Mandating Social Change: The Business Struggle Over National Health Reform

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This article explores the conditions under which business managers endorse human resource investment policy drawing from the recent national health reform episode. In order to generate corporate support, a business community must develop corporate policy capacity, or the ability to grasp complicated social issues and to act in support of this social agenda. Corporate support is also influenced by the business-related strategies of government leaders who can encourage businesses to organize around legislative issues. The bid for national health reform met neither condition. Corporate policy capacity was inadequate to sustaining business support for health reform at the point of translating general corporate anxiety into specific legislation. Because U.S. business groups are weak, fragmented, and compete for members, they tend to cater to strong, vocal minorities and are often unable to act on majority positions. In health reform although a majority of business groups' members wanted reform, minority objections prevailed. In addition, where the Clinton administration's business mobilization efforts were complicated by its campaign for mass support, the Republicans organized a formidable corporate lobby against the bill.

American business today is divided over human resource investment policies. Many managers would cut back social regulations, believing that these detract from investment and growth. Yet others in the business community want government to modernize social regulations and to encourage investment in human resources. Government policies can make social provision more cost-effective, enhance workers' skills and productivity, and improve the competitive advantage of US firms by lowering non-wage labor costs. Although the economy and America's competitive position have improved since the 1980s, managers continue the debate (Challenge 1995, 31–32).

The recent saga of national health reform vividly illustrates this intra-business struggle. Repeated surveys found a majority of large employers supporting major components of the Clinton health plan. Managers believed that comprehensive health reform could rationalize the system, slow the escalation of health prices, stop cost-shifting from non-providers to benefits, and bring their companies' non-wage labor costs closer to those of foreign competitors (Martin 1995). Yet big business support had

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But policy capacity faltered at the point of translating general corporate anxiety into specific legislation. Because US business groups are weak, fragmented, and compete for members; they tend to cater to strong, vocal minorities and are often unable to act on majority positions. Constant acquiescence to minority objections means that associations resort to a "least-common-denominator politics," expressing only broad, inoffensive and empty principles. Like feisty two-year-olds, they are very good at saying "no" to regulations that offend their narrow self-interests, but very bad at saying "yes" to policies that further their long-term, collective concerns (Wilson 1981, 3–4; Schmitter 1981). This makes it very hard for associations to pursue issues with collective benefits and narrowly-targeted costs, such as many social investments. Health reform was a classic example of this dynamic, where a majority of business groups' members wanted reform but minority objections prevailed. Progressive forces within the business community lost the battle and universal coverage was abandoned in the process.

Second, the business-related strategies of political leaders worked against health reformers. The endemic difficulty of business groups to act collectively can be overcome by political leadership; thus, presidents such as Lyndon Johnson used a strategy of business mobilization to build consensus around social issues. But business mobilization has increasingly come into conflict with other strategies for presidential power.

In the case of health reform, the process became horribly politicized and the infighting within government reinforced the worst of American business. The Clinton administration's strategies for mass mobilization were contrary to the requisites for elite mobilization. The Clintons' ideological language of class warfare, aimed at mass mobilization, made it increasingly difficult for policy experts within the firm to frame health as a technical fix for economic growth. Where the administration failed to build a business coalition, the Republicans aggressively bullied managers into backing away from the president's bill.

The story of the stunning defeat of universal coverage holds lessons for social investment policy and for the role of business in this process. Policymakers may be hopeful that some managers may support social policies, especially when these are linked to economic growth. Corporate preferences are more flexible than we often think possible; business managers can be drawn to a variety of ideological positions. Yet the defeat of employer mandates also suggests the organizational limits to corporate acceptance of social initiatives. Business groups often fall short of supporting social proposals because they are institutionally too weak to act on the collective preferences of the majority of their members.

The material presented in this article is drawn from three types of interview data and from primary source material. First, I interviewed a random sample of Fortune 200 companies (speaking primarily with Benefits Managers and Vice-Presidents for Human Resources) to find out these firms' positions on national health reform. Second, I interviewed representatives
from the major business associations involved with health reform including umbrella associations, industry associations, and ad hoc coalitions. Finally, I interviewed administration officials, Congressional staff, and legislators involved with the process. I also drew on memoranda obtained from the White House and written materials from industry groups.

BUSINESS AND SOCIAL WELFARE INNOVATION

The welfare state literature (with the notable exception of the corporate liberal theorists discussed below) has largely neglected business as a participant in welfare innovation except as an obstacle (Ashford 1991, 366). Class power analyses suggest that countries with well-developed welfare states have working classes that are better organized than business (Korpi 1980, 296-315; Stephens 1979). For state-centered institutionalists, business managers prohibit welfare state development by trying to capture the policy-making process to meet their narrowly-defined interests. When bureaucrats have greater autonomy and administrative capacity, countries have more comprehensive policies (Skocpol and Amenta 1985, 572-575; Immergurt 391-416).

Although these insights seem instinctively true, business managers may also play a more positive role in social innovation. The motivations for this corporate involvement range from damage control to enlightened self-interest. First, business managers may support social reforms in order to frame the policies in their own terms. Second, firms may join the reform bandwagon because an intended social regulation will impose heavier costs on their competitors, as when companies already providing a benefit may support legislation to impose that burden on others (Gordon 1991, 166). Third, business also offers expertise as a private sector innovator of social services (Berkowitz and McQuaid 1988, 1; see also Wiebe 1967).

Finally, managers support social policies which they believe them foster economic growth, a point underscored by corporate liberal theory. Corporate liberal theorists generally derive business interests in social policy from functional requirements linked to the level of industrialization. For example, retirement was created to make labor more productive by moving aged workers out when Fordist production created a labor surplus. Educational reforms followed the shifting labor market needs of the evolving capitalist economy (Bowles and Gintis 1976, 193; Katznelson and Weir 1985). The move from an agrarian to an industrial economy necessitated a more mobile workforce and therefore a different kind of welfare system (Quadagno 1988). In the current era of declining manufacturing jobs, nations have tailored social welfare intervention to different labor market regimes (Esping-Andersen 1990).

But different interests may hold very different conceptions of the ideal growth trajectory for the nation, for the industry, or even for the firm. Tax incentives to aid the steel industry may have pernicious ramifications for retailers (Martin 1991). As the regime of accumulation theorists point out, broad national growth strategies emerge from political struggle between competing factions (Lipietz 1987; Aglietta 1987).

This type of struggle is apparent today: globalization is altering the rules of economic competition and causing countries to reconsider their national regulatory structures and firms to rethink their own patterns of social provision.13 But there has been much disagreement over the best course of action. Some argue that firms and nations should cut social provision and labor costs in order to reduce prices and to enhance employment; thus a highly-influential 1986 OECD report warned that high fixed costs of labor reduced long term employment (OECD 1986).

Others suggest that price competition is a dead end for high-wage countries such as the US because firms will never be able to undersell their economic opponents in low-wage countries. Rather firms in high-wage countries should produce quality goods using knowledge-intensive, high-tech methods (Piore and Sabel 1984; Streeck 1992). Under this high performance workplace scenario, countries should invest in human resources to produce healthy, highly-skilled workers. Employment and training, work/family, and health policies all have been justified with productivity arguments. Thus the logic of world trade both rewards lower labor costs but also demands more productive workers and efficient social reproduction of the workforce. Efficient employee benefits systems can keep total compensation costs down while maintaining investment in human resources.7

Large companies that have been major providers of social benefits have an additional interest in expanded government involvement in social investment policies: in the world of multinational trade firms find it more difficult to provide private social benefits (Stevens 1986, 13-19). One business manager explained the economic basis for the current rise in corporate responsibility, “Companies not only have a conscience but in addition there’s a profitability motive.”8 Some company providers would like government to force their competitors also to offer benefits; for instance, much of the corporate debate about national health reform is fixed on ending cost-shifting from those without benefits (often employed by small business and service sectors).9 Some big corporate spenders (often with fast commitments to their unions) would like government to bail them out by assuming some of the costs of social provision. Again, some automobile and steel companies sought national health reform to evade their commitments to early retired unionized workers.10 Finally, some managers believe that a coherent government policy could rationalize the current system of social delivery and encourage greater provision of a collective benefit. Thus many managers promote a comprehensive employment and training policy to encourage expanded company investment in this critical area (Perrin 1991).

Corporate liberal theorists often recognize and describe the struggle between contending factions, but they have not taken the next step to theorize when managers will embrace the corporate liberal perspective and
organize to support a social policy. The critical task is to explain the conditions under which corporate managers will support social investments. When will managers perceive that their interests lie with social investment policies and act collectively in support of these identified interests?

In part this struggle over different paths to economic growth represents a clash of material interests, but in part it must also reflect a conflict of ideas over the best course of action. A range of policies are often in a company’s interests; corporate actors must decide which position within this range to endorse (Soskice). Even if social policies hold some relevance for economic growth, corporate actors must perceive this connection and develop preferences accordingly. Assuming that corporate preferences can be inferred from the form of industrialization suggests an inappropriate economic determinism.

I argue that corporate support for social reform depends on two factors: the policy capacity of a business community and the business-related strategies of government policy entrepreneurs. An initial influence on business support for social welfare innovation is corporate policy capacity, or the ability of business managers to grasp complicated social issues and to act in support of their social agenda. The level of corporate policy capacity varies across contexts; this variance is related to the level and form of policy expertise within the business community, corporate policy legacies, and the organization of business.

First, the expansion of policy expertise within the business community heightens corporate receptivity to welfare state initiatives. Policy expertise matters because social initiatives can be framed in different ways; these frames help us to interpret social problems and to evaluate a policy idea’s legitimacy (Goffman 1974; Snow et al. 1986, 464–81). Business managers are more likely to support social policies linked to growth, but must first overcome ideological predispositions against welfare initiatives. The expansion of policy expertise within business helps corporate actors to shift from an ideological to a technical perspective as corporate policy experts bring ideas from the external community of policymakers back to the firm. Ideology, by definition, lacks nuances and simplifies experience; knowledge introduces complexity and shades of grey where black and white have ruled before. In the case of most business managers who begin on the right, increased knowledge brings them to consider a wider range of policy solutions and thus moves them toward the center.

Second, policy legacies, analogous to those influencing state decision-making, contribute to corporate policy capacity (Hall 1993; Weir 1992). In the economic sphere, firms’ prior economic and political strategies create path dependencies that influence future action (DiMaggio 1982, 169–176, 186; Yoffie 1984, 43–60). Thus, prior forms of social provision matter to acceptance of future initiatives. Corporate managers engaged in private sector provision are more aware of the technical aspects of a social need, but a legacy of private provision may also interfere with support for government programs, since firms have a vested interest in the status quo. Prior attitudes toward government intervention also shape the corporate response to policy initiatives (Orloff and Parker 1990, 295–339). Policy legacies can have negative feedback mechanisms, as decision-makers learn from failed experiments (Weir 1992). Business managers may also turn to state interventions when private welfare plans fail.

Third, corporate policy capacity has to do with the organizations and networks that represent interests and mediate corporate engagement with social issues. Groups provide consciousness-raising forums in which managers learn about policy issues (Fligstein 1990, 1–2; Plotke 1992, 175–198). They channel the ideas that influence perceptions of interests and help to foster political identity (McAdam 1982; Tournaye 1985, 749–788). Thus, business groups not only represent their members’ interests, but also shape their preferences (Grimm and Holcomb 1987, 105–118). Groups can help companies to commit themselves to a social course and can increase the firms’ trust that they will not be punished bearing the costs of longer-term social investments (Putnam 1993). Thus, the limits to collective action are overcome by trust developed in social networks (Granovetter 1990, 102).

But business organizations also affect how managers participate collectively in the political process, and here American institutions fail their corporate members who are interested in human resource investment policies. US business has been more hostile to social initiatives because its umbrella organizations have more limited capacity to organize business interests than their counterparts in many West European countries. West European corporatist associations are more centralized, more encompassing, less voluntary, and less competitive than their US counterparts (Wilson 1986, 227–231; McKeown 1994, 153–168). On a cognitive dimension, European groups help employers to support welfare state inventions by focusing participants’ attention on the larger political concerns and expanding their long-term perspective. On a behavioral dimension, peak associations adjudicate among conflicting demands: often large, technologically-advanced, export sectors can force traditionalists in the small business sectors to go along with a program of social reform. At an emotional level, corporatist groups overcome the limits to collective action by binding firms to negotiated decisions and bringing members to trust that they will not be harmed by far-sighted behavior.

Decentralized and fragmented US business groups are institutionally incapable of organizing business in the same way (Maitland 1983, 1–25). Fragmentation makes it hard to locate common ground among factions, so that US employers tend to be more divided than their equally heterogeneous counterparts elsewhere. A short-term perspective plagues business attention to social investment just as it has hampered economic investment strategies (Hayes and Clark 1985; Wheelwright and Hayes, 1985, 99–109). Fragmentation discourages trust. Umbrella associations also cater to minority preferences. There may be times when minority objections can prevent rash behavior; but the tendency to defer to minority objections
lends an overall negative cast to corporate action in which it is easier to oppose than to support. Thus the associations representing big business systematically suppress activism within their ranks. To paraphrase Putnam, big business will lack the social capital to take action toward social issues (Putnam 1993).

This organization of business typically does not affect company action in areas of narrowly-targeted self-interests. When a few large firms or even sectors have very direct economic interests, producers tend to dominate the policy process (Wilson 1980). But when a wide spectrum of companies shares a broad collective goal, such as a skilled workforce or a less expensive health system, employers are hard-pressed to find common ground. Lacking assurance of others’ participation, even the most well-meaning find it difficult to take long-range, potentially-punishing positions. Those who offer health benefits risk being undersold by companies without benefits.

Large employers do have one association that is dedicated to representing the interests of Fortune 100 companies, the Business Roundtable. Indeed, the Roundtable was formed in part to overcome the difficulties faced by the more heterogeneous National Association of Manufacturers and Chamber of Commerce (Slavin 1975–76, 28–32). But the Roundtable has since suffered many of the dysfunctions of its fellow umbrella associations.14

Small business groups, ironically, are much better organized to strive for collective political goals than large employers. To some extent small employers have an easier task of wielding political power in Washington, because their position is to oppose most social policies and it is easier to oppose than to promote. In addition, small employers perceive policies such as family leave and health mandates as payroll deductions directly linked to their bottom line rather than as social supports with productivity implications. Consequently, they are more strongly committed to political action in these areas than their big business counterparts whose interests are more ambiguously linked to these initiatives. Small firm political action committees have been limited, but these are growing and small business groups tend to target their funds to legislators who share their policy predilections.15

In addition, small employers have an unambiguous organizational advantage over large firms. Small business groups have several qualities that give them comparative advantage in the political arena. First, media and public appeals have come to dominate modern political life, making the ability to exercise spin control and to shape public perception of an issue extremely important to political outcomes. Small businesses evoke the same kind nostalgic reminiscences as farmers; this mom-and-pop-store profile allows the little guys to win very favorable approval ratings from outside publics. In this going-public world, the ability to demonstrate a public show of organizational force carries more weight than it did when Washington was a closed community.16 The very weakness of small employers in the old days and in interest group theory—their numbers, diversity, and lack of prestige—is a source of strength today. The well-heeled corporate lobbyist that wielded such power behind closed doors lacks the television charisma of hundreds of restauranteurs storming Congress. Innovations in computer technologies have augmented the advantage of small business groups: grassroots computer mailings first made popular by public interest groups are perfectly suited to their large and varied membership.

Second, the most prominent of these groups have developed organizational decision rules to augment the natural advantages of a broad-based, numerous membership. Groups like the National Federation of Independent Business try to avoid a least-common-denominator-politics by grounding their policy positions in regular membership polls. The association polls its 500,000 members every two months and immediately makes the data available to legislators. This practice both gives the organization’s positions a legitimacy that they might otherwise lack and makes it much easier to make zero-sum decisions that adversely affect a minority subset of members. NFIB also offers “Guardian of Small Business” awards to those who score 70% on its legislative score card and ties PAC campaign contributions to legislators who cross this threshold (Brown et al. 1990, 70). In 1995 Roll Call called NFIB the most powerful group in Washington (Capital Coverage 1995).

Finally, small business groups have overcome the least-common-denominator politics syndrome with single issue coalitions. Large employers sometimes join these coalitions but groups such as the National Federation of Independent Business, the National Association of Wholesaler-Distributors, the National Restaurant Association, and the National Retail Association have been the leaders in many legislative campaigns.17 Indeed, the small business lobby has explicitly tried to establish itself as an independent voting block. In the words of NFIB’s grass-roots organizer R. Marc Nuttle, “Christians did not realize how big they were. Pat Robertson put a face on them and I intend to do that for small business” (Skrzych 1995, B1).

These coalitions have been motivated by small employer dissatisfaction with the limitations of the umbrella associations’ least common denominator politics, and belief that forums dedicated to single issues can make tougher decisions (Lanouette 1982, 1298). Not all coalitions achieve the desired discipline, but the most successful have developed decision rules to keep participants committed to general objectives. Thus, to belong to the Thursday Group organized to lobby for the Republican Contract participants were asked to take a “blood oath” to back the contract in its entirety in exchange for action on their concerns.18 Small business coalitions (that often include a few large, labor intensive, low wage-companies such as PepsiCo) have enjoyed spectacular successes; for example, a coalition quite similar to the anti-health
leaders in strong party systems may rely primarily on labor support, in the US a permeable state and weak labor market make cross-class coalitions more attractive (Rueschemeyer et al. 1992).

For example, Lyndon Johnson used the coalition strategy to bring business managers into a variety of social and economic legislative campaigns (See Martin 1994: 49–76). Confronted by the skepticism of Republicans and Southern Democrats, Johnson worked to curry favor for the Great Society among Fortune 500 leaders and packaged his social programs as centrist measures linked to economic growth. Much of the Great Society program was developed by expert task forces; by 1966 thirty business advisory groups had been developed. Johnson developed coalitions to support social initiatives such as in housing and employment and training (See, for example, Levitt 1967, H1210). Henry [Joe] Fowler (Treasury Secretary) praised these business-government partnerships, writing “of the remarkable feats that American government and American business can accomplish when they work as allies rather than as antagonists” and seek “common cause in the national interest.”

The administration set up the National Alliance of Businessmen (NAB) to encourage employer participation in its Job Opportunities in the Business Sector program (JOBS). Although NAB claimed publicly to be a private organization, the administration both developed the group and heavily supervised it. The National Alliance of Business conducted a huge jobs campaign for the administration. But NAB also helped the administration develop legislative backing and legitimacy for its conception of an interventionist state. NAB tried to make inroads among small employers with a “small business buddy system” and worked to recruit the National Association of Manufacturers, the Chamber of Commerce, and community groups to the effort. NAB also supported the administration in Congress; for example, lobbying the Senate to maintain the Office of Economic Opportunity appropriations at Joe Califano’s (White House aide) request.

THE CASE OF NATIONAL HEALTH REFORM

The case of national health reform illustrates both the potential for corporate support for an important welfare state initiative and the political mechanisms that can erode that support. National health reform would appear to meet the criteria of a social welfare innovation with a potential business following.

First, many inside and outside of government believed that without some sort of health system rationalization, economic competitiveness would be hurt. Health costs increased dramatically in the 1970s and 1980s, from 5.3% of the GNP in 1960 to 11.6% in 1989. The employer burden also went up, jumping from 2.2% of salaries and wages in 1965 to 8.3% by 1989 (Levit et al. 1991, 117; 127–9). Many managers worried that high labor costs would hurt US firms’ ability to compete in world economies and health
Employers did not rush to endorse reform as a monolithic mass. Factions had different concerns: for example, the aging industrials (Chrysler and Bethlehem Steel) had given generous benefits to their early retirees, whereas companies such as AT&T, Arco, and IBM had fewer commitments to their workers. Some large labor-intensive firms such as PepsiCo and Marriott opposed systemic health reform, because they provided limited health benefits, and wanted to keep the status quo. Insurers and providers obviously wanted a bill that preserved their profits and professional control. Small employers were divided, although the largest small business trade associations opposed a comprehensive reform. Some rejected mandates on ideological grounds.

Yet the period of proposal development was striking in the widespread acceptance of systemic reform and employer mandates. I interviewed high level managers from randomly-sampled Fortune 200 companies and found over half of the business respondents (54%) supporting mandates, and another 19% mixed on the subject. Forty-one percent of the companies had already developed a supportive position on employer mandates or were about to take a position and another thirteen percent found top management divided and deliberating whether to become involved. As one corporate lobbyist put it, “Business from the far right has moved to the center in saying that the federal government needs to become involved.”

Other studies support these figures. Cantor et al. found that 80% of the Fortune 500 executives in their study believed that “fundamental changes are needed to make it [the health system] better” and 53% supported employer mandates (1991, 99–101). Business executives who strongly agreed that we “are facing a health care crisis” increased from 30% in 1985 to 54% in 1990 (Mercer, Inc. 1990). As one noted, failed market solutions made many open to grand solutions: “Most of us recognize that the things we did in the mid-’80s didn’t really work” (Polzer 1990, 30). In short, businesses joined the rest of America in considering an expanded role for government regulation in the health sector.

Membership polling within the major umbrella associations confirm the findings of academic business opinion surveys. For example a NAM survey in the late summer of 1993 found a clear majority of its members supporting mandates and health alliances for firms over 500. A June 1994 Washington Business Group on Health survey of large firms showed 72% supporting requiring all companies to offer insurance, 59% wanting firms to pay a portion, and 71% objecting to an arrangement that allowed small business to escape the mandate.

Finally, the administration’s initial dealings with umbrella associations backs up the opinion data indicating that large employers supported health reform. Ira Magaziner met with the Chamber and the National Association of Manufacturers throughout 1993. Robert Patricelli (Chamber health care task force chair) told Ira Magaziner that the Chamber would support universal coverage “only if there is an appropriate government subsidy mechanism to assist low-wage workers and
their employers." The administration felt comfortable accepting the Chamber's small business discount schedule for health reform, and the Chamber testified in favor of the administration and produced its own bill with a 50% employer mandate.35

NAM also agreed to support the administration in the early stages. According to Magaziner, Jerry Jasinowski (NAM president) was one of the first individuals to see the draft in the summer of 1993. A deal was struck: Jasinowski agreed to take a supportive resolution before the board; the administration would fix 5 issues troubling to large employers. In reference to a September 1993 press release praising the Clinton plan, Jasinowski 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." The administration felt that with NAM and the Chamber on board and the Business Roundtable divided, it might be able to push through a reform package.

If health reform enjoyed widespread acceptance among big business, why did its proponents ultimately fail to do more to gain its legislation? An easy answer was that business managers feared economic aspects of the bill. The details of the administration's health alliances prompted widespread concern: since firms must have over 5000 employees to opt out of the public plan, many worried that few would be able to provide the public pool. Because the alliances were to span entire regions, companies worried that they would lose their considerable purchasing power relative to the public pools and would receive poor rates from providers. Business managers considered the minimum benefits package excessive, and worried about losing control over their plans and becoming "check writers." They doubted that health reform could be achieved without a tax increase; some considered cost-controls in the president's plan to be too (Smith 1994, A18). Large employers were adamant that the legislation have equal application across states; yet it became increasingly apparent that states would have much flexibility to experiment with financing mechanisms.37 During the legislative process, new versions of the bill gave even larger subsidies to small business and placed heavier burdens on large employers; yet big business was interested in reform as a mechanism to end the substantial cost shifting from small employers.38 Managers joined other analysts in fearing that the Clinton plan would create a new federal bureaucracy.

The economic explanation partly explains the failure of big business to fight for health reform, but much remains puzzling. Since the initial proposal was much closer to large employers' preferences than the final outcome, one wonders why big business wasn't more influential in protecting its turf to make the bill meet its interests? What accounts for the bill's shift over time?

THE FAILURE OF BIG BUSINESS ORGANIZATION

The disappointing big business showing was also related to the ultimate limits of corporate policy capacity. Ironically, throughout the 1970s and 1980s corporate policy capacity in health care expanded impressively within the business community. At the agenda stage, the evolution of corporate policy capacity helped to sensitize corporate managers and to put the issue on the national policy map. But at the stage of focusing business attention on a single legislative issue, business organization broke down.

Acceptance of health reform by business was helped by the increase in policy experts within the firm: human resource and government relations professionals. Prompted by the government regulatory activism in the 1970s big corporations created government affairs offices (Post et al. 1983, 135-150). Although these departments were formed to fight regulation, their staff offered insights into technical issues and changed firm participation in politics.39 Firms relying on policy experts tended to have a more practical view of government.

Corporate policy capacity within firms also expanded as managers learned from experimentation in private solutions; private policy legacies guided future choices. Benefits managers exhausted firm-level interventions, and ultimately determined that only government action could address the perverse incentives in the health system. One benefits manager recalled, "Every other control that was put into place failed because people found a way around it."40

Finally, corporate policy capacity expanded with groups and networks that brought human resource professionals together to consider the issues collectively and push business participants to consider broader solutions. The Washington Business Group on Health, under the leadership of Willis Goldbeck, helped to make health reform a national issue (Demkovich 1983, 1278-80). The National Leadership Coalition included members from both business and labor, especially in sectors where labor-management accords committed both sides to participating in the national policy debates. The ERISA Industry Committee and the Associated Private Pension and Welfare Plans were two benefits organizations with a wide corporate membership. The regional coalition movement (that set up community-based purchaser groups) also advanced corporate thinking (Cronin 1988, 4-7; Jaeger 1983). The coalitions were criticized for failing to contain costs, but they did provide forums in which local executives could come to learn about health issues (Brown and McLaughlin 1990, 5-28). One participant reported that her participation on a group's health task force radically altered her perspective:

On most issues I am a hard-core Republican, but I'm radical on this issue. I generally don't believe in regulation, but regulation should be when the market breaks down, and it has in health care. I know that I sound like a bleeding liberal, but we need to know that each person will be accounted for. Maybe employers will have to pay more, but at least it will be explicit."
The inordinate power of small business also had a major impact on health reform. Those small firms who did not offer insurance largely favored reforms to make buying group health insurance easier but opposed employer mandates. Big business ignored small business in the early stages, but for-profit providers, insurers, and Republicans courted the small business community. Most joined forces with small insurers and providers to oppose reform.

The greater lobbying capabilities of the small employers profoundly damaged the health reform effort. For example, the small business lobby prevented the Energy and Commerce Committee from producing a bill. The committee’s chair, John Dingell, was highly motivated to enact reform. But the committee was rich with representatives from rural and southern areas, helpful to the chair in his conservative positions on environmental regulation but obstructionist when it came to his more liberal views about health care. Conservative Democrats worried about getting “BTUed,” as when Clinton moved away from an energy tax in the stimulus package that he had earlier urged conservative Democrats in the House to support. Jim Slattery (D-KS) was running for governor, and wanted to maintain good relations with small businessmen in his state.

Dingell made many concessions to the conservative Democrats: making alliances voluntary to protect small insurers, introducing community rating slowly, and exempting small businesses from mandates. But the Republicans and small business groups targeted Slattery and other conservative Democrats to keep the committee from passing a bill. The National Federation of Independent Business (NFIB) sent action alerts to all of its members in the 10 districts with swing legislators. NFIB also did action alerts in a series of moderate Republicans’ districts as a preventative measure; the association compiled the list from the Republicans who had supported the family leave act. The National Restaurant Association developed a formula for members to evaluate the economic impact of mandates on their enterprises. Denny Hastert arranged for the restaurateurs to fax their legislators en masse from a national meeting in Chicago.66

The Health Insurance Association of America (HIAA) also exercised considerable political muscle. Composed of small and medium-sized insurers, the association targeted the managed competition proposal. Its most dramatic contribution to the debate was the Harry and Louise ads. The $12 million ads were actually only shown in the Washington, DC area plus a few other spots, but the networks picked them up as newsworthy and aired them for free as nightly news (Manegold 1994, 16).

By comparison the National Leadership Coalition emphasized education over lobbying. Its staff explained that they “don’t want to move the system too quickly. Any bill that passes must have bi-partisan support.” The group considered developing grass-roots lobbying in the spring of 1994, but some of its members objected to this activist stance.77

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. Politicians wanted active help in getting votes. As big business incapacies became increasingly apparent, legislators granted concessions to buy off the better-organized small business groups. An APPWP/Wyatt study of the bifurcated mandate (not applicable to firms with less than 100 employees) showed that under a partial mandate, large employers would cover 14.7 million more individuals than they would under a full mandate; in other words, these extra lives would be cost shifted from the small employers allowed to escape the mandate (The Wyatt Company 1994). Ultimately, the bill that initially attracted big business because it could reduce cost shifting was offering to shift more costs than ever onto large firms.

POLITICAL STRATEGIES AND CORPORATE PREFERENCES

Political strategies were a second major constraint against the emergence of big business backing. The circumstances of Clinton’s rise to power, his slim victory and the conservative tenor of the times, suggested a logic of constructing a centrist, bipartisan coalition for health reform. Clinton came to office with an ambitious policy agenda; yet, elected as a minority president, he had a limited mandate for his policy agenda. Republicans had been in power for 12 years, Clinton had personal troubles, and Democrats lacked institutional resources for running the presidency.

Although Clinton developed a product designed to appeal to business, he failed to put together a broad, centrist coalition in support of health reform: a puzzling fact since he designed the proposal to appeal to large employers. Managers felt that the administration neglected them, refused to take seriously business concerns, and created a needlessly complex plan. They charged that the Clintons confused campaigning and governing by rewarding loyalists and excluding others: for example, the Clinton Office of Public Liaison (OPL) restricted access to primary enemies in order to protect the privilege of its allies. Indeed the OPL warned against ending up “wasting a huge amount of staff time ‘receiving input’ that would not accomplish very much toward actually building the coalition that will help us pass health care reform.” As one lobbyist put it, “Outreach to them means access to those who have been with them from the beginning and shutting out everyone else.” Managers felt that the task forces signaled exclusion. Johnson used task forces to court special interests, to secure legitimation, and to build consensus; the Clintons used the task force to form policy. Many felt that the task force’s exclusionary message worked against their selling the Clinton plan to their business groups.

The administration counters that it vigorously courted managers in the early days, but acknowledges that its ability to mobilize large employers was compromised by competing priorities. Secular changes in American policy making since Lyndon Johnson’s day have made business mobilization by Democrats more difficult. In addition, the very factors that pushed Clinton toward deal-making with the business community—his small electoral victory and weak Congressional margins—made his dealings with corporate managers more precarious.

First, presidents are much more vulnerable to shifts in public opinion after years of “going public” and cultivating a mass power base (Kernell 1986; Tulis 1987). The Clinton administration was caught in a vice-grip between rallying the mass public with a populist attack on insurers and providers and working behind the scenes with its business supporters. It opted for populism partly because it likes stories of good and evil, a lesson learned in Clinton’s unsuccessful bid for reelection in 1980. In health care doctors were too powerful to be the villains, but drug companies and insurers were perfect for the part (Woodward 1994, 110; 147). Populist attacks on drug and insurance companies worked quite well in gaining the sympathies of the mass public, but sat less well with business elites. This language of heroes and villains elicits emotional, ideological responses, which to the business mind turned the debate from technical fixes to ideological class conflict. This undercut the ability of policy experts within the business community to portray the issue in technocratic terms that had a better chance of attracting corporate adherents.

The shift from emphasizing cost containment to access as the major goal of health reform also grew out of a desire to rally mass support and again alienated corporate supporters. Firms were drawn to health reform in the first place because they believed that total system overhaul was necessary to curb the expansion of health costs. Consequently, corporate supporters responded best to the administration’s plan when the problem was framed in this way: Greenberg argued that mass mobilization depended on framing the issue as one of access, because people were inclined to disbelieve that the government could really curb costs:

The dominant goal should be health care security: that people will have health insurance and that they will never lose it, never. . . . Health care security has much more power than the cost argument, and it is much more believable: people think we can deliver on security; they are not sure we can deliver on cost control. There is also an emotion in security (lacking in cost) that empowers our rationale for bold changes.

Second, there are many more organized interests in Washington today than there were in Johnson’s era (Schlossman and Tierney 1986, 76). The president had limited room to negotiate in the health area with its deeply entrenched interests especially in the medical provider community. Thus the administration’s early concession to the auto and steel industries to subsidize early-retirees angered more profitable large employers who felt that the unionized, aging manufacturers had made too many promises to their workers and should have to live with these promises.

Third, the administration was torn between conflicting demands from Congress in an era of decentralized decision-making when each committee has become a legislation-generating operation. No one disputes the complexity of the Clinton plan; but the administration
suggests that Congressional needs were partly to blame. Congressional Democrats wanted a bill that would close the ranks of the party; nothing short of a complete presidential plan could unify diverse factions. Thus the Clinton plan was partly designed to unite fragmented Congressional Democrats. But legislators also wanted to be the deal-makers and resented Clinton’s concessions. In the fall of 1993 Congressional leaders told the administration that it could not make any more deals with interests, and in October it began “to shut down the process.”

This process of negotiation and then withdrawal damaged the administration’s credibility with business allies. Employers had repeatedly pointed out provisions troubling to them; yet, suddenly after promises to the contrary, the Clintons seemed uninterested in adjusting the bill to corporate concerns. The administration tried to overcome the limits on its deal-making by informally telling business leaders that their concerns were consistent with the “end game scenario” compromises acceptable to the president. But this behind the scenes strategy did nothing to assuage the fears of those who could judge the Clinton plan only by its public manifestations. Thus, Jasinowski told Magazine, “I have a problem with some of my members. They’re afraid that you’re rope-a-doping me.” Others told the administration:

[Corporate opponents] say that you’re going to roll us and that you won’t be flexible. If you made some of the changes that you yourselves admit, even if you don’t change employer mandates or benefits, it gives us something to work with.”

Real economic concerns, combined with the seeming inflexibility of the administration, transformed the business view of managed competition from a private sector solution to a first step toward a single payer system. Firms were only willing to support employer mandates and system reform if they could opt out of the public system and continue to provide health benefits for their own employees. Yet the size of the alliances and conditions governing company opt-out options made managed competition seem increasingly all-embracing. One manager noted, “I might be willing to support a single payer system, but I’d like to check out the job options first.”

Fourth, the fiscal climate stood in the way of business support for health reform; zero-sum budgetary politics made new social programs dubious (Marmor and Mashaw 1995). A major sticking point for employers was the acceptable firm size for opting out of the health alliances, set at 500. Although some within the administration wanted to lower this figure to 500, this position lost out to those who felt that premium caps and large alliances were necessary for cost containment.

Fifth, the administration’s media strategy interfered with corporate alliances. Media concerns guided development of the original proposal, the administration was careful to avoid the “T” (read taxes) word, and limited contacts to the outside world. There was early talk of “detailed briefings to the health care press perhaps two or three times every week” and even allowing the media to attend task force sessions. But Clinton’s media advisors wanted a more secretive approach, fearing that interaction with the press would distract decision makers, shift attention away from the budget, and make controlling message difficult. The concern about leaks greatly diminished the administration’s sharing of ideas and strategy with allies.

Republicans did much better with business: the GOP had the easier task of trying to oppose rather than to create and groups sympathetic to the Republicans were better organized and financed. The major reform-oriented lobby, the Rockefeller-initiated Health Care Reform Project, was severely under-funded. The group’s organizer Bob Clopak estimates that they spent about $3 million, much less than the various estimates of spending by the other side.

The issue became a vehicle for intense partisan conflict when Republicans identified health care as Clinton’s Achilles heel. Republicans could not entirely deny the health crisis—too many middle-class Americans were concerned about their own health benefits. But the party argued that only marginal adjustments were necessary, adopting a stance that acknowledged the crisis but rejected a solution of crisis proportions. This made for considerable ambivalence and vacillation. Torn between his moderate inclinations and his presidential ambitions, Bob Dole first argued that there was a crisis and then joined voices with the Republican right in denying the health crisis (Clymer 1994a, 16). Public opinion seemed ill-disposed toward the skeptics and Dole acknowledged the crisis in the spring of 1994, but flipped again during the summer. Dole’s position on the employer mandates also moved from supporting universal coverage as a goal, to opting for individual mandates, to rejecting all mandates (Clymer 1994b, A1;B10). Most Washington observers ultimately concluded that at least conservative Republicans were determined to block any bill with a Democratic label, even centrist efforts (see Kosteritz 1994, 1648). Supporting this theory was William Kristol’s advice to the Republican right:

The fate of health care reform is now out of the hands of Bill and Hillary Clinton… Acting Presidents Mitchell and Gephardt will unveil a new Democratic health care bill… the actual details of this not-quite-universal-coverage bill don’t matter. Sight unseen, Republicans should oppose it. Those stray Republicans who delude themselves by believing that there is still a “mainstream” middle solution are merely pawns in a Democratic game… Our enemy is no longer Clinton, it is Congress.

The Republicans dramatically pressured business to reject reform, framing health reform as a fundamental choice between Democratic and Republican world views. Large employers have historically been somewhat ambivalent in their attitudes toward government intervention, vacillating between a laissez-faire, anti-state ideology characteristic of the early 1980s and a stance more tolerant of government intervention (McQuaid 1994). Despite a recent movement away from laissez-faire, the GOP’s powerful
anti-government message gave pause to some sympathetic managers. Newt Gingrich (R-GA) tried to direct business toward incremental alternatives, to frame the health debate in larger terms and to draw on its historical relations with individual companies. The message to business was that health reform was “a new entitlement” and “a whole package,” and that firms shouldn’t sell out for individual benefits:

“If you want our help in killing the Clinton plan, don't do separate deals on other things.” Again and again we were trying to lay out the big picture for them. “Maybe you can accept the deal right now, but think about what can be done to you in 10 years.”

In the spring of 1994 the Republicans heavily pressured associations and firms, threatening retaliation in future policy areas. Shortly before the Business Roundtable vote, Gingrich told two dozen CEOs that “their interests were best promoted by being principled rather than going for short-term deals.” When Amertech planned to sponsor a presentation by President Clinton, Republican Congressmen on the House Energy and Commerce Committee warned that if it supported the President, it would be punished in other regulatory areas under the Committee’s jurisdiction. Caterpillar and telecommunications companies received similar threats. CEOs were told, “If you are going to come back and ask for help in future areas, you should know that it’s not in your interests” to support mandates.

Congressional Republicans can take much of the credit for the dramatic policy reversal at the Chamber of Commerce. Chamber vice-president, Bill Archey, dreamed of business and government working together to improve US competitiveness. Archey worked with the Chamber’s Health and Employee Benefits Committee to endorse an employer mandate, managed competition, and a standardized benefits package. The position on health greatly angered conservative Congressional Republicans. The Conservative Opportunity Society in the House demanded a meeting with Chamber President Richard Lesher and Archey, and “read them the riot act.” At the meeting Jim Bunning (R-Ky) gave a speech against big government, big labor, and big business. (A staffer wondered if he realized that Fortune 500 companies were in the Chamber.) John Boehner (R-OH and chairman of the group) sent letters on Congressional letterhead to Chamber constituents saying that they should cancel their Chamber membership. Dick Armey (R-TX) asked for an opportunity to offer the Republican view to the board before the Chamber took any action. Meanwhile the NFIB started a membership drive against the Chamber. Few resigned, but the Chamber changed its position on reform.

The Republicans received much help from small business organizing opposition to reform. Billy Pitts, aide to Congressman Bob Michel, ran a Monday morning meeting in the House of key committees aides and lobbyists from major small business associations. Experts such as the Bush administration’s Deborah Steelman briefed the group on issues. Pitts would identify the issue of the week, asking members to “brainstorm on strategies, line up key amendments to focus on, and make sure that everyone was pulling in one direction.” Topics included “who was gettable” and “what kinds of pressures to bring to bear in the districts.” A big item was “when to put the plug on reform so that it didn’t look like the Republicans had pulled the plug.”

This tight lobbying organization helped the GOP discipline members of its own party. When Gingrich worried that Congressman Dingell (D-MI) would win Fred Upton’s (R-MI) support for the president’s bill in Energy and Commerce, NFIB did a big preemptive strike to keep the legislator in line. Some participants spent time persuading Fred Grandy (R-IOWA), on Ways and Means, that the Cooper bill could not pass.

Paul Coverdell (R-GA) and Bob Packwood (R-OR) led a similar effort in the Senate. Coverdell feared that a minimalist bill would snowball. Lobbyists came under tremendous pressure “to blast the Chafee bill.” Coverdell relentlessly argued to business participants that no bill was better than anything legislated under the Democratic leadership. Lobbyists generally agreed that the Republicans came to this conclusion before most of the business community.

By the end of the legislative cycle, some of the business representatives who were strongly opposed to the Clinton plan and employer mandates felt that the conservative Republicans had gone too far in their determination to block any kind of health reform. For example, some business groups offered encouraging words about a centrist, bipartisan effort; the next day Republicans retaliated through an editorial attack in the Wall Street Journal. One lobbyist said, “Now we are getting hit from the right and the left. … The Republicans want to kill the thing without leaving fingerprints. But we still want health reform.”

LESSONS FOR BUSINESS AND SOCIAL POLICY

The case of national health reform suggests new insights into how managers decide to support social policy. Although some may sign onto reformist legislation in order to secure policies near and dear to their hearts and to prevent more radical reforms, other managers believe that social initiatives are a necessary support for growth in the new competitive era.

Managers occasionally sign onto social initiatives; yet it is extremely difficult to translate this support into political action. The barriers to business support of social initiatives in the legislative area are related as much to institutional incapacities as to ideology. To some extent the failure of big business to support health reform reflected the Republicans ability to frame the initiative as a brave new government expansion. Although the core big business supporters of health reform remained convinced of its logic, both the general public and many business managers became increasingly worried that the Clinton proposal represented big government.
In addition, at a relatively early stage the major umbrella business groups showed an incapacity to act toward their members collective concerns, even though a majority were still quite well-disposed to a Clinton-style plan. This illustrated the tendency of umbrella groups to cater to strongly-held minority sentiments. Small business is generally less exposed to global competition and less likely to seek modernization of social regulation as a competitive strategy. But despite large employers' reputation for political power, small business is better organized.

Recently, political strategies of government actors have further impeded big business support for social investment. Democratic presidents since Johnson have been largely unable to construct broad, centrist coalitions around social initiatives. Clinton's aids were torn between mass and business publics, held back by the budgetary setting and by Congressional elites, and forced to cope with a hostile press: all complicated negotiations with business. Bipartisan cooperation was limited by the ideological right's capture of the Republican party. Republicans were able to use ideology and political muscle to move corporate sympathizers away from health reform.

The problems of business in health reform are also related to larger economic constraints. Perhaps the centrist coalition strategy is no longer possible in the current economic era. There is now more conflict and less possibility for majoritarian politics, as seen in the decline of consensus negotiation in corporatist countries. Economic malaise works against collective solutions, even while increasing globalization makes these solutions more urgent.

The corporate mobilization strategy also has high costs for policy makers. Corporate policy experts wear two hats: they are policy professionals with enormous accumulated knowledge, searching for broader collective solutions but they are also bearers of the firm's economic interest. Policy analysts appreciate this Janus-faced perspective when business professionals seek to enlighten others within the company, but are frustrated by it when economic concerns delimit the options acceptable to their corporate policy partners. The contrary nature of these two motivating influences helps to make the role of business in social policy so confusing.

Indeed, there is an essential tension for those advocating policy change between working within existing constraints and trying to challenge these constraints. A business mobilization strategy works within the constraints of class, money, and power distributions, and gives a decidedly conservative tinge to policy outcomes. A broader social mobilization of the mass public that calls these constraints into question reduces dependency on elite insider games.

But whether politicians opt for mass participation or business mobilization, achieving broad, collective policy requires revamping our interest organizations. We live in a society with little space between left and right, but enormous institutional conflict in the private as well as the public sphere. Recently much has been made about the stalemate brought on by divided government (see, for example, Ginsberg and Shefter xxxx). A similar fragmentation incapacitates the corporate sphere.

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Notes

1. Some credit major corporations with Herman (1981) and Zeitlin (1973). Pluralists agree that big business enjoys superior power but believe that this (1) depends on the extent of mobilization and (2) can be partially offset by mobilized citizen groups. See Schattschneider (1960); Berry (1989). But none of these would account for why large employers, especially when in considerable agreement with many consumer interests, fail to make an impact on public policy.


4. Myles (1989, 29; 12–13); For the role of rightist parties in welfare state development see Flora and Heidenheimer (1981)

5. For example, a quarter of the U.S. GNP now consists of imports and exports. Council of Economic Advisers (1991).

6. For example, Berghold argues that the managed care concept at the center of the Clinton health plan invoked images of corporate rationalization (1990, 27). See also Schramm (1990, 62–65); Cronin (1986); Blank (xxxx, 159–160); Work in America Institute (1984, 325–45); Office of Technology Assessment (1990); Osterman, (1995, 681–700).

7. Business professor John Dunning points out an irony of modern conservative governments in many countries: while they expand a political philosophy of reducing state intervention in the production process, they are intervening to enhance market efficiency (1993, 326–8).

8. Interview with Jim O'Connell (May 1996).


10. Multiple interviews with industry representatives.

11. I apply an institutional analysis to business that is similar to the analyses used by Skocpol, Weir, and Hall to understand the workings of the state.

12. This is analogous to politics-centered analysis tying the expert capacities of states to welfare state outcomes. Morone and Dunham (xxxx, 263–291); Klandersman (1988, 173–176).

15. Brown, Hamilton, and Medoff (1990, 67); Fligstein (1990). Brown, Hamilton and Medoff believe that PAC contributions have always been underestimated because figures typically don’t include trade associations in industries predominantly made up of small companies. One might agree with Neil Fligstein, however, that large companies in such industries actually dominate policy choices.
16. The term is from Samuel Kernell, Going Public.
17. Examples include family leave, the battle against the minimum wage, and product liability. (Although the last coalition included large employers, it was run by the wholesaler distributors.
18. Interview with Dirk Van Dongen (September 14, 1995).
20. Interviews with participants in both the private and public sectors.
21. Interview with Omar Waddle (2-20-96).
22. For example, in the late 1950s a Rockefeller Brothers Fund committee recommended a range of growth stimuli (Stein, 1969, 335).
25. The administration denied its heavy-handed role in the tax and trade coalitions as well. Memo to James Gaither, “Expanding the Test Program,” (12/11/67), Legislative History, Nat. Alliance of Businessmen, “Background on Further Development of Jobs Program and NAB.”
30. Williams (1991, 2). Critics charge that this number does not reflect the different factors that are included under the rubric of wages in the United States and Japan.
32. Visits to corporate headquarters of these firms were made in the fall of 1992 and the spring of 1993 with follow-up interviews in the spring of 1995. Sixty-six percent of a sample of eighty-nine companies participate (Martin 1995).
33. Unpublished survey provided by the administration.
34. NAM survey described in interview by Ira Magaziner, “Washington Business Group on Health,” paper provided by the administration, no date.
37. ERISA preemption allowing self-insured firms to avoid state regulations was the major issue for large employers, and ultimately the only issue that unified the business community at the very end of the legislative cycle.
38. Many small firms don’t provide coverage, so big business absorbs costs in the surtaxes applied to medical bills for the uninsured and in benefits paid to spouses working at small firms.
40. Martin (1995). Peterson points out that Congress in the 1990s has greater staff capacity for producing technical health care analysis (1993). A similar development of capacity has occurred in the business community.
41. Interview, January 1993.
42. Interview March 1993.
43. Graham Wilson makes a similar point about the dynamics within the American Medical Association (1996).
44. Interview with industry respondent.
45. Letter to removed name from H. Atwater Jr. (Chair & CEO, General Mills) (12-2-93), obtained from White House.
46. Interviews with NLC staff and business participants.
47. Interview with Committee Staffer, 5-24-94.
48. Interviews with NFIB, Restaurant, and Hastert representatives.
49. Interviews with NLC and Congressional staff.
51. Interviews with industry respondents.
52. One of my anonymous reviewers made a point that I wholeheartedly endorse. Business incapacity and state incapacity have the same sources: hyphen pluralism, separation of powers, weak electoral coalitions.
53. Repeated Interviews with business managers.
55. This conflict was one reason why the National Leadership Coalition fell apart. Interviews with industry representatives.
56. Interviews with Ira Magaziner (July, September 1995).
57. The least optimistic end game scenario showed phased-in universal coverage, possibly voluntary alliances of 100 or under, less stringent triggered premium caps, a smaller benefits package, lower Medicare and Medicaid cuts, and a cut in the 1 percent corporate assessment. “Passing Health Reform: Policy and Congressional Summary,” (12-17-93, but first draft had been developed in August 1993), p. 10–14. Obtained from the White House.
58. Interview with Magaziner (September 1995).
59. Interview with Magaziner (July 1995).
60. The press presented almost no stories about health plan successes in other countries, concentrating instead on its characteristic horse race journalism (Hamburger, Marmor, and Meacham 1994, 35–41).
61. Internal Memo and Interview.
62. Interview with Magaziner (September 1995).
63. Interview with Bob Clopak.
64. Republican pollster Bill McInturff told Gingrich that health reform’s defeat could lead to a Republican House (Toner 1994, A14).
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Book Reviews


Britain is becoming a country without any government. Students of legislatures have warned of the House of Commons’ irrelevance. Now Campbell and Wilson declare that Whitehall is finished. They do not just mean the civil service has lost power; “Whitehall” is shorthand for the network of intra-executive and legislative-executive links.

According to the classic paradigm, politicians as a group made policy based on the advice of non-partisan professionals. These officials were responsible to ministers; the ministers were responsible to Parliament individually for their departments and collectively for the government’s program. Forget the question mark in the subtitle: Campbell and Wilson argue that this paradigm truly is a dead parrot.

This thesis is not original. What makes their analysis of it impressive is the study’s strong empirical base and thoroughness. They conducted nearly 300 interviews of well over an hour each with high ranking officials. Although they emphasized the Thatcher years, the authors reach back before her advent. Detailed comparison with Australia, Canada, New Zealand, and the United States demonstrates that British developments are part of a pattern in Westminster systems and even in a separation-of-powers system.

Cabinet decision-making has withered as prime ministers form policy through small, ad hoc groups of colleagues. Officials’ traditional role of policy advice has been curtailed as politicians rely on outside advisors. In response, officials only tell politicians what they want to hear. Officials’ managerial duties—for which few of them have been trained—have increased. Policy and administration have been separated with the effect of attenuating accountability to Parliament. The civil service has ceased to be a profession to which one devotes an entire career and reached the top only by working up.

These trends, although accelerated by Thatcher, antedated her. Despite John Major’s contrasting leadership style, the process continued after her fall. Revival of the old paradigm is impossible because in an age of limited government, the public expects such little benefit from the government that major policy initiatives do not attract politicians. Prime ministers are less likely to be “new order,” executives with ambitious agendas. Even Thatcher was a “being there” type, who focused “more on the symbolic dimensions of leadership than on policy and the operational parts.” Furthermore, economic affairs now are government’s main concern, reinforcing the tradition of Treasury dominance. Since the prime minister is First Lord of the Treasury, this in turn undermines collective decision-making.

Significant institutional change also destroyed the paradigm. The development of the Policy Unit at No. 10 Downing Street and the addition of specialist advisors to the prime minister’s staff undercut the civil service as a source of policy advice and undermined collective decision-making. The Next Steps initiative, which hived off from departments’ semi-autonomous agencies (not to be confused with privatization, since these agencies remained within the government), destroyed the unified system of government service and weakened accountability to Parliament.