Kollman 1998: 6), on the view that 'politics is the practice of democracy' (McDonough 2000: 5).

'Politics is the activity (negotiation, argument, discussion, application of force, persuasion, etc.) by which an issue is agitated or settled' (Banfield 1955: 304). *Public affairs* is the enterprise function, however organised, that interacts with government (ie, governmental and regulatory affairs addressing public policy as distinct from legal affairs) and media (ie, public relations). Public affairs deals with the legislative and executive branches (the latter including regulatory agencies) at all levels of government (Fleisher 1993, 1995, 1997; Griffin 1997; Hoewing 1999; Lenn 1995; Mahon 1982; Meznar and Nigh 1995; Post 1995). *Issues management* is the process of addressing specific stakeholder issues (including investor relations), viewing society and governments as stakeholders (Kaufman *et al.* 1993; Kaufman and Marcus 1987). A particular issues management process may fall within a specific corporate function or cut across several functions (eg, governmental affairs, investor relations, legal affairs, media relations). *Political strategy* has both a narrow and a broad connotation. Narrowly viewed, political strategy (Aplin and Hegarty 1980; Dunlap 1980; Ellison and Mullins 1995; Lord 2000; Maitland 1985, 1986, 1987) is the deliberate attempt by the firm to influence the politically relevant elements of its external environment, whether that attempt reflects planned choices or emerges in specific actions. ('When the parties to an issue engage in contention, each employs a strategy, ie, each decides what he will do to influence or counter his adversary' [Banfield 1955: 307]). Broadly conceived (Paul 1987; Mitnick 1993; Shaffer and Russo 1997), political strategy (arguably merging conceptually if not practically with market strategy) is the alignment (or absence of alignment) between a firm and its external environment, however that relationship develops. Baron (1995: 48) defined non-market environment broadly: 'The social, political, and legal arrangements that structure the firm's interactions outside of, and in conjunction with, markets' (cited by Boddewyn 2000: 3). Public affairs is logically a subordinate element of political strategy. Even where not strictly speaking a subordinate element of political strategy, issues management typically impinges on political strategy — and thus on public affairs, as many social issues will involve government and media, whether directly as immediately interested parties or indirectly through effects on other stakeholders to whom government and media will be responsive.

Research into corporate public affairs, social issues management, and corporate political strategy deals with three related areas that are but poorly integrated theoretically and empirically; nor has there been markedly productive cross-disciplinary or cross-institutional collaboration. There is no such thing in political action as *the* business sector. There are important cleavages between large corporations and small-medium businesses (Cook and Barry 1995; Cook and Fox 2000), as well as among different types of businesses (eg, agriculture, health, professions) and industries. Both US political parties rely on big business contributors, the party affiliation differing by industry (Page and Simmons 2000: 72), with organised labour being less important (2000: 69). In the 1995–96 electoral cycle, business gave $147m to political action committees (PACs) — 70 per cent to Republicans); labour gave $49m — 92 per cent to Democrats (Page and Simmons 2000: 69–70, citing other sources). Vogel (1996b: 148) notes that much of business political activity is focused on *interfirm* competition (to which one might add protection of monopoly power vis-à-vis consumers, employees, and suppliers) rather than on building and exercise of business 'power' as a sector of society (see Gale and Buchholz 1987).

The remainder of the paper is organised in the following manner. Table 1 summarises main conclusions concerning opportunities, obstacles, and caveats. The second section addresses research opportunities. The third section addresses research obstacles. The fourth section addresses the current state and future prospects for reform in business-government relations, especially with respect to campaign finance and lobbying. Reform would appear to be a critical test of whether knowledge progress, of practical import, is being made. The final section considers caveats about scholarship in these three areas. A key question is what competitive advantage does business and society scholarship bring.

SOME OPPORTUNITIES FOR RESEARCH

The study of business political action, whether in the direct context of governmental and media affairs or in the indirect context of social issues management impinging on government and media, is a field rich with nearly inexhaustible opportunities. Business political activity is both ubiquitous and continuous (Boddewyn 2000: 1, citing Epstein 1969: 100). There is always political action and issues management by firms, concerning valuable economic outcomes; and specific issues, arenas, modes, and outcomes by industry and profession are diverse and change with social conditions. Firms have (intentionally or not) political strategies (to influence or ignore governments and media). Key opportunities would appear to lie in: (1)

Table 1: Opportunities, obstacles, caveats

Opportunities	*Obstacles*	*Caveats*
Conditions		
Continuous business and stakeholder political activity	Paucity of historical context	Poor 'inside' knowledge access
Changing content and process of public policy	More sophisticated economic and game theory models	Conceptual ambiguities • influence • power • public interest • responsibility
Continuous social and stakeholder issues agitation	Difficulty of serious political reform	Disputes about • beliefs • opinions • values
	Labour intensity of new data development not already public	
Possibilities		
Unresolved relationships among fields and approaches	Journal gatekeeping	
Event studies	Intellectual fragmentation of a large and diverse multi-topic literature	
Comparative and international topics	Multidimensionality of political activity	
Historical studies		
New data collection		
State-local governments		
Industry studies		

literally more of the same in established areas; (2) identification and exploitation of weaknesses in the literature — especially comparative, international, historical, state-local government, firm and industry cases; (3) application of more sophisticated methodologies and perspectives; (4) development of new data sources not yet exploited (likely labour intensive effort); (5) better integration of market and non-market perspectives; (6) deeper theory development and conceptualisation; (7) multidimensionality; (8) cross-disciplinary efforts; (9) cross-institutional efforts with practitioners. The Federal Election Commission (FEC) and the International Trade Commission (ITC) provide certain types of relevant data, as do certain watchdog or other interested organisations. A better sense of the history of business-government relations would be desirable (Ballam 1994; Blocker 1976; Cadman 1949; Hofstadter 1963; Jenks 1917; Kerr 1985; Kovaleff 1980; McCraw 1981, 1984; Odegard 1928; Olasky 1987; Swenson 1997; Thompson 1985; Tompkins 1956; Trachtenberg 1982; Wood 1986; and the monumental Himmelberg 1994).

Assessing the developmental history, current state, and future directions of the existing literature is a much more difficult task. The literature (not all captured by any means even in this symposium's references) is voluminous and spread across various disciplines listed earlier; this review does not pretend to be comprehensive. Fuller bibliographical information can be found in Griffin *et al.* (2001a, 2001b), in this journal. (The author apologises in advance to any colleague, or other scholar, who feels improperly omitted from or mischaracterised in this brief survey; not everyone and everything can be covered here.) There are various important scholarship success stories reported below. As Vogel (1996b: 149) noted, the largest piece of this literature in the 1970s and 1980s focused (following the Federal Election Commission Act 1971 and Amendments 1974) on corporate PACs (Epstein 1984), on which the FEC reports data. Key developments since then have been renewed attention to international trade policy (NAFTA being an important driver) and efforts at integration of market (ie, economic) and non-market (ie, political) dimensions. The extant work seems to separate naturally into issues management and public affairs (almost exclusively the province of business and society scholars) and political strategy (in which multiple disciplines have dabbled, due partly to data availability and partly perhaps to the natural extendibility of economics to anything that can be conceptualised as a 'market'). The extant work might be separated (very crudely) into three phases: (1) early and seminal (first generation) — including the categories of business-government relations, classics, corporate social responsiveness (CSR2) and social issues management, PACs, regulation; (2) more internationalised (second generation), with linkages to tax policy; and (3) more theoretically oriented and methodologically sophisticated (or third generation) — now underway, with emphasis on understanding relationships with economic and strategic management perspectives and the problem of multidimensionality of political action.

There is a useful distinction (which this author did not invent) between two research strategies that can be termed 'low-hanging fruit' and 'fundamental theory development.' These two research strategies perform differently over time — matching the 'maturity' of a topic or area. By maturity, the author means only movement from 'low-hanging fruit' to 'fundamental theory development' research. Maturity does *not* necessarily mean tangible progress in the sense of substantive knowledge or social contribution. Early in a developmental history, there is opportunity for publishing by picking 'low-hanging fruit': simple concepts, tools, and data suffice for developing a good scholarly reputation and contributing to knowledge and practice. Moreover, 'fundamental theory development' likely suffers in comparison as long time lags and difficulties in publishing and interpretation will often be encountered. Later in a developmental history, when the 'low-hanging fruit' have been exhausted, 'fundamental theory development' is a necessity, and often occurs through criticism of earlier literature on the bases of richer concepts, tools and data. (Criticism may be callous in disregarding the difficulties faced by earlier researchers.) The three research areas addressed here appear to be approaching maturity, in the sense of greater sophistication and greater difficulty (substantively and methodologically).

With respect to business and society literature (in several areas of which Vogel (eg 1978a, 1989, 1991) has consistently been a key contributor, including editorship of *California Management Review*), the first phase may be captured roughly as follows. (Particular authors are used mostly to demarcate areas: the literature is broader and deeper.) Keim helped pioneer in applying public choice (Keim 1981, 1987; Keim and Zeithaml 1986) and principal-agency (Keim and Baysinger 1988) perspectives to corporate political strategy (Zeithaml and Keim 1985) including PACs (Masters and Keim 1985) and grassroots corporate constituency mobilisation (Baysinger *et al.* 1985, 1987; Keim 1985; Keim 1996). Marcus studied regulation processes (1987a, 1987b) and growth of the corporate affairs function (Marcus and Irion 1987a, 1987b; Marcus and Kaufman 1988). He introduced the study of corporate planning in relationship to political-economic cycles (Marcus and Mevorach 1988; Young *et al.* 1990). Preston and Post (1975, reviewed by Oberman 1996) argued in favour of public policy rather than corporate social responsibility (CSR1) for setting corporate obligations. Mahon, Post and Wartick have been important pioneers in corporate social responsiveness (CSR2) and social issues management literature (Bigelow *et al.* 1993; Epstein 1987; Mahon 1983, 1989, 1993; Mahon and McGowan 1996; Mahon and Post 1987; Mahon and Waddock 1992; Post *et al.* 1982; Post 1985; Wartick and Cochran 1985; Wartick and Mahon 1994; Wartick and Rude 1986). CSR2 remains a difficult problem, in that Frederick (1978 [1994]) portrayed it as progress relative to normative CSR1. Characterising progress in the responsibility-responsiveness-performance area appears difficult (see Mitnick 1995). The literature is either conceptually abstract or case study oriented.

In phase two of the business and society literature, Lenway (working with Rehbein, Schuler and others) helped pioneer (see Hansen 1990; Wood and Pasquero 1997) in the international trade policy area (Hughes *et al.* 1997; Jacobson *et al.* 1993; Lenway 1985; Lenway and Crawford 1990; Lenway and Murtha 1994; Murtha and Lenway 1994) with particular attention to steel industry efforts at obtaining protection (renewed in the Bush Administration [AP 2001b]) within a choice between legislative lobbying and ITC relief petition (Lenway *et al.* 1990a and 1990b 1996; Goldstein and Lenway 1989; Lenway and Schuler 1991; Rehbein and Lenway 1994). Lenway and Rehbein (1991) investigated the differences in behaviour of industry leaders, followers, and free riders in political activity. Such work draws on Olson's (1965) classic analysis of the difficulties of organising collective action where individual benefits do not significantly exceed individual costs (see Knoke 1990). As with individuals, firm political choices and politicians' behaviour might be addressed in terms of costs and benefits of specific activities and of transaction costs affecting contracting. Choice resolves into activity (first mover or follower) — implying salience, or no activity — implying zero salience or free riding. Activity can be episodic, or building and maintenance of continuing relationships; activity can take various forms (eg, information, money, constituency mobilisation, signalling). 'Leaders' (eg, individuals, firms, trade associations, activists) may however be those with ideological or psychological commitments to actions having relatively little economic benefits in the conventional sense. Comparative work (in the sense of both other countries and cross-national comparison) became active in the 1980s and 1990s, as well (Alexander and Shiratori 1994; Campos and Gonzalez 1999; Chaudhri and Sampson 2000; Coen 1997; Garrity and Picard 1994; Giebelhaus 1980; Mazey and Richardson 1993; Pedler and van Schendelen 1994; Stewart 1958). Other international comparison work (see Goldstein 1993; Vogel 1986, 1995) focusing for present purposes especially on the interaction between multinational enterprises (MNEs) and multiple governments in a global economy can be found in Hillman and Keim (1995), Boddewyn (1988), and Boddewyn and Brewer (1994). Quinn published in key political science journals on testing the power of business (the Lindblom hypothesis 1977; see Quinn 1988; Brady 1947) in political involvement with government in a number of arenas including trade liberalisation (Nollen and Quinn 1994), financial industry liberalisation (Quinn 1997; Quinn and Inclan 1997; Quinn and Jacobson 1989), and taxation (Quinn and Shapiro 1991a, 1991b).

In the current phase three of 'maturity', recent literature reflects rising conceptual and methodological sophistication and diversification of topics addressed. Rehbein and Schuler followed Lenway's lead into the steel industry's political involvement (Rehbein and Schuler 1995, 1999; Schuler 1996). But importantly they have been working on the conceptual foundations of this research area. They have used the notion of the corporation as a 'filter' (Schuler and Rehbein 1997; Schuler 1999; Schuler *et al.* 2001) in a multidimensional interaction in which firm-specific organisational characteristics mediate between environmental conditions and political choices. (Shaffer and Hillman [2000] examine political strategy in diversified firms, facing multiple markets and political environments.) Despite proposed conceptual linkages to Cyert and March's (1963) behavioural theory of the firm, notions of internal slack may prove difficult to operationalise and test.

Schnietz and Schuler (1999) used event study methodology (Holman *et al.* 1990) to evaluate participation in foreign trade missions (US Department of Commerce) of the Clinton Administration. Participating public firms experienced no significant abnormal stock returns. Suggested possibilities include broadly diversified political activity, interaction with competitor firms outside the scope of antitrust regulation, executive perks, very low cost for a potentially valuable lottery, and so on. A key lesson, however, is simply that much of political strategy may not register with investors. Schnietz and Oxley (2001) apply event study methodology to the 1997 demise of fast-track trade authority (see Schnietz and Nieman 1999). Bowman *et al.* (2000) studied the effects of regulatory threats to the pharmaceutical industry during and following the 1992 presidential election. Using an event study methodology, they found negative announcement effects on equity value around three regulatory threats, and that more negative abnormal returns were associated with measures of political vulnerability (higher advertising expense and lower R and D expenditure).

The core model for studying business political activity posits that corporations operate continuing political strategies (see Getz 1993) through (1) lobbyists (including permanent Washington, DC, offices), who both (a) monitor public policy issues and (b) convey corporate positions to legislators, officials, and staffers, and (2) access purchased through campaign and other contributions (hard and soft money). (The relationship between access and influence is complicated — Loftus (1994: 40); and may depend on absence of countervailing effort by competitors, lack of salience to public opinion, or lack of ideological commitment of legislators). Assuming that legislators are most concerned with re-election (Fiorina 1977), then (3) developing grassroots support through corporate constituencies is important, but (4) ad hoc efforts will be largely unsuccessful relative to self-interest mobilisation of constituencies through education and information. This core model suggests a long-run, targeted investment strategy (and some empirical studies reach that conclusion). Other approaches are CEO testimony and direct lobbying (Davis 1998), participation in government-sponsored trade missions, influencing media, and so on.

Getz (1997) made an assessment of PAC research as of that time (see also Gray and Lowery 1997). A great deal of empirical work has been published in the economics literature on the strategic rationality and political influence effects of corporate political activity, particularly the functioning of business PACs (Florence 1999; Gawande 1998; Grier and Munger 1991; Grier *et al.* 1991; Heywood 1998; Kroszner and Stratmann 1998; McKeown 1994; Poole *et al.* 1987; Snyder 1992; Stratmann 1991, 1992, 1996, 1998; Taylor 1997; Vesenka 1989; Zardkoohi 1985). There are equally important political science (Salamon and Siegfried 1977; Austen-Smith 1995), public choice (Keim and Zardkoohi 1988), and sociology literatures. Chressanthis and Shaffer (1991) concluded that (1) total spending affected the election return and margin of incumbent US Senators (1976–86), (2) accumulation of war chests, including PAC support, did not deter competition, and (3) voters did not respond negatively to PAC campaign support. Goddeeris (1989) found that in 320 House seats (1978) contributions by nine large PACs went significantly to incumbents, suggesting payment for past or present favours. (Otherwise, PACs strategically should focus on close races.) The rational investor approach assumes that firms seek to acquire influence over policy outcomes on an expectation of some economic return. (Similar research on union PACs, not cited here, is often published in the *Journal of Labor Research*. Labour union political action received early attention [Gaer 1944; Calkins 1952; Foster 1975].) As Banthin and Stelzer (1986) point out, the empirical evidence is at best weak. They suggest, as an alternative explanation, that legislators have political principles (or ideological beliefs) and personal commitments. The implication is that business PACs direct (or should direct) money to legislators with whom they are compatible in terms of such principles and commitments. (Those authors argue that this alternative explanation gives a different perspective on the morality of business-politics relationships.) 'It is clear . . . that money makes a difference to electoral outcomes' (Page and Simmons 2000: 70). 'In the end, however, the most persuasive evidence of interest group influence is of a more historical or journalistic sort' (Page and Simmons 2000: 70).

In a very useful extension of traditional interest-pressure group theory, Kollman studied the increase in mobilisation of public support among constituents, a matter not well understood or investigated (1998: 7). Such mobilisation tends to be organised rather than spontaneous (Kollman 1998: 3). Public opinion mobilisation is increasing (1998: 3). Interest groups seek both to mobilise support outside the policy-making community and to signal such support inside that community (1998: 2). Kollman studied NAFTA 1993 ('Lobbying over Trade Policy': 133–54) and health care 1993–94, using public opinion information on specific issues (available through Roper Public Opinion Archives at the University of North Carolina) combined with lobbying information for 50 interest groups (developed from the 1991 Washington Information Directory of the CQ Press, the 1990 American Lobbyists Directory of Gale Research, and the

1992–93 Public Interest Profiles of the Foundation for Public Affairs and CQ Press) and interviews. The NAFTA treaty approval process was revealing. An 'unprecedented' business coalition assembled to support NAFTA, which proved not to be a very salient issue to voters. About $8m was spent to generate 500,000 communications to Congress (an average of $16 per communication) (Kollman 1998: 145). The president already supported NAFTA (Kollman 1998: 146–48). Labour unions and environmentalists were unsuccessful in resistance (environmentalists were evenly split concerning Mexico): 'There was not one case in 1994 where labour unions could follow through on their threat to defeat a proNAFTA Democrat in the primaries' (Kollman 1998: 154).

> 'Research . . . has focused on why government policy is important to firms' profitability . . . the objectives of firm political activity . . . the types of firms likely to become politically active . . . the institutional context of political strategies . . . and the various tactics available to firms in the political marketplace . . . (Hillman and Keim 2000: 3).

The latest conceptual developments are in the integration of market (ie, economic) and non-market (ie, political) strategies, involving the interfaces among economics, political science, and strategic management. Baron (1997, 1999, 2000) has been a pioneer in this area (see Marx 1992; Shaffer *et al*. 2000; Shaffer and Russo 1998; Zeithaml *et al*. 1988). The foundations lie in regulation research. Stigler (1971, 1972, 1974) reformulated the 'economic theory of regulation' as a model of government-created monopoly substituting for a private cartel agreement. Later literature focused more broadly on rent creation (Posner 1971, 1974; Peltzman 1976; Becker 1983; Peltzman 1989; Aranson 1990). 'The economic theory of regulation . . . put public interest theories of politics to rest' (Kalt and Zupan 1984: 279). 'In the economic theory of regulation, rent creation is to rent extraction as, more generally, bribery is to extortion' (McChesney 1997: 31): private interests pay to obtain or pay to avoid monopoly opportunities — and then continue to pay. Peltzman and Becker considered that consumers have a preference for lower prices forcing politicians to reduce gains to producers (McChesney 1997: 135). Boddewyn (2000) proposes a political and organisational economics integrating business political behaviour in the non-market task environment and strategic management behaviour in the market task environment treating legitimacy as a strategic goal and seeking sustainability in obtaining rents. He proposes not the study of political action in isolation but longitudinal integration of economic and political behaviours (Boddewyn 2000: 47) in three markets: factors, strategic factors, final products. Hillman and Keim (2000) extrapolate the resource-based view (assuming heterogeneous resources) into a theory of political capabilities and competitive advantage in the political marketplace (see Boddewyn 1993). Hillman and Keim proceed from Hillman and Hitt's (1999) typology of political strategy formulation apprehended as three generic strategies: (1) information strategy including lobbying, reporting research results, testifying, polling; (2) financial incentive strategy, including campaign donations, PAC contributions, honoraria, paid travel, future employment; (3) constituency building, including grassroots mobilisation of stakeholders, advocacy advertising, public image or relations advertising, and political education efforts. While the financial incentive strategy is readily imitated, it still elicits some action; information strategy may depend on reputation or credibility and draw on internal lobbying expertise and effectiveness; constituency building involves creation and maintenance of a network of relationships and is thus difficult to imitate, while other elements depend on reputation or credibility. The authors postulate that these strategies yield political capabilities and competitive political advantage in the highest to lowest-order constituency building, information, and financial incentive. Configurations of the three strategies will vary, and contingent combinations may yield the highest capabilities and advantage.

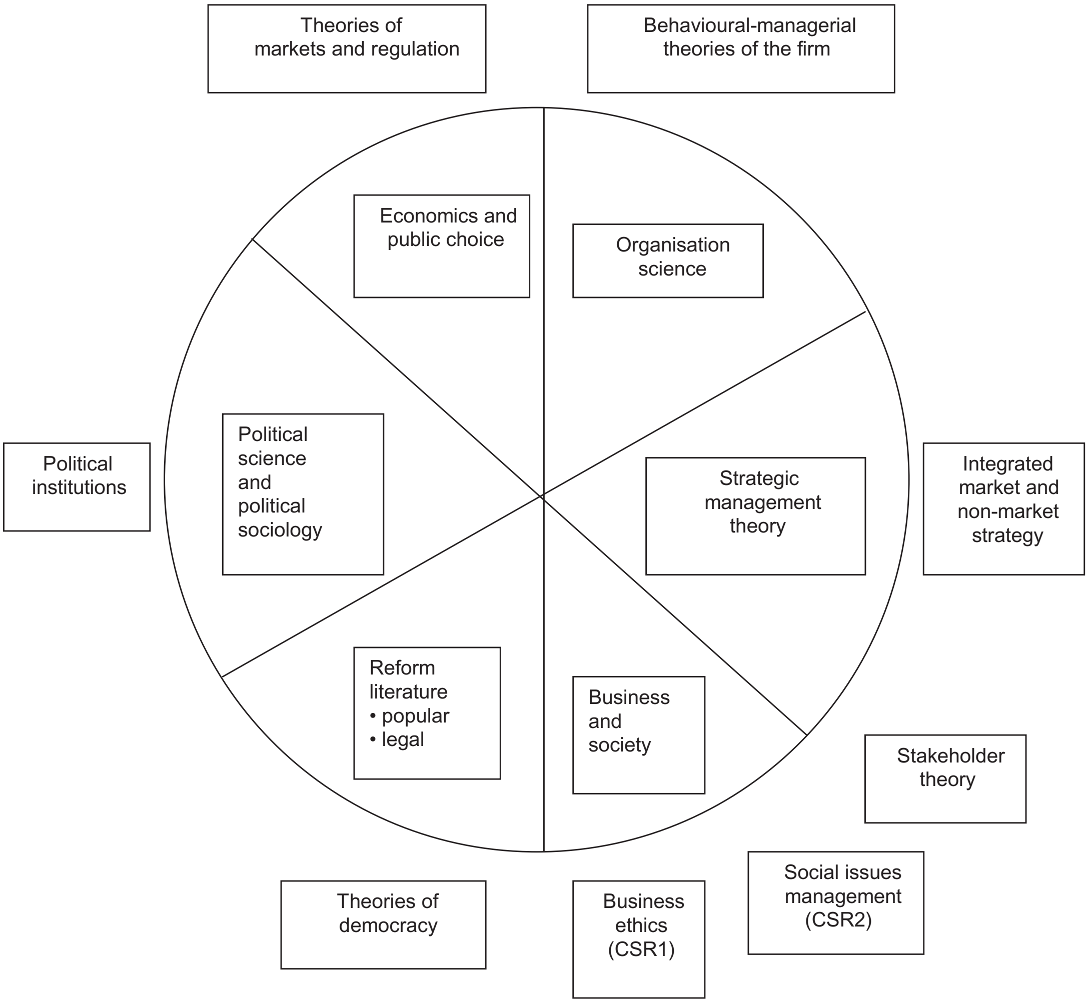
SOME OBSTACLES TO RESEARCH

If there are multiple opportunities, there are some significant barriers to research, both in terms of execution and contribution. Some obstacles to research are inherent in the nature of politics and government, some obstacles are due to the paucity of useful data (other than PAC, ITC or public opinion) or qualitative information, and some obstacles are internal to the current state of development of business and society studies and political science. The Japanese-developed framework known as Hoshin strategic planning (Cowley and Domb 1997: 6) envisions a strategic direction (upward over time, of course, in terms of performance metrics) along a rockstrewn path. (A road does not exist, but must be built year by year.) That path, seen from the start point, is littered with big boulders and small rocks. Forward progress involves continuous improvement (ie, steady removal of small rocks) and focusing annually on some big boulder to which focused managerial attention should be directed for mobilisation of organisational resources. While participatory strategic planning processes are used to address such problems (*within* a strategic direction and vision set by top management), management involves coordination. A community of scholars is quite different, in the sense that there is no participatory planning process and no top management directioning. Every scholar tries to judge what is of personal utility given community conventions, revolutionary breakthrough possibilities, and publishing constraints (including critical reviewing by other scholars).

A key impediment to scholarly progress has been and remains intellectual fragmentation across multiple disciplines and areas of interest: 'While we have clearly learned much about this important subject, the intellectual fragmentation of this field prevents it from realising its full scholarly potential' (Vogel 1996b, abstract). A rough mapping of the intellectual terrain is sketched in Figure 1. This author found a challenging task in simply identifying an approximate core of the relevant literature. Fragmentation may fall afoul of the well-known phenomenon of journal gatekeeping. The figure segments the literature into business and society (focused on business ethics and responsibility, social responsiveness and issues management, stakeholder theory), economics and public choice (including regulation and political 'markets'), organisation science (especially behavioural-managerial theories of the firm), political science and political sociology (political institutions and interest-pressure groups), a diverse reform literature (especially popular and legal, drawing on a theory of ideal democracy), and strategic management (focused on integration of market and non-market strategies).

Two general frameworks can be delineated (Boddewyn 2000: 47). The earlier approach — grounded in political science and political sociology — deals with political action by individuals, groups, firms, and industries in isolation (public affairs, issues management, political strategy). This approach assumes the institutional and interest-pressure group fabric of democratic states. The latter approach — arising in the application of economics and game theory to political science, organisational science, and strategy — examines the longitudinal integration of market (ie, economic) and non-market (ie, political) behaviours into a more unified strategic management theory. This integration has not been accomplished, as market and non-mar-

Figure 1: Multidisciplinary sources of research into business political activity

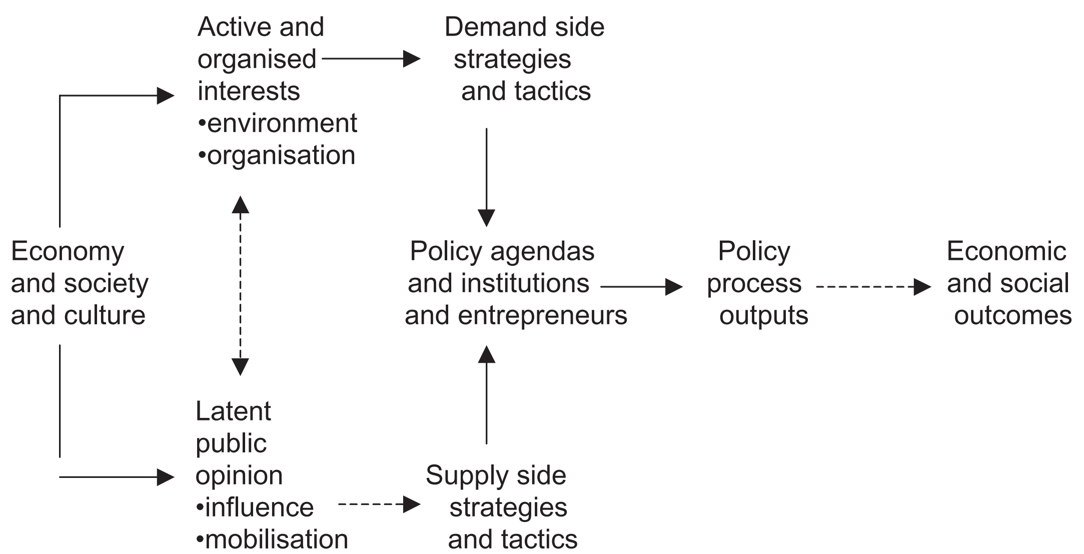


ket strategies have been viewed separately (Boddewyn 2000: 2). While conceptualisation has shifted toward environmental and organisational characteristics in interaction shaping the strategic value of political capabilities and the selection of political activities as investment options, what constitutes strategic management in a purely market environment is hardly a resolved matter. The two approaches — political and economic — are themselves not integrated. Aranson and Ordeshook (1985) offer a systematic critique of both welfare-economic and interest-group theories of government. They argue that welfare economics (the theory of public goods and property rights) has essentially become an ideology advocating private benefit programmes but lacking in incentives for actual accomplishment. They argue (contrary to James Madison (subsequently President of the US) in his political essay later called 'Federalist No. 10' (published as part of 'The Federalist Papers' written by supporters of federalism during the debates on adoption of the US Constitution) that interest-group disputes do not serve public purposes and that dispersion of interests across small factions is a source of inappropriate policy outcomes.

There are several lacunas in the literature. One is the apparent paucity of good historical context, including anything approximating developmental histories of the literature (a sure sign that scholars are too busy doing cutting-edge inquiry). Vogel (1996b: 148) noted that the 1960s might or might not reflect hidden business power, while the 1970s apparently saw political mobilisation of business (Akard 1992; Martin 1994 — cited by Vogel 1996b: 161, n. 10). Key reviews of literature include Epstein (1980), Preston (1986) and Vogel (1996b). In the international trade policy area, one should see the work of Schnietz (1994, 1996, 1998, 2000) on the 1916–34 era in which the foundations of modern US 'free trade' policy were laid down. One of the key coming areas addresses cross-national comparison (developed in the 1980s) and international trade (developed in the 1990s). Yet these areas may require specialised knowledge of other countries and theories bearing on international trade and investment. The construction industry in Japan is notoriously corrupt, as well as in financial difficulties and seeking bank debt waivers (Hijino 2000). Shareowners demanded auditors of two of the companies (Hazama and Kumagai Gumi) to file suit for making political contributions when dividends were not being paid.

Business and business-stakeholder political activity is arguably a multidimensional subject matter (Schuler and Rehbein 1999; Schuler *et al.* 2001), dimensionality exacerbated in comparative and international settings. Figure 2 illustrates the situation schematically. Each nation's public sector is presumably grounded in its economy, society and culture in some form. It is conventional to distinguish between active and organised interests on the one hand, and what this author will term latent public opinion on the other hand. Public opinion is not without influence, and might be mobilised, albeit at high cost unless an issue is highly salient to the citizenry. The study of business political activity by business and society specialists and economists generally examines demand-side strategies and tactics for accessing and then influencing policy agendas (Kingdon 1984) and then institutions so as to obtain favourable policy process outputs. It is conceivable that politicians and bureaucrats operate as

Figure 2: The multidimensionality policy-making system of democratic polities



entrepreneurs rather than simply being pressure responders. Politics is essentially 'an entrepreneurial function' in arranging a system of agreements through provision of incentives or inducements, positive or negative (Banfield 1955: 309). Government has a monopoly of official action. Political scientists have also examined supply side strategies and tactics of politicians and bureaucrats. The linkage of those outputs to economic and social outcomes may be quite loose.

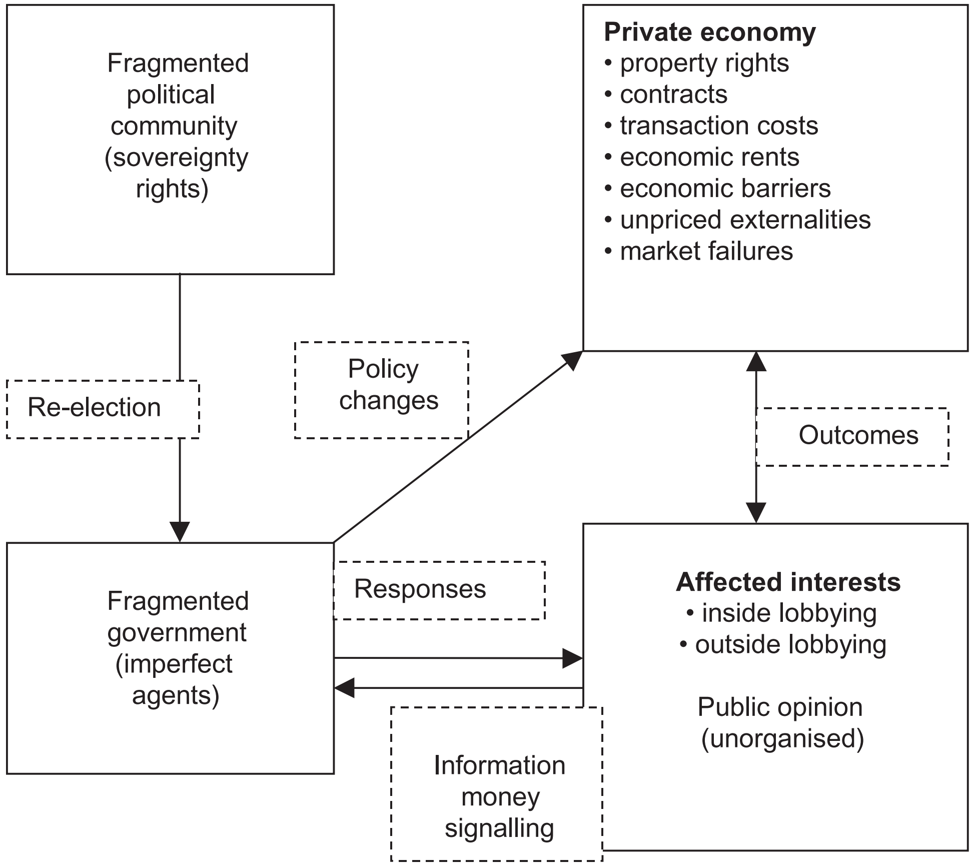
Boddewyn (2000: 29) comments: 'the public-choice and rent-seeking branches of political economy and political science characterise the business-government interface as a legitimate market between demanders and suppliers of favourable public policies . . .' The supply of political funds is the demand for private-regarding government policies; the demand for political funds is the supply of such policies. As McChesney notes, illegal payments (amounting to 'non-enforceable extralegal service contracts' because penalty for defection requires electoral defeat rather than revelation of a secret agreement) are difficult to identify by nature (1997: 53). This approach can be subjected to increasingly sophisticated economic and game theory models. 'Interest groups choose lobbying strategies at the same time policy makers are trying to please constituents' (Kollman 1998: 7). The role of public opinion, moderated by salience of policy issues to constituents, in limited policy making 'lies at the center of interest group politics' (Kollman 1998: 9). Outside lobbying in particular is costly (Kollman 1998: 11; see McChesney 1997, 'Costs and Benefits of Interest-Group Organization': 133–55). That politicians seek to be elected and then re-elected is the working assumption of modern legislative behaviour theory (Fiorina 1977): Senator Russell Long (DLA) stated that 'A US Senator is primarily interested in two things — one, to be elected, and the other, to be re-elected' (Fessler 1986: 798, cited by McChesney 1997: 47).

Figure 3, drawing heavily on Boddewyn (2000), illustrates the political-economic context for studying business and business-stakeholder political activity schematically. There are four key elements: political community (the state, in Boddewyn), governments (the elected agents of the state), the private economy (embracing both commercial and non-profit activities), and interests affected by the functioning of the private economy and governments. (Distinctions are analytical, and may be overlapping in part). In the USA especially, sovereignty rights (as distinguished from property rights) are highly fragmented (Boddewyn 2000: 50); government is the agent of the state or political community (Boddewyn 2000: 25). Government affects the private economy, which in turn affects interests, that in turn seek to influence government. Government seeks to influence the state and the perceptions and actions of affected interests. Elected officials, essentially political agents of sovereign principals, focus on re-election. Government itself is highly fragmented (Banfield 1961). Fragmentation occurs in terms of both election jurisdiction and interests (or cleavages). Agents have response options other than policy changes (see Friedrich 1963). Concentrated interests engage in various forms of what might be loosely grouped as inside lobbying (to political agents) and outside lobbying (to political sovereigns). Lobbying (as a broad term) can involve information or signalling as well as money. The private economy is a complex and fluid constellation of property rights, contracts, transaction costs, rents, barriers, externalities, and market failures. This constellation shapes affected interests and is affected by public policies and other governmental actions.

SCHOLARSHIP AND BUSINESS PRACTICE

McChesney points out a great gulf between social science — 'a technical, deductive method (model, implications, tests)' and general public (including business and pro-

Figure 3: A suggested context for business political activity



fessions') understanding — a more heuristic, inductive approach' (1997: 3). An opportunity then is to bring the two perspectives into better alignment through cross-institutional inquiry. A purpose of scholarship in the three areas under examination can be improvement of the political process in the public interest (albeit notoriously difficult to define). Campaign financing and lobbying reform are ethically attractive propositions as viewed from the ideal perspective of clean, honest government and equal access by all citizens. Kollman (1998: 161) expresses doubt concerning how outside lobbying could be limited or discouraged in a democracy (and see caveats in Hasen 2000). In his essay on 'Politics' (2nd series, 1844), Emerson comments: 'Every actual State is corrupt. Good men must not obey the laws too well' (L. Mumford, ed., *Essays and Journals of Ralph Waldo Emerson* 1968, International Collectors Library: 344). He comments that American political parties are 'parties of circumstance [interest], and not of principle . . .' and that while a party as an association may be absolved of 'dishonesty, we cannot extend the same charity to their leaders. They reap the rewards of the docility and zeal of the masses which they direct' (p. 345). Ted Sorensen (quoted by Loftus 1994: 26, from a 1991 speech) characterised the path to national power as strewn with built-in corruption. Hence 'A state's legislature will be better off if the ethics laws are tough, and the inhabitants are schooled in the laws that govern their behavior' (Loftus 1994: 144).

Loftus spent 14 years in the Wisconsin Assembly, rising to Democratic majority leader and Speaker (four terms). As Loftus expresses the matter, it is not so much bribery that is at work as opportunities at 'compromise in principle that would give you a silent partner with an IOU' (1994: 144). 'Rarely is any quid pro quo discussed' (Loftus 1994: 41), since such discussions are illegal and there are no real secrets *within* government. Loftus suggests that reform will prove difficult (see Armey 1996; Berkman 1995) because so 'Many tributaries join in the river of cash that is spent on legislative races when the stakes are high' (1994: 42), such as control of a legislative house. (Senator Jim Jeffords, RVT, shifted the Senate to Democratic control in 2001 by becoming an independent.) Sources of money include personal, party, public and special interest (Loftus 1994: 45). One may add honoraria and in-kind benefits (McChesney 1997: 45–55). Loftus ('Ethics and Lobbyists: A Scandal Worthy of the Name': 143–165) reports an unusual ethics scandal in Wisconsin dealing with lobbying focused on drinking, smoking and gambling bills. (A prominent lobbyist paid restaurant tabs for legislators and presented the bills to clients; the lobbyist's staff were routinely reimbursed for campaign contributions and the staff laundered contributions through the entertainment category of monthly expense accounts.) While prosecutors concluded no votes had been bought, the lobbyist received a choice of a felony conviction (not barring lobbying) and a misdemeanour conviction (suspension from lobbying for 18 months): the lobbyist selected the felony in order to keep lobbying (Loftus 1994: 160). Loftus (1994: 160–61) explains how press influence over the Wisconsin legislature eroded due to confusion by journalists of criticism and investigative reporting.

Business lobbying is an American tradition. In 1740, the colonial Boston selectmen who worked with the royal provincial governor (a Harvard graduate and son of a Boston merchant) were all important businessmen (and traditionally almost always Harvard alumni), in a city where voting for selectmen and the provincial legislature (the General Court of Massachusetts) was restricted to some 600 white propertied males. These selectmen had the inside track on government contracts (Unger 2000: 35). The end of the French and Indian War in 1763 resulted in an economic depression in New England. By spring 1765, 'Even John Hancock grew annoyed, and he wrote to his agent in London suggesting that he lobby against passage of the Stamp Act . . . a small force of merchants from Boston to Charleston . . . — along with the agents representing each of the colonies before Parliament and the king's ministers — had vigorously opposed enactment of both the American Revenue Act and the Stamp Act' (Unger 2000: 81). The Commons voted 245 to 49 for the Stamp Act (Unger 2000: 82), which extended a stamp tax already paid in Britain for 70 years to America for only partial support (together with the American Revenue Act) of a permanent British garrison (Unger 2000: 79). The shift to direct election of the US Senate (Amendment 17) in the Progressive Era (1913) occurred because business interests were notoriously purchasing the votes of state legislators (McDonough 2000: 321).

The strictest version of rent extraction theory presumes that government only transfers or destroys wealth (McChesney 1997: 194, n. 1). Government policies can create benefits for special interests at the expense of consumers and taxpayers (McChesney 1997: 1). McChesney models a system of political extortion, in which payments are made to politicians to avoid political disfavour or reward political favours in a political market in which property rights are sold to highest bidders (1997: 1–2). Government policies can help foster wealth creation: Adam Smith, *The Wealth of Nations* (1776), assumed conditions of justice, security, and social harmony underlying functioning of markets and contracts. Whitman (1999: 13) argues that 'power' in the US economy has been moving toward consumers and investors. Loftus states that political money goes mostly from those with power and wealth to prevent adverse change from the status quo, as a form of protection against ideological and business rivals (1994: 46). 'Money is the mother's milk of politics' (Jess Unruh, Speaker of the California Assembly 1961–69, cited by Loftus 1994: 26, from Rosenthal 1981: 118). Loftus characterises the role of money as more akin to water, without which one dies in politics (1994: 27). 'It is impossible to get elected without campaign money' (Loftus 1994: 26). He cautions that, while politicians need not lose their souls in this process, the accumulation of power absorbs time and effort into the pursuit of political money as a matter of necessity. Senator Alan Cranston (DCA) reported spending 5–7 hours daily on the phone asking for money (Loftus 1994: 27). The vital matter is whether each politician understands 'the difference between deal making and legislating' (Loftus 1994: 146). 'Regardless of whether a legislator faces serious opposition in an upcoming election, political appetites for contributions remain voracious' (McChesney 1997: 47). The problem is partly that one might wind up running against a millionaire, so that money must be stockpiled for contingencies (McChesney 1997: 47). Senator Robert Byrd (DWV) stated during the McCain-Feingold-Cochran debate: 'The current system is rotten, it's putrid, it stinks . . . (it will) eventually undermine the very foundation of this republic' (AP 2001a).

The First Amendment protects freedom of speech, press, peaceful assembly and petition for redress of grievances. The Fourteenth Amendment prohibits state abridgement of citizens' federal rights, including due process of law and equal protection of the laws. The Federal Election Campaign Act (FECA) 1971 (amended 1974 in the wake of Watergate) was first enforced in 1972 in a case in which the National Committee for Impeachment paid $17,850 for an ad in the *New York Times* critical of President Nixon (Will 2001). The Justice Department obtained an injunction on the basis that the group had not properly registered and might affect the 1972 election, thus legally restricting the group to $1,000 in communication expenses. On appeal, the group won on the grounds that it had not engaged in 'express advocacy' concerning the election of a specific candidate. Will (2001) reports the 1998 experience of Leo Smith of Connecticut, a voter who designed a website supporting President Clinton (threatened with impeachment) and urging defeat of Republican Nancy Johnson (RCT). The Democratic campaign in Johnson's district contacted Smith with concern that his site violated FECA. Mr Smith contacted the Federal Election Commission for an advisory opinion. The Commission's view was that a 'political expenditure' legally included any gift of 'something of value' and that (1) Smith's personal computer cost money, (2) the domain name of the website was registered (1996) for $100 (for two years) and for $35 annually thereafter, (3) the website expressly advocated election/defeat of specific candidates, and (4) if the site were genuinely independent, he would have to file reports with the Commission if total value of expenditure exceeded $250 during 1998. (That amount might involve some annual depreciation of the computer's cost.) Mr Smith elected to ignore the Commission. 'Today Internet pornography is protected from regulation, but not Internet political speech' (Will 2001). Will cites Bradley Smith (Commission member) that because the FECA is ambiguous and the Commission has 'vast discretion' harassing litigation between candidates has become a campaign tactic, aimed at imposing legal costs.

The Democratic Congressional Campaign

Committee filed (under the Racketeer Influenced and Corrupt Organization Act, RICO) a civil racketeering suit (May 2000) against House Republican whip Tom DeLay (RTX, a prime mover in the Clinton impeachment effort) and three DeLay organisations (the US Family Network, Republican Majority Issues Committee, and Americans for Economic Growth), settled out of court in April 2001 (Mason 2001). The Democrat allegation was that DeLay's fundraising network 'amounted to money laundering and extortion'. The suit dealt with IRS code 527 organisations (eg, Sierra Club) accorded tax exemption status on the basis of being non-political issue advocacy groups. In 2000, opposed by DeLay, the law was changed to require 527 organisations to identify donors, expenditures and sponsorship of campaign ads. (DeLay's legal expenses were estimated at about $500,000; $130,000 spent on a direct-mail solicitation raised about $200,000.)

Buckley v Valeo (424 US 1 1976) held (see Levit 1993) that while political spending limits violate freedom of speech in general, limits are permissible where public financing is accepted, contribution limits are permissible, and unlimited spending cannot expressly advocate 'the election or defeat of a clearly identified candidate.' *FEC v National Conservative Political Action Committee* (470 US 480 1985), companion to a case brought by the national Democratic Party in which the Federal Election Commission subsequently joined, held that limits on PAC spending to $1,000 per candidate where receiving public financing (here a presidential campaign) was an unconstitutional limitation on freedom of speech. *FEC v Massachusetts Citizens for Life, Inc.* (479 US 238 1986) held that s. 316 of FECA (regulating corporate election spending) violated freedom of speech when applied to a non-profit 'pro-life' organisation. The Supreme Court there narrowly defined 'express advocacy' to specific language: 'containing express words of advocacy of election or defeat, such as "vote for" , "elect" ...'. The Center for Responsive Politics estimated that only 3 per cent of TV ads fall within this definition (Hedges 2001a). The Supreme Court has ruled that third parties (eg, Federal Election Commission) cannot be empowered to determine whether a message is 'understood' to be political (Kelly 2001). The Supreme Court has made two important rulings affecting state government. *First National Bank v Bellotti* (435 US 765 1978) overturned a Massachusetts statute regulating spending by banks and other businesses for influencing referenda unless materially affecting a firm's business (the statute had been upheld by the Supreme Judicial Court of Massachusetts). *Austin v Michigan Chamber of Commerce* (494 US 652 1990) upheld a Michigan statute restricting corporate treasury spending in state elections on the grounds that there could be a compelling governmental interest in preventing political corruption. (Elections and referenda can be distinguished.) On 25 June 2001, the US Supreme Court, splitting 5–4, in a suit brought by FEC against the Colorado Republican Party (*FEC v Colorado Republican Federal Campaign Committee*) concerning a 1986 Senate race, upheld limits (in the FECA 1974) on hard spending by political parties on particular candidates designed to inhibit political corruption (Hedges 2001b). Leaving aside constitutional issues, the situation is that the Republicans generally have more money than the Democrats, and where statutory limits on contributions to candidates can be bypassed through the parties those limits can be rendered ineffective in practice.

The campaign finance reform effort of 2001 died in the House of Representatives (as might have been predicted readily).

McCain-Feingold-Cochran (s. 27, Bipartisan Campaign Reform Act of 2001, amending the Federal Election Campaign Act) in the US Senate (passed 107th Congress, first week of April 2001, 59–41) and Shays-Meehan (HR 417, Bipartisan Campaign Finance Reform Act of 1999, Christopher Shays, RCT, Marty Meehan, DMA) in the US House (expected to be voted on in July 2001, Hedges [2001b]) are the pending reform efforts.

The Committee for Economic Development (CED) has supported the reform approach (Dunham 1999; see Dunham *et al.* 2000; Peaff 1997). A random poll of 300 corporate executives, commissioned by CED, reported that 75 per cent felt pressured to give, 50 per cent feared repercussions of refusal, and 60 per cent supported a ban on soft money. Harry Freeman, a trustee of CED and former executive vice president of American Express Co., characterised the survey results as indicating that many businessmen view campaign giving as a 'shakedown' (Hedges 2001a, Masterson 2000a). The reform bill has been quietly opposed by the Senate Republican leader Senator Trent Lott (RMS) (AP 2001a) and openly opposed by the House Republican whip DeLay (Hedges 2001a). President Bush reportedly signalled that he would probably not veto the bill (Hedges 2001a, 2001b). Kelly (2001) suggests that the Senate vote be considered in light of the Senators' knowledge that the statute would likely be struck down by the judiciary. (Three Democrats voted no; 12 Republicans voted yes.) Present law limits individual direct contributions ('hard money' to candidates) to $1,000 per person per election and does not limit ('soft money') contributions to parties or issue ads by corporations, unions, or individuals (Hedges 2001a). Some Republicans have suggested raising the hard limit to $3,000 in an exchange for soft money bans, but Democrats have resisted doing so (Hedges 2001a). According to Common Cause (http://www.commoncause.org/issue_agenda/issues.htm, 'Hagel Bill: A Fatally Flawed Proposal) the competing Hagel bill (Senator Chuck Hagel, RNE, s. 22, Open and Accountable Campaign Financing Act of 2001) would cap (Che and Gale 1998) national party soft money donations at $60,000 per year but permit state parties to continue acting separately in this regard, so that effectively no cap would exist. The bill would sanction long prohibited use of corporate and union treasury funds in federal elections. The bill would triple limits on individual hard money contributions, so that an individual could give $270,000 in hard and soft money to a national party in an election cycle. Common Cause criticises the bill's disclosure provision on issue ads as inadequate and not restricting state parties' spending of soft money on sham issue ads promoting or attacking federal candidates. The Hollings amendment (Senator Ernest Hollings, DSC), gaining only 40 votes (two-thirds vote required), called for a constitutional amendment to allow even stronger changes in campaign finance (AP 2001a).

Important dimensions of campaign finance reform are: (1) aggregate spending limits, (2) aggregate and individual contribution limits, (3) time limits, (4) content controls, and (5) disclosure requirements. (There needs to be cross-national comparisons of political money in democratic countries like Germany, Italy, and Japan). Page and Simmons (2000: 8) suggest removing tax deductibility of business lobbying expenses. (Individual political contributions are not deductible.) 'But we will argue that the most effective single reform would be to reduce the general role of money — any money — in politics and elections' (Page and Simmons 2000: 8). Hasen (1996) suggests a voucher system allowing taxpayers to allocate public funds (from taxpayers) to candidates. The entire drive of the reform effort is toward public funding and restriction of other funding for advertising. Loftus (1994, 'Political Money: Reforms and Results': 26–46) argues that the role of political money can be regulated and directed, but never controlled.

Loftus details a failed 'noble experiment' of campaign finance reform in Wisconsin, one of the country's cleanest political cultures. A proposed dollar check-off on the state income tax (an extra dollar from participating taxpayers) was actually intended to depress such giving and was vetoed by the governor so as to compel public funding. (Recipients could obtain the same amount of PAC or public funds). Over time the check-off by taxpayers fell. 'The candidates who regularly opted for public funding were incumbents with marginal seats. Challengers had to forgo spending limits in order to have a chance to unseat these incumbents, and the incumbents would get the public money as well as be relieved of spending limits' (Loftus 1994: 33). The practice of opting out relieved both candidates of spending limits. It was simply in the self-interest of both parties to use public financing to win winnable seats (Loftus 1994: 31). Candidates figured out over time how to get around PAC limits. Money went to marginal seats regardless of candidate qualifications (Loftus 1994: 38). Unaffected interests tend to give equally to both candidates (Loftus 1994: 43).

McDonough (2000, 'Representation, Relationships, and Campaign War-chests': 158–96) details the campaign finance and ethics reform effort in Massachusetts (not a notably clean political culture) that was the aftermath of the revelation that in December 1992 some legislators, including the House Speaker, had taken a junket with lobbyists to Puerto Rico. The individuals were supposed to be attending a Council of State Governments meeting there, but in fact went to a resort. Common Cause got a referendum initiative scheduled for November 1994. The House approved (116–31) a 'reform' bill that in reality emasculated the State Ethics Commission and permitted lobbyists to spend $100 per legislator annually on 'food and beverages' and permitted personal use of campaign funds and limited loss of pensions upon criminal conviction (McDonough 2000: 172). The Republic governor promised (after a week's silence) to veto the bill, and it was 'dead on arrival' in the Senate. In March 1994, Hancock Insurance Company (Boston) agreed to something over $1m in federal-state fines to avoid prosecution: during 1986–93, the firm had spent over $31,000 on illegal wining and dining of more than 24 Massachusetts legislators (McDonough 2000: 177). McDonough seized the moment to co-chair the Joint Committee on Election Laws and shaped a reform process that in 1994 passed the House (146–1) and Senate (33–1) and led to abandonment of the Common Cause initiative (McDonough 2000: 192). The check-off was changed from the taxpayer to the state (McDonough 2000: 193). The reform act banned candidate PACs: it took 'several years for members to figure out a way to circumvent the prohibition' (McDonough 2000: 195–6) by having senior members collect campaign cheques from lobbying groups and then deliver the cheques to junior members, making the latter dependent on the former. McDonough made the interesting discovery that, under Massachusetts law, while accepting a donation within the confines of the State House is illegal, proffering or giving a donation there is not, even where made by a member (2000: 196). The 2000 national election cycle produced several interesting bits of information concerning business and government:

(1) Hedges (2001a) reports a more than 500 per cent increase in soft money in 2000 over 1992: Republicans $244m, Democrats $243m (citing Federal Election Commission data); Republicans raised $447m in hard money, Democrats $270m. Overall contributions ($1.6bn in the 18 months through 30 June 2000) exceeded the 1996 election by $430m, with estimates of up to $3bn through election day (citing Center for Responsive Politics data). The computer industry moved from 55th in 1990 to 8th place in campaign giving, with $25m going nearly equally to both parties. The industry is seeking 'a moratorium on an

Internet sales tax and an increase in immigration visas for high-tech job applicants.' The Center estimated that presidential contributions rose 45 per cent from $230.9m (1996) to $335.1m (2000), House contributions 45 per cent from $271.8m to $393m, Senate contributions 64 per cent from $158m to $259.7m.

(2) The pharmaceutical industry (see Bowman *et al.* 2000), which employs 300 lobbyists, raised more than $11m, going mostly to Republicans, between January 1999 and early October 2000 (Dunne 2000). The two key issues for the industry were President Clinton's proposal to help the elderly pay for prescription drugs, and the proposal (later halted by the Department of Health and Human Services, due to the cost and difficulties of safety monitoring) to allow pharmacists and drug distributors to purchase generics globally (under US government approval). Currently, only original manufacturers can import drugs. Such generics are generally much less expensive.

(3) A study (over the period 1996–98) by the Institute on Taxation and Economic Policy in Washington, DC, associated with Citizens for Tax Justice (Reuters 2000; Strauss 2000) raised questions concerning whether corporations are paying an appropriate share of taxes. The difference between actual and some theoretical tax liability lies, of course, in perfectly legal reductions for accelerated depreciation write-offs, employee stock-option profit deductions, and research and certain other credits. (Similarly, maximum individual nominal tax rates are reduced by certain deduction and other devices.) A set of 41 companies reporting $25.9bn in pre-tax earnings (1996–98) received $3.2bn in tax rebates. The oil industry paid an effective federal tax rate of 12.3 per cent. (Given the high cost of energy in the winter of 2000–01, one might question whether any tax should be levied.) A General Electric spokesman responded that the study was misleading with respect to that company (characterised as the 'champion tax evader' with $6.9bn in tax breaks) because it ignored deferred taxes resulting from current operations but to be paid in future years.

(4) A study by the Center for Public Integrity (Salant 2001) examined the stock portfolios of the 52 freshman Representatives and Senators (one-third of whom are millionaires) as reported in their financial disclosure forms. The study found that 15 owned technology stocks (such as Intel and Microsoft), 12 communications stocks (such as AT&T and GENBC), four America Online stock (seeking merger with Time Warner), nine health-related stocks. (Obviously ownership might be overlapping.) Legislators are not explicitly obliged to sell stock or set up blind trusts. As Republican Schiff (DCA) pointed out, his ownership in American Home Products (pharmaceuticals) was a long-time family holding and too small to have influence on the firm. (The issue is of course whether the firm might have influence with Schiff.) Four individuals have (alleged) lobbying ties: two having worked for law firms representing clients on the Hill, two having been directors of trade groups (consumer electronics, pyrotechnics) lobbying in DC.

Some caveats concerning the study of business political action

Dahl (1959a, 1959b) commented on the long inattention to business in the political science literature. The classical literature tended to focus heavily on *international trade*, given the long political importance of tariff policy (Schattschneider 1935; Bauer *et al.* 1963, 1972, review by Lowi 1964), and *business regulation* (Carper 1962; Lane 1954; see Mitnick 1980); part of the modern literature reflects a return to these traditional themes. These foci existed within the debate over interest-group pluralism and how pressure politics operated (Bentley 1908; Truman 1951; Schattschneider 1960; Dahl 1961; Key 1964; McConnell 1966). Business was seen as one of various interests, with agriculture and various professionals typically viewed separately. The political role of business in the USA is highly institutionalised. In the federal government, there are Departments of Agriculture (Schultze 1971) and Commerce, the Office of the Trade Representative, and regulatory agencies subject perhaps to regulatory capture. Three landmark studies by business and society scholars grappled with the general question of the business-government political relationship. Votaw (1965) addressed the social role of the modern corporation. Epstein (1969) examined the political role of the corporation (see Mitnick 1991). Stone (1975) argued that law (at least conventionally conceived) was insufficient to the social control of business and that deeper internal-corporate transformations were necessary.

Since 1959, a literal explosion of interest in business political activity has occurred in various disciplines. The author poses two general questions. The first is whether business and society scholars provide value added in research in this field relative to other disciplines. The answer is yes, but with certain caveats, and research value added is here not a simple consideration. By value added, the author means state of scientific knowledge, regardless of practical application. The second question is whether any research matters much in this field, in terms of social welfare and practitioner utility. The answer is weakly no, in the sense that deep research investment is required, and prescriptions are likely to prove very problematic. Greater knowledge may lead only to a more sophisticated game of politics and legislation, as cautioned by Banfield and Wilson (1963: 3), because disagreement rather than knowledge is the fundamental matter. The author suggests that lots of scholarly knowledge can be accumulated, without necessarily making much progress toward a change in the state of political affairs. Prescription, whether to management or society, rests on presently weak foundations. Here prescription tends to be heuristic rather than scientific.

In these three areas, business and society scholars partially compete with and partially have an expertise distinct from that of political scientists or economists. The sphere of competition (or overlap) is in the study of campaign financing and lobbying strategies-tactics. These areas provide data and case study opportunities. Much of the work contributed here by business and society scholars is by individuals trained in political science or public choice originally. Some of their work appears in economics and political science journals. Business and society and management journals are also outlets, and it is less likely that outsiders will publish in these journals. The sphere of non-competition (or autonomy) seems to be in the study of internal operations of businesses (eg, public affairs functions, Washington, DC, lobbying offices) and in the study of social issues considered more broadly than public policy and election. Political scientists and economists will tend to treat businesses as black boxes. They are not particularly concerned with stakeholder management activities. Their focus is therefore narrow. The picture here, however, is one of multidisciplinary research (ie, multiple research streams grounded in different disciplines) and some intensifying interdisciplinary research (between economics and political science).

The paths to productive interdisciplinary and cross-institutional research are just being taken. Business and society scholars can bring two other considerations to the research process. The author views these considerations as strengths. One consideration is a normative orientation to business ethics and the public interest (or commonwealth). Economists (looking to aggregate welfare and its distribution through market and non-market activities) and political scientists (looking to interest group pluralism tending to a balance of power) tend to be somewhat more neutral (see Aranson and Ordeshook 1985). There are risks in a normative orientation: one may wish to see what ought to be present. But a normative orientation also allows one to look up from (or outside) the market and non-market processes to motives, purposes, and goals. A normative orientation provides a 'bully pulpit' for criticism of societal processes. A second consideration is an overall or societal perspective on market and non-market processes. The author grants that this second consideration may closely resemble the first, but the distinction made here is for a neutral assessment of societal direction, distribution and redistribution, integration of market and non-market processes, and so on. An integrated strategic management theory to guide all the activities of business (economic and political) involves some interaction with ethical and systems theories. Scholars may develop very sophisticated descriptive-empirical and instrumental theories, but evaluation requires some overarching framework touching on ethical and social-welfare considerations. At least, that instruction seems to be the general stance of business and society as a multidisciplinary community of researchers. There is a fundamental obstacle to inter-institutional cooperation, although in a sense the observation below is a criticism of the entire tradition of the business school method. Milton Friedman, the Economics Nobel Prize laureate, wrote that interviewing businessmen 'is about on par with testing theories of longevity by asking octogenarians how they account for their long life' (1953: 31). Even if he was wrong, caution is presumably warranted in conducting such research. (Christopher Allen, a doctoral candidate at Boston University, in a private communication to the author, argues from case-study experience with Professor John Mahon, University of Maine [see Banfield 1955, 1961; Lowi 1964], that reliable understanding can be obtained by interviewing multiple insiders to obtain 'triangulation'. In Allen's experience, insiders in business and politics are often willing to talk candidly [consider Loftus 1994; McDonough 2000]).

Our knowledge of political process, which changes over time, is arguably inherently limited and may be woefully inadequate. Boddewyn (2000: 47–8) reminds us of the Aristotelian distinction among conditions (ie, determinants), motives and precipitating events. Empirical research has tended to study the linkage between determinants and policy outputs, without much scrutiny of motives (except by postulate or inference), precipitating events, and socio-economic outcomes. Political corruption is of its nature secretive and internal knowledge and competencies are proprietary assets in political and market competition. Conflict of beliefs, values and rhetorics is deeply embedded in the state of knowledge. It is notoriously difficult to operationalise notions of influence, power, and public interest. Key (1961: 528) long ago noted that it is difficult to assess the influence of lobbying (cited by Kollman 1998: 4). 'A compromise is . . . the expression in concrete terms of the equilibrium of power which exists among the parties at the time it is made' (Banfield 1955: 308). The theory of interests in representative democracy goes back to Madison's Federalist No. 10 (Aranson and Ordeshook 1985). 'Interest group power is a complicated issue. It is very difficult to detect how much influence groups actually have. If politicians pay more attention to organised groups than to ordinary voters, they are not eager to admit doing so' because trading votes for money is illegal (Page and Simmons 2000: 68). 'It is very difficult to pin down the effects of other possible mechanisms of influence' such as election funding, information provision, access and fabricated grassroots campaigns (Page and Simmons 2000: 68–69). Keim (1996) estimated that the number of interest groups attempting to influence federal policy rose from 5,000 in 1960 to over 30,000 in 1996, with a similar growth occurring at the state level. Even *scientists* lobby (Schulz 1996).

Bauer *et al.* (1963, 1972) concluded that business was impotent in trade policy. Lindblom (1977) countered that government could not afford to undermine business as the vital source of economic activity. Some of the related literature (especially the radical literature, see Jacobs 1985, and citations in Vogel 1996b: 160, n. 2, 5) posited that business operated through hidden (or disguised) power channels (Vogel 1996b: 148). As Kollman notes (1998: 6), there is a difference between muted influence (moderated by public opinion and personal commitments) and dramatic media events. Quinn (1988) provided one test of the Lindblom hypothesis (and see other works by Quinn). Page and Simmons, both political scientists, attribute substantial 'political power' to business, both major corporations and small businesses (2000: 8; 64–74). Elkin (1989: 25) concluded: 'Business has a special [qualitatively different] role, but not one of dominating power.' Elkin sees a process of mutual control in which ownership of productive assets is balanced against law and popular will. Vogel (1978b, 1996a) characterised US business-government relations as adversarial (Marcus 1984), grounded in mutual hostility and mistrust.

There is an old distinction between 'honest graft' and 'dishonest graft' (Cohen and Taylor 2000: 121). 'A real crook, in the eyes of Daley, was somebody who'd take the $5,000 for himself' (Cohen and Taylor 2000: 121). 'Fixing [first 1955 campaign for mayor] on a theme he would use throughout his career, Daley insisted that the important division in the city was not between the machine and reformers, but between Chicago's business elites and its blue-collar neighborhoods' (Cohen and Taylor 2000: 125) with a contest between radio-television communications (Republican voters) and machine precinct captains (Democratic voters). Daley argued (whether purely for public consumption or not): 'There are worse bosses than bosses in politics. They are the bosses of big business and big influence' (Cohen and Taylor 2000: 125). 'From a purely political standpoint, the patronage system worked. By one estimate, each patronage job produced about ten votes for the machine: the worker's own, the votes of his family and friends, and the votes that his campaign work and financial contributions produced' (Cohen and Taylor 2000: 160).

President Reagan's farewell address blamed the US budget deficit on an 'iron triangle' of the Congress, media and special interests (Perry 1989). The traditional term 'iron triangle' is of obscure origin according to Perry. (President Eisenhower's farewell address, Eisenhower [1961: 1038], on 'the military-industrial complex' with potential for 'unwarranted influence' and 'misplaced power' is a related notion. The author is grateful to Professor Brian Shaffer, University of Maryland, for a private communication on this matter). The 'iron triangle' notion suggests many impenetrable tripartite alliances of industry lobby (Reagan substituting the media here), executive branch department, and legislative committees (and staffers) in specific policy arenas. The notion has been succeeded by the now prevalent terms 'policy networks' (McDonough 2000: 105) or 'issue networks' (Professor Martha Derthick, University of Virginia, quoted by Perry 1989) suggestive of greater permeability (see Fritschler and Ross 1980; Smith 1988). 'The iron triangle concept is not so much wrong as it is disastrously incomplete' (Professor Hugh Heclo, George Mason University, quoted by Perry 1989; see Shipper and Jennings 1984: 8; Donker and Ogilvy 1993;

Shrader-Frechette 1995). McDonough's explanation for policy success is the well-known circumstance that winners have concentrated interests (as to benefits or costs) in legislation and face in losers diffuse interests (as to benefits or costs), as for example in auto insurance (2000: 121). Olson (1965) argued that organising costs make interest-group formation difficult under such conditions.

Pakenham (1991, 'Why Bismarck Changed His Mind') explains how the cynical and experienced Iron Chancellor, long opposed to German overseas colonies, was hoodwinked in 1883–84 by a German business lobby and a Foreign Office bureaucrat into sudden annexation of African colonies, on an expectation that the colonies would be run by chartered corporations; after the colonies were in hand, the lobbying firms all declined the charter opportunity, as the new colonies were not sufficiently profitable. (Bismarck removed the offending bureaucrat from colonial policy and exiled him to a minor post at The Hague.)

The phenomenon of federal porkbarrel budgeting is well recognised (Stein and Bickers 1995). 'Pork is most often defined as money awarded for projects that have not been through [sic] congressional hearings, have not been requested by a legislative oversight committee or the agency administering the money, and have only a local purpose' and where most egregious 'added behind closed doors in conference committees' (Masterson 2000, drawing on information from Citizens Against Government Waste and Senator McCain). Pork (also known as 'members' requests', *US News and World Report,* 25 June 2001: 7) is concentrated in education, parks, military construction, housing, transportation, energy and water spending bills (Masterson 2000b). This definition is, however, procedural rather than substantive: each project would have to be examined to determine whether a 'true' allocation would be approved if subjected to McCain's call for 'a merit-based review process'. (Masterson cites the instance of $300,000 to help border states defray medical emergency spending on illegal immigrants: one might well argue that all such spending should be a federal responsibility, and that the set of border states, while not strictly national, is hardly 'local'. The $1.1m for a special room at the Chicago Field Museum to house 'Sue' the T. Rex skeleton might be thought to attract a nationwide customer flow. All highway overpasses must be local projects by definition, yet the interstate highway system aggregates to a national infrastructure.) The interesting aspect of Masterson's report is the longitudinal rise in pork, apparently associated with the 1995 Republican control of both houses. Estimated pork approved in 1994 (for fiscal year 1995) was $6.9bn, compared to $9.8bn in 1995, $14bn in 1997, $17.7bn in 1999, and over $24bn in 2000 (for fiscal year 2001). The pork percentage may be rising (as the overall budget has certainly not quadrupled). The implication noted by Masterson is that something about Republican control (given that the Republican Party emphasises fiscal conservatism) has spurred a rapid growth in pork, and that the 2000 approvals may have something to do with the then projected budget surplus of $268bn. Masterson notes that the 2001 fiscal year budget cap for discretionary spending of $600bn was exceeded by $34bn, two-thirds of which could roughly be attributed to pork as defined procedurally. (Figures reported in *US News and World Report*, 25 June 2001: 7, in the House had risen to a $661bn discretionary spending cap, exceeded by $239bn to $900bn.) Masterson points specifically to Senate Majority Leader Lott and Senate Appropriations Chairman Ted Stevens (RAK) as prominent bill larders in favour of their states.

CONCLUSION

This paper has reviewed the developmental history, current state, and future directions of research concerning the three sub-fields of corporate public affairs, social issues management, and corporate political strategy. There are many opportunities for future scholarship in these areas, due to the changing details of business-government relations and the increased possibilities for comparative, international, and historical inquiry. By the same token, there are fundamental obstacles to future scholarship arising in a number of considerations. The author suggests some caveats concerning research into business-government relations, focused on the ambiguity of the underlying concepts and the likelihood that knowledge improvements do not necessarily lead on to political reform and social-welfare improvements. There is reason to consider that, even as the role of money intensifies in the political process of the democracies, the nature of business-government interaction is shifting toward access. A key issue concerns whether business and society scholars cooperate or compete with researchers from other disciplines such as economics, political science, sociology and strategic management. Two fundamental differences are that business and society scholars should be concerned with business ethics and the public interest, and maintain a particular interest in public affairs and issues management not much shared by other disciplines.

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