Human Capital
Right's position is equally vulnerable to such a line of critique.  

Despite these weaknesses, New Right liberal theory seems to have gained political momentum over the last decade or so, affecting more than just policies directed at the poor, and contributing to further erosion of the public sphere. One notable trend is that metaphors used to describe citizenship are increasingly drawn from the actions performed in the private, market sphere. In this way, a capitalist society emboldened by New Right liberal theory, defines citizenship primarily as client-consumers. The notion of political agency is modeled on the logic of the market, and is thereby reduced to a series of choices about the allocation of resources. Moreover, where full citizenship depends on having first secured economic independence in the private sphere, the content of that status may increasingly come to designate agency solely within that sphere. Citizenship itself may come to designate only those forms of agency that are performed in the market.

By privileging the private spheres, and by denying that the public sphere has any place other than in a subservient role to the ends of the private spheres, the New Right suggests a dream of a non-political world. With the complaint that too much has been expected of government in the post-War era, the New Right reveals its longing for a society rid of politics as conventionally understood, viz., as a venue for mediating alternative ideological positions. The market has united individuals in the common quest for economic growth, and political commitments have become superfluous. The access to political decision-making on a regular basis by citizens is no longer integral to individual liberty or citizenship, and extra-market forms of political activism are ridiculed as archaic.

The New Right's prescription for the end of politics ultimately leads to a dampening of participation. The agenda is selected by the logic of the market, and it tends to marginalize groups that have already been excluded by the market. The conception of citizenship here is denuded of any sense of spontaneity, the promise of education for the development of political sensibility, or the potential for political struggle. This New Right prescription fails, thereby, to understand that the market has created social disorders to which individuals and groups have responded, and will continue to respond, in distinctly political ways. The revival of the union movement, for example, demonstrates that individuals and groups respond to the consequences of the market in political ways because only this allows them to circumvent the power of the market and the New Right.


---

Business and the Politics of Human Capital Investment Policy: A New Institutionalist Perspective*

Cathie Jo Martin
Boston University

Despite the conventional wisdom that managers generally oppose social policy, business opinion polls revealed considerable support for the health and training initiatives of the first Clinton administration. Yet while managers acting collectively in groups made tangible, public expressions of support for the training initiatives proposed by Clinton, they ultimately rejected the president's national health plan. This paper attributes the differential responses by business, in part, to variations in the networks organizing employers in the two spheres. Differences in policy-level business organization, private policy expertise and policy legacies mattered enormously to how managers thought about the proposed government initiatives and how they participated in the legislative process.

Cathie Jo Martin is Associate Professor of Political Science at Boston University. She is author of Stuck in Neutral: Business and the Politics of Human Capital Investment Policy, Princeton University Press (2000) and Shifting the Burden: The Struggle over Growth and Corporate Taxation, University of Chicago Press (1991). She is currently working on a study of employers and active labor market policy in Europe.

I. Introduction

Discussions of welfare policy in the United States usually portray business as the force that derails labor's good fight or disrupts government bureaucrats' plans. Yet employers have periodically shown interest in government policies intended to enhance worker productivity, to ameliorate labor unrest, or to augment prod-

*The author wishes to thank the following individuals for their helpful comments on this article: Larry Jacobs, Ina Magaziner, Ted Marmor, Sid Milkis, Jim Morone, M.J. Peterson, Mark Peterson, Bob Shapiro, Theda Skocpol, John Stephens, Duane Swank, David Vogel, Margaret Weir, and Graham Wilson. In addition, thanks go to the Robert Wood Johnson Foundation and the Russell Sage Foundation for their generous support of this project.
uct demand. Currently some managers are drawn to policies for increasing investment in human capital (and increasing worker productivity) through training, enhanced access to health care, or provision of child care. As one corporate advocate put it, "Doing the right thing and the bottom line go hand in hand."2

Support for these initiatives is very uneven and despite a general interest, managers have responded in disparate fashion to government policies to promote human capital investment. Firms have claimed to have a clear economic interest in the adoption of government policy in both the training and health reform areas and a majority of business managers surveyed in public opinion polls have expressed support for these policies. In a 1986 survey, executives of Fortune 500 companies ranked training and motivating employees third in importance out of twelve issues of concern.3 Sixty-four percent of respondents to a 1991 National Association of Manufacturers' study supported the establishment of a national training program run by managers.4 Most large employers also supported national health reform in the early 1990s. A 1991 Harris poll showed that two-thirds of corporate managers surveyed were at least somewhat accepting of a mandated, standard health benefits plan.5 Joe Cantor and his collaborators found that 80 percent of the 384 Fortune 500 executives in their study believed that "fundamental changes are needed to make it [the health care system] better" and 53 percent favored employer mandates.6 Employer support seemed so strong that the Clinton administration based its initial training and health proposals on policy ideas that had been gaining increasing support within the business community. Yet employers entered into the legislative campaigns in the two areas in very different ways: voicing support through their collective associations for training but not for health reform. Employers in the training policy network were able to secure legislation amenable to their expressed collective interests and to mobilize in support of the training package, while managers in the health policy network were ultimately not players in the coalition supporting Clinton's health reform legislation.

This essay investigates why business managers collectively endorse and lobby for human capital investment initiatives in some policy areas but not in others, by comparing corporate engagement with the health care and worker training initiatives of President Clinton's first term.7 The object of study is the business policy network, or the relatively stable set of managers who engage in the public discourse about a policy problem and its solutions.8 In the U.S. these networks form issue-by-issue; therefore, managers may be organized quite differently from one issue area to the next.

Understanding the divergence in collective corporate behavior requires paying attention to the policy-processing capability, what I've called "corporate policy capacity," of the business policy networks in which managers come together to express collective views.9 The organizational features of the policy network—the pattern of group organization, the amount of business expertise in the issue area, and the policy legacies or prior experience with public and private solutions—all matter to how managers think about the proposed government initiatives. This institutional model is, in fact, better able to explain the expression of business political preference than approaches confined to the examination of material conditions.10

7. This essay will deal primarily with managers in the big business community, as they are more likely to support human capital investment incentives than employers in small business. For my discussion of small business see Cathie Jo Martin, "Bringing Business to the Party," in Social Divide, ed. Margaret Weir (Washington and New York: Brookings Institution and the Russell Sage Foundation, 1990), 230-267.
8. The concept of policy community or policy network (initially developed largely by British political scientists) refers to the relatively stable group of public and private sector actors who share interests in an issue and who repeatedly interact to develop policy in this issue area. (Grant Jordan, "Policy Communities: The British and European Policy Style," Policies Studies Journal 11 (1983): 603-15. The policy network idea differs from the early iron triangle concept in recognizing that state and societal actors influence one another and that the boundaries are more permeable than the earlier concept suggests (Hugh Heclo, "Issue Networks and the Executive Establishment," in The New American Political System, ed. Anthony King (Washington, DC: American Enterprise Institute, 1978): 88). Just as social movement theory suggests that one should be able to predict levels of social activism by looking at the institutional characteristics of the movement, one should be able to predict business activism and expression of preference by analyzing the institutional characteristics of these business policy networks.
9. Corporate policy capacity varies across countries, policy areas, and firms; therefore, its institutional components should similarly influence corporate engagement at the policy level and micro processes by which firms form policy preferences. For a parallel argument using corporate policy capacity to explain firm-level preferences see Cathie Martin, "Nature or Nurture?" American Political Science Review 89 (December 1995): 898-913.
10. Corporate policy capacity highlights the cognitive dimension in preference formation, yet it rests on the important institutional insight that preferences transcend the individual and are collectively constructed. Diverse institutional traditions converge on fundamental assumptions: that motivations are complex, that interests must be interpreted, and that forces transcending individuals shape political preferences. The institutional components of this model are congruent with

2. Interview with Jerry Murphy, May 29, 1996.
Variation in the corporate policy capacities of the health and training business networks explains much of the divergence in business involvement with these issue areas. Private policy expertise, especially among large employers, had grown in both fields in recent years and big business managers worked to put both issues on the public agenda. But the group organization within these business policy networks were quite unequal in strength and in ability to bring managers to a consensus position. The training policy network has at its core an association called the National Alliance of Business, a group originally formed during Lyndon Johnson's presidency to offer business support to the JOBS program. Over the years this group has become something akin to a peak association in the training field and has built business consensus around a number of training initiatives. No similar central group organized managers in the health realm; instead, competing groups lobbying for the allegiance of big business health consumers served to fragment rather than to unite corporate supporters of health reform.

Training and health policies were also endowed with very different kinds of policy legacies. Training legislation prospered in its link to education reform and in its connection to blue-ribbon commission reports in which managers had participated. Health reform was hampered by the policy legacies of the employer-based health financing system and, ultimately, by the Clinton administration's choice of the controversial and untested managed competition proposal.

II. Business Attitudes Towards Human Capital Investment Policy

The variation in business attitudes towards government policy initiatives in areas of human capital investment challenges most analyses of business political behavior. Although economists and managers of many theoretical persuasions worry about adequate human capital investment, government policies to increase these investments are much more controversial and employer support for these policies is by no means assured. On one side, business advocates of a high performance workplace (to borrow President Clinton's term) view government policies as necessary to increasing human capital investment. They believe training contributes to productivity in developing worker skills, important today because the return on skills investment is supposedly twice that of the return on research and development. Health care makes a contribution to productivity by improving the mental and physical functioning of workers. Health reform is also relevant to competitiveness in its potential to cut the enormous costs of health care. Advocates argue that the social policies, especially when found in cooperative systems of labor-management relations, increase productivity by enhancing worker satisfaction. Some propo-

11. Concerns about human capital investment have grown due to information technology, which requires highly-trained workers to rapidly shift tasks, and international trade, which has increased U.S. firms' vulnerability and the urgency of maintaining a highly-skilled, well-educated workforce to compete in upper-end product markets. Robert Reich, The Next American Frontier (New York: Times Books, 1983) 236.


ments also view such policies as useful either in reducing the costs of social provision borne by business or evening out competition by requiring all firms to bear similar costs.

On the other side, advocates of a laissez-faire approach worry that social policies will hamper company competitiveness and economic growth. Some would cut both public and company social spending in order to lower labor costs, to reduce budget deficits, to free up investment capital, and to scale back joblessness. Others believe that social provision to enhance human capital investments is necessary, but is best provided by the firm.

These divergent views reflect the fact that business policy positions are often ambiguous, and each of several competing policy proposals can be presented as serving corporate interests. Ambiguity of preference seems especially strong in policy areas that deal with collective rather than individual firm interests, that are somewhat removed from a firm’s core production and distribution activities, or that engage managers as consumers rather than producers.

Prevailing Theories of Business Attitudes

Neither the literature on social policy nor that on business interests adequately explores how employers come to interpret social policy initiatives as conducive to economic growth, because neither investigates the conditions under which managers express political support for initiatives that may be interpreted in several ways. Business preferences (with some exceptions mentioned below) are largely ignored in discussions of welfare state development. Working class power analyses view social policy development as dependent on union organization and leftist party control, even though a strong working class is only one option for social development. As Peter Swenson points out, even when labor leads, cross-class coalitions may be essential. State-centered institutionalists believe that employers only interfere with state bureaucrats’ efforts to create social policy and that bureaucratic autonomy produces more universal and comprehensive welfare initiatives. Although this approach offers insights into the timing, form, and ideological basis of policy innovations, state entrepreneurship need not exclude business as politicians may strategically cultivate managers to build support for their initiatives.

Corporate liberal theory does investigate business support for social initiatives, emphasizing the economic functions served by social policies in capitalist systems. It notes that social policies may address collective concerns of the nation (such as growth and security); that managers as a class may share a collective interest in programs to curb labor militancy; and that firms might support government programs or regulations to impose equal costs on their competitors or to avoid excessive costs. This literature generally agrees with


Claus Offe's contention that business interests are easily known and ignores the question of preference formation, revealing little about when and how managers articulate interests in social policies. Much of the literature on business interests also fails to theorize adequately business attitudes toward action in support of social policy because (with notable exceptions) it either ignores corporate preferences or attributes these to material circumstance. An unfortunate bifurcation between scholars of business and those of other political actors has left the business-research strand with a fairly simplistic view of preferences; indeed, institutional studies of other political actors have much to offer to the study of business. Much of the business research neglects preferences altogether, focusing instead on the degree of corporate power and the channels for influence. The studies addressing preferences generally ground them in material circumstance. For example, industrial sector analysis, which roots managers' preferences in the structures of their industries, highlights the important truth that "business" is not unitary; but sheds little light on situations where firms have conflicting goals or where more than one preference might be consistent with material circumstances.

Ideology-based arguments about business preference avoid economic reductionism, yet generally fail to illuminate situations in which managers are confronted with competing ideological choices. For example, David Vogel has shown the power of the laissez-faire ideological tradition in shaping American managers' aversion to state power, but his fairly static view of ideology fails to explain periods in which managers are more receptive to government interventions. Strategic choice scholars recognize that bounded rationality lead firms with similar economic circumstances to pursue different strategies, but have not sufficiently investigated the sources of information that guide strategic choice.

Finally, most of the analysts viewing business preferences and political action from an institutional perspective neglect the social policy arena and/or have not developed models of preference formation applicable to various levels of analysis. Thus Richard Harris offers fascinating insights into the role of government affairs departments in corporate deliberations over environmental policy. Sociological network analyses show that firm positions within networks matter to their political preferences and illustrate the importance of groups to corporate deliberations, but insufficiently differentiate between types of networks that matter, and have generally not attempted to produce a model applicable to multiple levels of analysis.

Some comparative scholars have concluded that "corporatist" business organization, the centralized, encompassing, unitary employer associations found in Western Europe, are better able to generate economy-wide employer positions on political issues than the pluralist groups in the U.S. and thereby to influence economic and social policy outcomes. For example Wilson makes an important contribution in showing how the preferences of American

---

managers reflect the limitations of a fragmented business community. Yet, corporatism says more about employers' collective action than about preference formation and largely ignores social welfare innovation. Scholars usually do not consider their insights relevant to the U.S., as many assume that only in its purest form can corporatist organization positively affect policy outcomes. The emphasis on national characteristics in most corporatist comparisons is ill suited to address sub-national variation and to compare institutional processes at lower levels of decision making. Yet European integration may be challenging the autonomy of national peak associations (and social democratic leanings) of even the most corporatist countries. Changes in the organization of work and a diversification of labor have prompted a decentralization of collective bargaining; many question whether this has also eroded the power of national groups.


34. But on fascinating views of preference formation see Jelle Visser and Anton Hemerijk, A Dutch Miracle (Amsterdam: Amsterdam University Press, 1997) and of employers and social policy see Wolfgang Streeck, Social Institutions and Economic Performance (Beverly Hills, CA: Sage 1992), 77; and Harold Wilensky, The 'New Corporatism,' Centralization, and the Welfare State (Beverly Hills, CA: Sage Publications, 1976), 23-25. Yet these important studies still fail to provide empirically testable models explaining why corporatist organization should produce higher levels of welfare state provision.


These dynamics are best understood by focusing on business policy networks and their corporate policy capacity, or their ability to grasp complicated social issues, to perceive these issues' connection to economic growth, and to act in support of their social agenda. Three institutional factors influence corporate policy capacity: the amount of private policy expertise in an issue area, prior experience with public and private policy, and patterns of association among managers.

First, a high level of policy expertise within the business policy network is likely to enhance managers' acceptance of governmental solutions. Policy experts within the firm in human resource and benefits departments usually espouse the accepted wisdom of their professional training, share a common language and perspective with government and academic policy analysts, and consequently expose their peers in the business world to a more favorable view of government policy. Though laissez-faire thinking usually enjoys a "policy monopoly" in the business world, it is challenged by the alternative perspective introduced by private experts bringing ideas from the external community of policy makers back to their firms. Additional information about public policy may change corporate thinking, in part, because knowledge makes managers confront the complexities in social problems and solutions. Ideology operates by ignoring nuances and simplifying experiences; knowledge introduces complexity and shades of grey where black and white have prevailed before. A broader range of ideas about public policy should bring managers to consider a wider range of policy solutions.

Second, business support for social initiatives is shaped by prior corporate experiences with providing private benefits or dealing with government policies. Prior positive experiences with government regulations or programs


38. Corporate policy capacity highlights the cognitive dimension in preference formation by emphasizing the capability to grasp sophisticated policy ideas, yet it rests on the important institutional insight that preferences transcend the individual and are collectively constructed.


40. See this phenomenon at the firm level in Martin, "Nature or Nurture?" Harris, "Politicalized Management"; Edward Handter and John Mulker, Business in Politics (Lexington, MA: Lexington Books, 1982), 8, 27.

make it easier for managers to accept new social regulations while prior private sector dominance of social provision makes it difficult to shift suddenly to a public program. Prior negative experiences also matter, so that when private welfare plans fail, firms may move toward government solutions. Thus legacies of public and private provision can be either a source of support for or a constraint on new government policies.

Third, business groups are critical to the cognitive processes shaping preferences, channeling the new ideas that alter perceptions of interests, and fostering political identities. Managers’ participation in deliberative groups brings them into contact with non-corporate policy analysts, exposes them to a wide range of policy ideas, and guides them toward more sympathetic positions on policy interventions. Specific patterns of business association also affect how employers enter into national legislative debates. Groups can help firms overcome collective action problems by increasing individual participants’ trust that others will help bear the costs of securing collective social goods. Alternatively, they can create patterns of coercion in which some participants pressure others. Thus, despite the conventional view that a fragmented business community enables greater welfare state development, the opposite seems more plausible.

U.S. employer associations generally fare badly in corporatist measures of associational power, and one might assume that support from American business has little relevance for human capital investment policy. Yet these widely noted, national-level incapacities in business organization do not explain all variation in American employers’ political life. One finds important deviations from the national norm in the policy-specific groups that organize a broad spectrum of business within their issue areas. Consequently, at the policy level one occasionally finds broad-based groups that dominate a particular issue, resemble national peak associations within their narrow field, and enjoy formal or informal recognition as the legitimate representatives for business concerns. These policy level groups must justify their existence, and their claim to fame is a greater capacity for political action. Thus, they may be more willing to take positions that may alienate some members and, like corporatist organizations in other countries, may attempt to discipline their business members to present a unified voice. The single-issue focus of these groups also makes it easier for them to avoid a stalemate in formulating political positions. When a business group purports to cover all issue areas and competes with other groups for members, it is reluctant to take positions that harm some members’ special interests even if these stands are acceptable to the majority. By comparison, single-issue groups can afford to lose a few members whose special interests diverge from the general concerns of the group.

Politicians can also shape business preferences with their framing of specific policy initiatives. Most politicians recognize that business managers prefer policies that minimize interference with private sector benefit plans over broad government programs. Government actors can also shape preferences when they pursue a strategy of business mobilization by organizing managers into legislative coalitions. With these top-down organizing efforts, politicians can sometimes leverage corporate participants into restraining their narrow concerns for larger goals and can shift the debate to a different plane.

There is a danger in making assessments about an interest group’s support (or lack thereof) for specific acts as opposed to concepts, because the barriers to support may lie in how broad goals are translated into particular bills. The acts may be seen as suspect, even though the societal actors desire the policy ends. For example, Clinton chose a contentious funding method in the employer mandate. Mandates seemed to be a good strategy for solving problems without creating new government programs (important to budgetary constraints), yet conservatives convincingly portrayed employer mandates as new entitlements and hidden taxes.

To deal with the problem of understanding whether managers are responding to the goals or to the legislative format of the goals, I begin my case investigations with business input during the agenda-building and proposal development stages. I ask why managers were able to get a proposal they viewed as satisfactory in training but not in health reform. I assume that business influence is important to proposal development as well as to the ultimate success of the legislation. Thus a high degree of business unity in support of a

---


45. Pligstein, *The Transformation of Corporate Control*.


48. For example, the Emergency Committee for American Trade (ECAT) was founded by industrialists Arthur Watson and David Rockefeller at the behest of the Johnson administration, and continued to rally big business behind trade issues in the following decades. I. M. Destler and John Odell, *Anti-Protection* (Washington, DC: Institute for International Economics, September 1987), 119.
proposal should increase greatly the likelihood that government entrepreneurs will choose the policy form supported by managers, and should makes less likely situations where objections to the means rather than to the ends result in business opposition to legislative proposals.

III. Business and the Clinton Initiatives

This section applies economic and institutional explanations to the Clinton health care and training initiatives, two social policy areas emphasized by Clinton during his 1992 campaign. Clinton’s Health Security Act centered around two provisions. First, an employer mandate required companies to pay 80 percent of insurance premiums for all employees. Second, the managed competition provision created purchasing cooperatives, called health alliances, that would negotiate rates with providers, offer their members a choice in plans, and thus restrain costs by enhancing consumer power. The provision also set up a government board to certify and to regulate “accountable health plans.”

Clinton’s training initiatives included the Goals 2000 Act and the School-to-Work Opportunities Partnership Act. Goals 2000 established a national framework for education, shifted the evaluation of schools from process to outcomes measures, and signified a break with the 200-year tradition of local control over schooling. Goals 2000 also set up a National Skills Standards Board to identify the skills needed for occupational clusters and to stipulate standards for measuring student performance in mastering those skills. School-to-Work created a national apprenticeship program linking an education component in the schools to work-based training. The federal government would provide national guidelines, development grants, and implementation grants; but the bill allowed for considerable flexibility at the state and local level.

According to an economic analysis, differences in expressed business support should be rather easily explained by differences in the material impact of the two policies. First although business opinion polls might indicate similar rates of support, managers might have more intense preferences about one policy than the other due to stronger economic interests and devote more effort to securing that policy. Second, one policy might have a much more unequal impact across sectors than the other; consequently, this greater

inequality in impact across sectors might make it more difficult for managers to arrive at a unified position with respect to the policy. For example, one policy might help large, unionized, and capital-intensive firms much more than small, non-union, labor-intensive ones while another might have a more even impact. Third, the two policies might threaten opposing interests in a differential fashion that alters relative levels of political engagement. It is more difficult for a supportive majority to overcome the objections of a passionate minority than those of a less engaged opposition. For example, one policy might have stronger redistributive effects than the other. Or the absolute scope and economic impacts of the policy might differ and the initiative with broader ramifications might generate stronger opposition.

With an institutional explanation, differences in the cases should be accounted for by different levels of policy expertise, divergently helpful policy legacies, and different patterns of association.

Economic Distinctions in Health and Training

Managers may have responded differentially to the training and health initiatives because of different economic concerns about these issue areas. Support voiced in poll data is not enough to assume equal economic interests in the various policies or comparable economic barriers to managers’ participation in the legislative campaigns to enact them. Yet an argument restricted to economic considerations fails to explain the divergence in these cases in many ways. At the most simplistic level, one could argue that if it were merely a matter of economics, one would expect to see collective positions expressed in both cases since a majority of managers claim to have interests in both policy initiatives. If we take them at their word, then it is legitimate to wonder why some business organizations failed to support the health plan even when a majority of their members supported it.

One must also consider the possibility that there was a difference in intensity of feelings between supporters in the two cases, that managers cared more about training policy than they did about health reform and were more determined to do something about it. The issues are not entirely fungible and may involve somewhat different incentives for employers, even though they both fall into the category of policies said to enhance the productivity of workers. Training policy aimed to develop worker skills. Health reform appealed to business as a mechanism both to improve the competitiveness of U.S. firms by restraining health costs and to enhance worker productivity. Yet it would


52. In 1990 it was claimed that health care adds $700 to the price of a car made in the U.S. but only $200 to one made in Japan. William Schneider, “Is There a Cure for America’s Medical Inflation?” National Journal (4/21/90): 983.
be difficult to argue that companies had stronger material interests in training than they did in health policy. Large employers were quite vocal about the dramatic increase in health costs and it is hard to imagine that they cared more about worker skills than price competitiveness.¹³

Sectoral differences might account for the fact that it was harder for managers to reach a consensus position in the health arena than it was in training. Policies nearly always affect industrial sectors differently and those having the most diverse effect on sectors may be less likely to elicit collective corporate support. One fundamental sectoral difference is the split between large and small firms. Small companies generally offer fewer benefits, have a lower percentage of high-skilled workers, and are more labor intensive; therefore, they generally oppose social policies that place any additional labor costs on firms.¹⁴

Yet sectoral differences could have posed a problem in both cases and industrial structure in and of itself did not create deeper divides among firms in the health realm than in the training one. Companies have vastly different training needs because workers’ skills vary enormously across sectors. One could easily imagine a zero-sum politics developing in the training issue area with manufacturing sectors lobbying for school-to-work type programs and low-skill, low-wage sectors demanding rudimentary skills training in the three Rs for their poorly educated workforce. Thus sectoral analysis would acknowledge that support for training has grown with the rapid technological change in industrial production and the corresponding need for a more highly skilled workforce, but expect to find training advocates only in the high-tech sectors that place a priority on worker skills.

The facts suggest otherwise. While it is true that many corporate sponsors (e.g. Motorola) came from these sectors, others came from companies such as Aetna, that used a lower-wage workforce in desperate need of basic skills training. Although the politics of training could easily have been constructed as a zero-sum contest between high and low-wage sectors, it has not unfolded in this manner. What is impressive about the training issue is that although sectors have vastly different needs from training, managers have constructed their interests in a manner that minimizes the economic divides.


In comparison, mandated health benefits (especially with subsidies to low-wage firms) would appear on the surface to be an easier sell, as all enterprises need healthy workers; however, the politics of health reform was complicated by the private policy legacy of the employer-based system. Divergent benefits packages meant that firms with similar industrial structure characteristics had very different material concerns. Thus in this case an institutional arrangement, rather than industrial structure, created the economic divisions among firms.

The two cases might also vary in the strength of the opposition. Economic arguments recognize a collective action problem when managers are acting on policy issues in broad, collective areas (far removed from their core economic activities), or cases where managers act as consumers rather than producers.¹⁵ Thus the collective action problems for business may have been greater in health because business consumer interests may have been swamped by the producer interests of the many health providers and insurers in the political arena.

Health opponents were certainly highly mobilized by the end of the legislative cycle while the training case experienced no such fierce opposition, yet the seemingly united front of opponents in health developed long after the departure of the business community from the policy debate. As Graham Wilson has pointed out, the medical industry was originally quite divided over health reform, with many physicians supporting the Clinton plan.¹⁶ Collective action theory suggests that dominant sectors may overcome collective actions problems and facilitate action. Yet an irony in the health case was that major small business associations, with less economic power, wielded much more organizational, political power than the economically dominant large firms.

At first glance, the results seem attributable to the fact that one initiative was more redistributive than the other, thus diminishing corporate enthusiasm. But the irony is that although health reform was quite redistributive, its major impact was to redistribute some of the health burden from those firms currently offering benefits to those without a health plan. This was not a reason for the big business community to reject the bill, as large employers were already paying for both their own employees and the uninsured. They saw reform as a way both to shift the burden back onto companies who offered no insurance to their workers and to end cost-shifting by the federal government. In comparison the training legislation’s intended beneficiary was working America and would redistribute resources to labor.

One might protest that it is inappropriate to compare the initiatives, since they were quite different in scope. The training package was smaller, voluntary, cheaper, and had more modest goals, so should be more easily passed.

While it is true that the health and training bills had different parameters, the original training initiatives (as conceptualized by the Clinton transition team) had broader ambitions; indeed, the 1.5 percent training mandate was even more controversial than the health mandate. The proposal was quickly dropped in response to corporate objections; thus, business action simultaneously enhanced the political fortunes of the act and limited its reach. Because managers were so well-organized, government policy entrepreneurs were forced to adopt the broad corporate view; however, the core business supporters still wanted a policy vehicle to increase training by all firms and lobbied for financing this through a tax credit. This was rejected by legislators as too expensive in the tight budgetary climate. Next, training business activists began planning a drive to increase private training within firms, but this campaign was abandoned after the 1994 election.27

After dropping the mandate, training certainly became an easier sell than the health package, but the other training initiatives were not simply window dressing. The School-to-Work proposal was originally viewed with suspicion by many managers. As a pillar of active labor market policy in West Europe, it was seen as involving too much government. But visits to European programs, considerable study, and a process of social learning led to a slow transformation of the issue in the collective corporate consciousness. Accepting the proposal really was a stretch for a U.S. business community that has been characterized as fearful of state power and committed to laissez-faire thinking. Although School-to-Work began as a small, pilot program, so did many of our important welfare state initiatives. Most participants believed that the program would be expanded quite a bit in years to come.

The depth of business commitment was revealed when the legislation was heavily contested after 1994. If business had merely signed on as a passive player, it would have ducked when the Republican right launched its attack, but this didn’t happen. Administration officials report that business allies helped enormously in nullifying right-wing attacks on the bills both before and after 1994.28

This strong support is a striking change from earlier business attitudes toward training. As Margaret Weir argues, training has occupied a small space in the American political landscape and the U.S. has had virtually no active labor market policy of the type found in West European countries. She links this phenomenon to the narrow interpretation of Keynesian ideas and to the early linkage between training and welfare.29 Thus one must explain how training initiatives (and especially the active labor market policies discussed here) escaped this framing and gained in business support.

Business involvement in health care played out quite differently. When managers objected to aspects of the bill, the administration promised to remedy these problems during the legislative process. Yet even after these assurances, large employers ultimately failed to participate as coalition partners for reasons that can only be explained by an institutional analysis. Although health care had a much broader impact on the economy than training, large employers claimed to have very strong financial stakes in solving the health crisis. Economic analysis would suggest that this was not a policy area that companies would turn away from lightly. Therefore, it is necessary to understand the disappearance of corporate support for health reform.

Corporate Policy Capacity and National Health Reform

When the institutional measures of corporate policy capacity are introduced to the causal mix, the divergence in business behavior in these two areas becomes more comprehensible. In the following sections I explain how institutional differences in business networks shaped managers’ involvement with health and training initiatives.

An institutional approach reveals why the substantial early business interest in national health reform did not translate into continued corporate support for the Clinton proposals.30 Considerable private policy expertise had developed in health, but the other components of corporate policy capacity, group organization and policy legacies, were problematic. The policy legacies of the employer-based system created dilemmas for policy makers, because employers were unwilling to consider proposals that altered their market advantages under the current system. The Clinton administration designed its proposal with the legacies of the employer-based system in mind. Health alliances were to be quasi-public entities to negotiate rates with providers; large employers could opt out and continue to provide their current benefits

---

57. Interview with NAB and company representatives, 1995-96.
58. Interviews with Labor and Education Department officials.
59. Weir, Politics and Jobs.
package. The employer mandates were not an especially big leap for the large employers; because many already provided health benefits.

Yet the goals of preserving the interests of large employers in the current job-based system, achieving real cost containment, and expanding access came into conflict. The health alliances needed to be big enough to have market leverage to restrain providers; but managers worried that the region-wide alliances would erode company purchasing power and that the requirements governing company opt-out would push many employers into the public pool. Employers were also torn between their desire to support a technical fix to the system and their ideological fear of government; many considered the minimum benefits package excessive, expressed skepticism about the funding arrangements, and thought the plan too bureaucratic. The Clinton administration undoubtedly exacerbated this conflict by developing an extremely detailed plan and by using populist appeals to rally mass support. Although Clinton offered a politically centrist plan, he proposed profound changes to the status quo that alienated many potential allies.

But policy contradictions only partly explain the failure of big business to fight for health reform. The administration assured corporate allies that their demands were largely acceptable to Clinton, as laid out in the “end game scenario” written in the summer of 1993. In addition, the initial bill was much closer to large employers’ preferences than later versions, because Democratic legislators kept offering subsidies to lure small business support. An APPWP/Wyatt study showed that one such concession, an exemption from the employer mandate of firms with less than 100 employees, would force large employers to cover 14.7 million more individuals than they would without this exemption. One wonders why big business wasn’t more influential in protecting its turf to make the bill meet its interests?

The disappointing showing by large firms also reflected the failure of big business organization to represent broad corporate concerns about health financing. Various groups helped to make health reform a top political issue, but no unifying corporate organization built business consensus for a specific legislative proposal.

The group that most resembled a policy-specific peak association in health was the Washington Business Group on Health (WBGH), developed by the

Business Roundtable as a special forum to consider health questions. During the agenda-setting stage WBGH President Willis Goldbeck was ahead of business on most health issues and an early advocate of national health reform. But the group lost its activist edge when Goldbeck departed in 1989 and the organization decided to admit insurers as voting members.

The National Leadership Coalition (NLC), led by Henry Simmons, tried to fill the organizational gap, but ultimately played a small role in the health debate. A number of companies and trade associations joined with their unions, especially in sectors where labor-management accords committed both sides to participating in the national policy debates. The group rather quickly moved to develop a “play or pay” legislative proposal, that included an employer mandate requiring firms either to offer their own health plan or to pay into a public pool. Yet a division in interests between those companies with heavy retiree commitments and those without caused many companies to depart. Many of the departing firms formed a new group called the Corporate Health Care Coalition that also endorsed an employer mandate, but preferred a managed competition approach to “play or pay.” But this group was too small to organize a broad cross-section of employers.

Thus collective business representation on the health issue was left to the big umbrella groups. The experience within the National Association of Manufacturers exemplified how difficult it was for umbrella organizations with a strongly-opposed minority to exert leadership in health care reform. Ninety-nine percent of NAM members offered health benefits and a 1992 study found that 55 percent of them favored a play or pay approach (with employer mandates) as part of overall system reform. A NAM survey in the late summer of 1993 again found majority support for mandates and health alliances for firms employing more than 500 workers.

61. Also the big insurers were the primary organizers of managed care networks for corporate purchasers, and hoped to administer the new Clinton system. Interviews with industry representatives, September 1992.
67. Interview with company representative (December 9, 1992).
68. These included Alcoa, ARCO, Allied Signal, Amoco, Ameritech, AT&T, Bell Atlantic, Chevron, DEC, DuPont, IBM, Kodak, MCI, Motorola, NYNEX, Southwestern Bell, U.S. West, and USX.
70. A June 1994 Washington Business Group on Health survey of large firms showed 72 percent supporting a requirement that all companies offer insurance, 59 percent wanting firms to
Ira Magaziner met with the Chamber of Commerce and NAM throughout 1993, and both seemed to support the administration in the early stages. According to Magaziner, NAM President Jerry Jasinski was one of the first individuals to see the draft proposal in the summer of 1993. A deal was struck: Jasinski agreed to take the plan before the board if the administration would fix five issues troubling to large employers. Referring to a September 1993 press release praising the Clinton plan, Jasinski wrote, "I avoided any mention of mandates in order to imply that they may be a cost that business has to pay to get comprehensive reform; and to signal that mandates are not likely to be a top priority concern to manufacturers."

Although the administration calculated that sixty percent of the board was sympathetic to health reform, healthcare providers and fast food magnates in the board's minority prevented the association from supporting the proposal. The reversal was rather sudden; indeed, NAM staff remember going into a Board meeting in February 1994 having "good things to say about the Clinton bill and having the board do a 180 degree turn."

A similar chain of events happened at the Chamber of Commerce, although the Chamber went further than NAM in supporting the administration and, consequently, its reversal was more public. The Chamber's Health and Employee Benefits Committee endorsed an employer mandate, managed competition, and a standardized benefits package. The group's price for support was "an appropriate government subsidy mechanism to assist low-wage workers and their employers." Clinton agreed to adopt the Chamber's small business discount schedule for health reform and the Chamber testified in favor of the administration, producing its own bill with a 50 percent employer mandate in which firms would be responsible for half of their workers' health costs.

The Chamber's position on health greatly angered conservative Congressional Republicans. The Conservative Opportunity Society (COS) in the House demanded a meeting with Chamber President Richard Lesher and Vice-President William Arche, and "read them the riot act." COS Chairman John Boehner (R-OH) sent letters on Congressional letterhead to Chamber constituents saying that they should cancel their Chamber membership. Represenative Dick Armey (R-TX) asked for an opportunity to offer the Republican view to the board before the Chamber took any action. Meanwhile the National Federation of Independent Business initiated a membership drive against the Chamber. Few members resigned, but the Chamber reversed its position on reform.

The Business Roundtable did not get as far as NAM or the Chamber, because its health care task force was controlled by insurers from the beginning. At one point the Roundtable seemed close to considering a universal access bill, but General Mills and the insurers began a campaign to dissuade CEOs from this option. Shortly before the Business Roundtable vote, Rep. Newt Gingrich (R-GA) argued to two dozen CEOs that "their interests were best promoted by being principled rather than going for short-term deals."

Big business inaction contrasted strongly with hyperactivity by the well-organized small business associations. Together with Republican allies and healthcare provider interests, small employers began a vigorous campaign to alter the thinking of conservative Democrats, moderate Republicans, and large firms sympathetic to the president's plan. Billy Pitts (House aide to Bob Michel, R-IL) ran a Monday meeting of key committees staffers and business representatives from the major small business associations. Pitts would identify the issue of the week, and the group would "brainstorm on strategies, line up key amendments to focus on, and make sure that everyone was pulling in one direction." Participants would identify "who was gettable and who wasn't" and discuss "what kinds of pressures to bring to bear in the districts." A big topic of conversation was "when to put the plug on reform so that it didn't look like the Republicans had pulled the plug."

The small business lobby intervened at critical junctures, such as in its campaign to prevent the Energy and Commerce Committee from reporting out a bill. The National Federation of Independent Business (NFIB) sent action alerts to all of its members in the ten districts with swing legislators, urging that legislators be told to oppose John Dingell (D-MI). These private sector allies also helped the Republican leadership in disciplining members of its own party: NFIB did action alerts in a series of moderate Republicans' districts as a kind of preventative measure, compiling the list from the Republicans who had supported the family leave act.

75. Interview with Chamber Staff (May 24, 1994).
76. Letter to (name blacked out) from H. Atwater Jr. (Chair & CEO, General Mills) (December 2, 1993), obtained from White House sources.
77. NFIB, Pam Bailey, Restaurateurs, Retailers, HIAA among others.
78. Interview with participating lobbyist.
79. Committee chair John Dingell very much wanted health reform, but the committee was rich with conservative Democrats from rural and southern areas.
Thus, the health story reveals that big business managers initially exhibited considerable ideological tolerance for a broad new government initiative, but ultimately their representative associations acquiesced to the minority dissident voices within their ranks. The inability of the umbrella business groups and big business forums to endorse the parts of the proposal favored by most of their members made politicians less willing to take seriously big business objections to other aspects of reform. Vote-seeking legislators granted concessions to try to buy off the better-organized small business groups, and health reform ultimately had very few corporate supporters.

Corporate Policy Capacity and Clinton’s Training Initiatives

As in the health arena, considerable private policy expertise has developed in the training area with the expansion of company in-house training programs. The industry newsletter, Employment Relations Today, boasted that greater attention to training “establishes a new role for HR [human resource] professionals both within and outside their firm.” Business efforts to develop collective positions were also facilitated by advantageous policy legacies and the commanding presence of a unique, corporatist-style, business organization, the National Alliance of Business (NAB). The high level of corporate policy capacity in this area helped the Goals 2000 and School-to-Work Partnership initiatives to pass in a noncontentious, quiet fashion.

In devising its training initiatives the Clinton administration tried to build on the advantageous policy legacies of business interest in education policy and on the efforts of the Bush administration. Training policy has been relatively popular among employers due to its proximity to education policy. As a major vehicle for bettering oneself, education has always been accorded a political legitimacy found lacking in other social spheres. The Bush-appointed bipartisan Commission on the Skills of the American Workforce (chaired by Ira Magaziner, Ray Marshall, and William Brock) issued an influential report called “America’s Choice” that laid the groundwork for many of the training provisions legislated during the Clinton years. The Bush presidency sought employers’ blessing for its education and training ideas and the authors of America’s Choice met with a wide section of the business community, urging managers to endorse the principles of their report. The National Alliance of Business (NAB) organized a multi-association group called the Business Coalition for Education Reform to lobby in this area.

Business managers initially worried that the new Clinton administration would differentiate itself from these prior efforts, but it endorsed the 70 to 80 percent of the policy initiatives that enjoyed broad consensus. This in part reflected Clinton’s own involvement with the Governors’ Conference on Education and also reflected strong links to the business policy network. Shortly after the election the National Center on Education and the Economy (the think tank formed by the America’s Choice team) organized a two-day meeting to identify the critical proponents of a national training framework. Twelve of these participants became members of the Clinton transition team. The new administration reached out to the business community with a message of partnership between business and government. Although many corporate leaders feared Labor Secretary Robert Reich’s reputation as a pro-union leftist, the secretary gained much good will in the training area. One manager covering both training and health policy for her firm observed that those handling training within the administration were much more solicitous of business opinion than those running the health care debate. Reich courted managers with a high wage, high skill gospel, urging them to view workers as assets rather than costs, to integrate technology and work, and to pursue “the high-road strategy” of labor-management cooperation. Reich and Education Secretary Richard Riley worked closely behind the scenes with business groups to give flesh to legislative initiatives. Thus as Rae Nelson (Chairman of Commerce) recalls, employers worked with the new administration as if no change in political leadership had occurred.

Business managers felt that Clinton was very sympathetic to their concerns; they had known the new president from his governor’s days and felt that he shared their lifelong learning agenda. Riley, like Lamar Alexander, had been a governor, so each governor had made a major commitment to work with the business communities in their states. . . . The Chamber had been doing satellite meetings with Lamar Alexander, the Secretary of Education under George Bush. The Chamber of Commerce continued to have its satellite town meetings, only now with Bill Riley.

80. Some companies imported a training bias from the old country; for example, in Remmle Engineering, established by German-born Fred Remmle in 1949, a German craft tradition permeates the company and in the sixties the company created its own apprenticeship program at an offsite training center. Joseph McKenna, “Fred Remmle’s Investment, Bill Saul’s Crusade,” Industry Week 241 (November 2, 1992): 22. Siemens Corporation is another early innovator in apprenticeship programs.


82. Interview with America’s Choice authors (June 1996).
83. Interview with Mark Tucker (June 3, 1996).
84. Interview with industry respondent (May 1995).
86. Interview with Rae Nelson, (May 9, 1995).
Finally a strong organizational base has enhanced training’s fortunes as a political issue among big business. At the core of the training field is a multi-sector, broad-based association devoted to human resource development called the National Alliance of Business (NAB). NAB was set up by Lyndon Johnson to cut minority youth unemployment and to secure urban peace. As unemployment decreased and urban unrest declined, managers lost interest in training such workers. But NAB shifted its focus to dislocated workers at risk from international competition, and supported initiatives such as the Jobs Training Partnership Act of 1982. The group’s current mission is “a concern with the quality of the workforce.”

As a meeting ground between business and government, NAB serves to introduce new ideas to the business world and has been pivotal in disseminating policy arguments about training. The late President William Kolberg explained that the group strives to be “proactive not just reactive”; however, members only gradually accepted controversial training ideas. Thus, the Commission on the Skills recommendations were initially greeted with skepticism by NAB members. Kolberg explained, “We don’t get rapid change, rather we have to convince companies that this contributes to the bottom line.” Then NAB spreads these ideas to the larger business community in order “to promote change on the private side.” NAB sees itself as on the frontier: “after we identify more effective ways to do business and become convinced about these innovations as an organization, then we become empowered, get money from foundations, and work closely with other organizations.” Thus, NAB has set out to develop broad support for training initiatives, to organize coalitions of other business groups, and to overcome the narrow focus often found in business.

The greater degree of corporate policy capacity in employment and training enabled business allies to contribute much to the legislation of the training acts. Business activists had considerable input on key provisions, such as having the National Skills 2000 Board led by a business chairperson, and shaped the ideological context of the legislative initiative. Managers kept “the proposal in the center of the political spectrum rather than going to the left” but also warded off attacks from the right. For example, conservatives opposed both voluntary and mandatory opportunity-to-learn standards as “a typical, big-government response to local problems” in the words of Congressman John Boehner (R-OH). Business allies defended both skills and opportunity-to-learn standards as local control within a national framework. Phyllis Eisen of the National Association of Manufacturers felt that this was critical:

Goals 2000 passed because business supported it. The question on the table was, “Do we need another government program?” The business community said, “We have no choice but to back it.”

The coalition intervened at key points to keep the legislative process moving forward. Department of Education officials met on a regular basis to discuss legislative strategy with a small group of sympathetic associations. Managers helped the department with vote counts to identify “the people who needed to be visited.” Targeting moderate Republicans and Democrats; business representatives visited legislators, wrote letters, and urged their CEOs to write letters. Unified business support gave legislators added confidence in the political viability of the bill. Cohen recounted:

The mere fact that the business community was virtually unanimously supportive made it easier for moderate Republicans to vote for it [the bill] when there were partisan efforts on the other side.

The Department of Labor also organized corporate support for the skills standards board. The department was surprised when the skills standards proposal was sent to the House Committee on Education and Labor as part of Goals 2000 because the committee had little comprehension of the training field. Therefore, the department asked managers to explain the issues to committee members and reported that employers were extremely helpful in moving the process forward. A committee staffer remembers:

The debate came over the national standards board. Some conservatives thought that this was a bad idea because it signaled too much government intervention, but business helped people see that in fact the board was quite permissive and that business had a bigger role in the process.

88. Interview with William Kolberg (April 19, 1995).
89. Interview with Kolberg.
90. Interview with Kolberg.
91. Interview with administration official (July 1996). The left was concerned about the impact of national performance standards on economically disadvantaged children, who might be unable to satisfy the standards more easily attained by kids from wealthier school districts.
93. Interviews with industry respondents (May 1995; May 1997).
94. Interview with Phyllis Eisen (February 1996).
95. This included the NAM organized Business Coalition for Education Reform and its participating members: the National Alliance of Business, the Business Roundtable, the National Association of Manufacturers, and the Chamber of Commerce. Mike Cohen remembers that the administration did not have to organize the group, since it came already organized.
96. Interview with Mike Cohen (July 15, 1996).
Business leaders helped to assuage Republican concerns on this matter and helped them to see that it was a good idea.\textsuperscript{77}

The NAB coalition also tried to protect Goals 2000 after the 1994 election. Many in the big business community feared that the gains made in employment and training would be lost in the new conservative Republican climate. Thus NAB’s Kolberg was to warn:

I thought that this [the bipartisan initiatives passed in the early Clinton years] was the direction that we were going in, but now the populist Congress is starting to question these ideas. Populist Republicanism discards all of these arrangements and we are back to the pure market again.\textsuperscript{78}

The Republican far right criticized the Clinton policy initiatives as excessively bureaucratic and intrusive, describing the National Skills Standards Board as a brave new government program and school-to-work as an attack on parental control over their children’s educational decisions. Groups such as the Heritage Foundation proposed shutting down the Department of Labor altogether, and radically rewriting the labor laws of the land.\textsuperscript{79}

This clamor frightened big business, which essentially wanted to preserve the bipartisan gains of the Bush and Clinton efforts. One participant expressed amazement at the rhetoric of the Christian right: “Workforce development is a capitalist plot? It’s frightening. In the area of school-to-work there is a tremendous mischaracterization. They don’t understand that we are trying to give kids more choices rather than less.”\textsuperscript{80}

Congressional Republicans ultimately backed away from the rhetoric of the radical right and training programs fared somewhat better than other social policies. President Clinton invited a group of CEOs to the White House in 1995 to discuss the fate of Goals 2000 and began the meeting by asking whether the executives continued to believe in the legislation. When reassured on this point, the president asked those present to speak out on Goals; many companies then wrote letters urging that the program be preserved. The Business Roundtable’s only budgetary (as opposed to programmatic) recommendation was that Congress fund Goals 2000. Business managers also were very active at the state level in persuading officials to participate in the Goals 2000 program. When, for example, Governor Pete Wilson vowed not to accept Goals funding, the California business community protested loudly until he changed his mind.\textsuperscript{81} Yet some business participants felt that the corporate response was more muted than earlier commitment to the Goals 2000 objectives might have implied, due to the “cultural” protests of the far right. As one manager put it, “You can imagine that many business people didn’t want to get involved, didn’t want to touch it.”

IV. Implications for Business Theory and the Welfare State

The institutional model developed here has implications for debates about business influence and the future of the welfare state. First, it extends corporate liberal theory. Corporate liberal writers have too often neglected the conditions necessary to business support for social welfare and have set up business influence as an alternative theory to state structure models. My perspective adds to corporate liberal theory by fleshing out the institutional conditions under which managers may assume a corporate liberal perspective. Although bureaucrats often take the lead in seeking social legislation, they often need cross-class coalitions to get their initiatives adopted. We must understand why managers choose to participate.

Second, this institutionalist perspective has implications for the business power debate.\textsuperscript{82} My model suggests that the private institutions facilitating business mobilization are critical to the exercise of corporate power, something that the corporate power debate all too frequently ignores. In addition, the corporate power debate primarily pertains to employers’ ability to keep policy off the public agenda, but this is a very limited way of defining managers’ ability to get what they want from government. One must also investigate employers’ capacity to put collective concerns on the agenda and influence the formulation of policy proposals. Corporate organization matters to the content of business demands as well as to employers’ ability to mobilize around those demands.

Third, this argument has implications for economic growth and social renewal in the new global age, as managers struggle to understand the relationship between growth and human capital investment policy. The fragmentation and decline of labor are undermining the social democratic underpinnings of the welfare state and the consensus for social rights.\textsuperscript{83} Some believe that if labor unity becomes harder to achieve due to structural changes in the

\textsuperscript{77} Interview with Omar Waddle (February 20, 1996).

\textsuperscript{78} Interview with Kolberg.

\textsuperscript{79} Mark Wilson, Rebecca Lukens, "How to Close Down the Department of Labor," Heritage Foundation Reports, No. 1058 (October 19, 1995), 1.

\textsuperscript{80} Interview with industry respondent (May 1996).

\textsuperscript{81} Interview with Clinton administration official (July 1996).

\textsuperscript{82} Lindblom, Politics and Markets.

economy, business support for the welfare state will be more essential to its continuation. 104

But there are limits to what corporate support can do to further social policy initiatives. Although post-industrial growth may be producing a decline of labor power and an increased need for cross-class coalitions, it is also creating a declining number of manufacturing jobs. Former workers from the manufacturing sectors are today unemployed or employed in the small business and service sectors that are less likely (and willing) to provide benefits. Public policy has exacerbated this problem: faced with a tension between declining employment and the need for skilled workers in high-end manufacturing, the U.S. has chosen policies that prop up employment but do little for skills. The consequence has been a bifurcation of employment into high-skilled and low-skilled jobs. 105 Policies organized around the core manufacturing workers will exclude many Americans.

Related to this is the expanded divide between firms that employ high-skilled versus low-skilled workers. The U.S. business community is increasingly torn between those who wish to conserve older economic forms (low-wage, many small firms and service sectors) and those who want to move into a new manufacturing mode (high-skilled, high-wage sectors). This is both a source of cross-class support for specific policies and a possible political deterrent to their passage. Although the high-skilled, export-oriented manufacturers once enjoyed an exorbitant privilege in domestic policy areas as well as abroad, small business has become a much more powerful political force in the U.S. Slower productivity growth rates have increased zero-sum battles between the various sectors of American business, working against collective solutions, even while increasing globalization makes these solutions more urgent.

Finally, business participation is unlikely to meet the expectations of the social democrats who want managers to help revitalize the welfare state. Business partners in U.S. political coalitions tend to favor policies that avoid disrupting private benefits, remain voluntaristic, and require limited expenditures. Thus business support both limited the reach of the training bills and provided political clout for their passage. Managers ultimately contribute by delimiting and constraining the legislation even while they ease its enactment.

Research Notes

A Political Regimes Approach to the Analysis of Legal Decisions

Cornell Clayton, Washington State University
David A. May, Eastern Washington University

The public law field is in the midst of the most profound debate over research paradigms since the 1950s when behavioralism eclipsed traditional legal-institutional scholarship. The behavioralist "old guard" is under assault by "new institutional" challengers, and within the new institutionalism is a debate between positive theory institutionalists and interpretive institutionalists over how best to conceptualize institutions and their influence on judicial decision making. The purpose of this article is to explain how political scientists who study the law and the courts have come to think about their subjects and methods of inquiry, and to explain why a proposition that seems patently obvious and conventional to many strikes us as fresh and innovative. We consider the limits to the predominant behavioralist approach to studying the courts and judicial decision making, and examine how the "new institutionalism" departs from that as well as from more traditional institutional approaches. More generally we wish to discuss what it means to properly contextualize judicial decision making as a political activity. We examine the recent debate between "strategic choice" and "interpretive" institutionalists over how best to conceptualize institutions and their influence and suggest a third approach that might reconcile the core insights.

Cornell Clayton is associate professor of political science at Washington State University. He is the author of The Politics of Justice and recently edited (with Howard Gillman) Supreme Court Decision-Making and The Supreme Court in American Politics.

David May is an assistant professor of government at Eastern Washington University.

The public law field is in the midst of the most profound debate over research paradigms since the 1950s when behavioralism eclipsed traditional legal-