NATURE OR NURTURE? SOURCES OF FIRM PREFERENCE FOR NATIONAL HEALTH REFORM

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I shall explore the process by which firms develop their political preferences, using the case of national health reform. Although rising health costs have heavily burdened many companies, I argue that economic interests alone are unable to account for the variation in firm response to the national reform effort. Rather, institutional factors, shown elsewhere to shape government decision making, also influence corporate preferences. These are (1) the institutionalization of private policy expertise within the firm, (2) firm participation in policy groups, and (3) policy legacies. These findings challenge conventional views of business political mobilization that suggest largely autonomous agents acting on the basis of easily recognized self-interests. Preference formation and corporate mobilization transpire in collective settings as a new stratum of corporate policy managers search for solutions to social problems. The primacy of economic concerns is very real. But institutional analysis explains how these economic concerns are interpreted and acted upon.

Business influence over public policy in general and social policy in particular is hotly contested among political scientists. Yet the opposing camps in both debates are in fundamental agreement about the source of corporate preferences. In the corporate power debate, one side vests the business class with enormous influence, either through its instrumental control of positions of authority or through its threats associated with the state’s structural dependence on corporate investment (Lindblom 1977; see also Przeworski and Wallerstein 1988, 11–30; Quinn and Shapiro 1991, 851–74; Swank 1992, 38–54). The other side suggests that business acts as another interest group in the political struggle for government benefits (Truman 1981). Yet both sides agree that profits drive corporate preferences, interests in policy are easily identified, and the material conditions of the firm or industry largely predict corporate political positions.

The literature on welfare state development is similarly both divided and unified. Much of the cross-national comparative literature assumes that business is important to social innovation only in its ability to impede progress. Countries with strong labor movements that can challenge corporate domination have higher levels of welfare provision (Korpi 1980, 296–315; Stephens 1979). Governments with a high degree of state capacity, where government bureaucrats enjoy a fair amount of autonomy from the pressures of private interests, also have more developed social policy (Weir, Orloff, and Skocpol 1988). Those writing in the corporate liberal tradition disagree, seeing the heavy hand of business in most welfare initiatives. Corporate liberals perceive that social programs are functional to the long-term survival of the capitalist system, even if these programs impose short-term costs on individual businessmen (Berkowitz and McQuaid 1992; Kolko 1977; Weinstein 1968; see also Myles 1989; Quadagno 1988). Again, both assume that business managers act on materially grounded interests but disagree over the corporate capacity to recognize the long-term relationship between growth and social welfare.

The intense polarization over whether firms participate in social initiatives suggests that the truth lies somewhere in between: business supports social policies some of the time. The welfare-state theorists are too quick to dismiss cross-class coalitions or conditions in which government actors mobilize corporate allies (C. Martin 1991). The corporate liberal theorists assume an excessively deterministic relationship between the level of industrialism and the expression of corporate preferences, paying little attention to the mechanisms by which corporate liberals determine their interests. After all, if business managers automatically grasp their interests in social programs functional to growth, one suspects that social spending in the United States would be much higher. Corporate preferences may be more fluid than either side admits; it is important to look for the source of this fluidity. Business managers must be brought to understand the connections between growth and social policies; the task for social scientists is to understand how this happens.

The central problem here is to explain how firms develop their preferences for social policy initiatives and especially to understand the mechanisms by which new social policy paradigms win corporate converts. What are the conditions under which some companies sign on to far-reaching government solutions when others reject them? The analysis is based on a statistical analysis of business support for employer mandates, a critical and contentious component of the national health reform package.

I found that although material concerns were the underlying force for health reform, institutional factors were critical to business acceptance of employer mandates and were at least as responsible for firm variations in policy preference as the economic structural characteristics of the company. Business accep-
mandates depended on the development of policy capacity in the health area, or the ability of managers to grasp complicated social issues and act in support of this social agenda. Policy capacity varied across companies, related to three institutional characteristics: internal capacity for policy evaluation, position in external networks, and policy legacies. Firm positions reflected the internal policy capacity within the company, or the firms’ capacity for policy evaluation. Many U.S. companies established government affairs offices in Washington in the 1970s in order to oppose government regulation; at the same time these offices became centers of policy analysis (Vogel 1989). A high level of policy expertise within the firm led to greater technical awareness on the issue, providing a counterweight to the refuge ideology within which business managers often reactively great social concerns. Firms in this study possessed such offices were more likely to develop positions in favor of employer mandates.

Second, firm preferences reflected the degree to which policy experts within the company were connected to external networks. Groups that focused on social concerns and brought participants who contact with actors in state and labor helped business managers to develop informed and more sympathetic positions on social issues. Benefits and human resource professionals within companies supporting health reform belonged to more business groups than those opposing government intervention. Participants in reform-oriented companies credited these groups with transformational experiences in their thinking about health policy issues.

Third, to a lesser extent, firms’ current preferences for reform reflected previous attempts to control costs: the concept of policy legacies in the institutional literature has an analog in strategy legacies at the firm level (Pierson 1993; Weir 1992). Business leaders, like state actors, “puzzled” over appropriate strategies as well as “empowered” (Heclo 1974). Policy professionals in the pro-reform companies “tried everything” to curb costs at the firm level and finally in desperation moved on to supporting a government solution. Acceptance of mandates evolved through a process of social learning.

Thus, support for health reform in the business community was made possible by the development of a stratum of policy professionals within firms who understood the political game and worked to put political issues on the business agenda. Sharing their experiences collectively in professional forums, these private experts awoke to the enormous scope of the health financing problem and worked to educate top management within their firms. Growing weary of failed market interventions, they embraced state solutions.

This emerging political stratum may ultimately transform the modern corporation and parallel the split between capital and management in the earlier part of the twentieth century. These policy professionals have been coopted by government associates, by the labor groups they negotiate with, and by the literature and truths of their profession. They are quietly undermining the earlier capitalist ideology and represent a potential for building prostate sentiment in the business community.

ECONOMIC THEORIES OF FIRM PREFERENCE

Business managers have had standing to worry about health care. Employer health care costs increased dramatically throughout the 1980s, jumping from 2.2% of salaries and wages in 1965 to 8.3% by 1989 (Levit et al. 1991, 127–29). The system failed to guarantee universal access, leaving 34 to 37 million Americans uninsured. Large companies providing benefits have subsidized the health expenses of the uninsured, of other companies, and of the government (Amkraut 1987, 50).²

President Clinton proposed to establish universal access and to reduce cost shifting with a mandate requiring all employers to pay 80% of insurance premiums for all employees (U.S., Department of Commerce, National Technical Information Service 1993). The employer mandate was a major point of contention during the legislative debate, because the president identified universal access as a nonnegotiable component in any health reform and small business pledged to oppose any legislation with an employer mandate. Critical to financing the plan and focal in legislative debate, the employer mandate has merited the attention of anyone interested in corporate support for social regulation.

Concerns about their own health costs and about the long-term viability of the system motivated many large employers to support employer mandates. Yet others in the business community rejected this approach, fearing government involvement on ideological grounds, preferring market solutions at the firm or community levels, or choosing to shift costs to their workers. For example, all of the companies in this study provided benefits, but a quarter of the respondents firmly opposed employer mandates. Thus it is important to understand how companies decided whether to endorse employer mandates.

The question of preference formation has inspired generations of social scientists. Answers gravitated toward two broad poles of social theory: the economic and the institutional (Hirschman 1977). Economic explanations come from a variety of traditions but have converged on four assumptions about corporate political action. First, competitive strategies and political positions can be inferred from the economic structure of the firm and the industry in which it is located. Businessmen are primarily concerned about profitability; therefore, to understand preference, we must examine material circumstance (Frieden 1988; Gourevitch 1986; Kurth 1979; Porter 1980; Rogowski 1989; Salamon and Siegfried 1974, 1026–43).

Second, firms will usually resist all government interventions that interfere with their profitability,
especially social redistributive policies (Jacobs 1988, 852–81). Since businessmen control investment, government will shy away from policies that might trigger a loss of business confidence, resulting in disinvestment.

Third, there are a few situations in which firms might be induced to support social policies that impose costs for collective concerns on firms. Large, monopoly-capital companies may choose to appease working-class demands rather than risk labor strife (Ferguson 1984, 41–94). Since regulation may affect firms within industries differently, public policy can alter these competitive positions (Gals and Buchholz 1987, 31–41; Harris 1985, 16). If the companies already assume social costs, they may want their competitors (or the state) to absorb these costs (Baldwin 1990; Gordon 1991, 165–207; Weinstein 1968).

Fourth, political mobilization is a decision made by rational individuals who calculate the costs and benefits of such action. Although acknowledging the difficulties in collective action, the economic view suggests that businessmen have an easier time organizing because they can often also gratify self-interests (Olson 1965). Businessmen can rely on an “individualist and purely instrumental form of collective action,” whereas for workers, “interests can only be met to the extent they are partially redefined” (Ofie 1985, 183–84).

This description is drawn somewhat sharply for purposes of analytic clarity. In particular, it does injustice to the very important insights of those writing in the pluralist tradition. Bauer, Poole, and Dexter (1972) and Berry (1977) acknowledge that corporate structure influences a company’s policy position. Vogel pays considerable attention to business mobilization, although he assumes that the impetus for mobilization comes from threats outside the business community (Vogel 1989). But pluralists fail to theorize adequately the connections between institutional factors and outcomes; in particular, they have underemphasized the cognitive and interpretive benefits of organization.

Those with an economic perspective might insist that business support for health reform is simply a matter of easily identified self-interest. In a climate of increased international competition and post-industrial growth, business may need fundamentally different labor market and social welfare strategies. Individual firms, currently offering benefits, may gain substantial economic rewards from policies purporting to benefit the public good. To understand business support for health reform, an economic analyst would identify the winners and losers in the current system and explore how this balance of power might change with national health reform.

Seven economic factors in particular are likely to influence a firm’s position on national health reform, producing a series of hypotheses.

HYPOTHESIS 1. Firms that pay more in health benefits for their employees are more likely to develop a supportive position on health reform.

The cost of health care to a firm should influence a company’s decision to take political action in this area. Companies with high health costs may favor mandates to impose costs on their competitors and to rationalize the health system. In addition, they have less to fear from mandates. Firms paying lower health costs may benefit from the perversities in the system by having a competitive advantage from their lower health burden. One might protest, as many economists do, that firms simply shift benefit costs to workers; therefore, the price of health does not matter. Yet in a variety of settings where companies may in fact shift costs, they resist legislation that expands or imposes those costs. Thus firms often oppose corporate taxes, minimum wages, and mandated benefits as a matter of public policy, even if they ultimately do not bear the burden.

HYPOTHESIS 2. Less profitable companies are more likely to develop a supportive position on health reform.

It is generally assumed that less profitable companies have less ability to bear higher health prices and are more likely to support government costs controls. But profitability could also work in the opposite direction: more profitable companies might better afford to devote resources to public policy and to taking a position. In addition, less profitable companies with limited benefits have reason to fear mandates that demand more expansive provisions.

HYPOTHESIS 3. Larger firms are more likely to develop a supportive position on health reform.

Size matters because larger firms are more likely to provide benefits to their workers and may be more willing to avoid labor strife. For example, Hicks and Swank found that national economies with larger firms were more likely to expand welfare state provisions (Hicks and Swank 1984, 81–119). Size is also associated with an institutional effect: larger companies are more likely to have economies of scale in political action (Jacobs 1988, 852–81; Olson 1965; Stigler 1971).

HYPOTHESIS 4. Unionized companies are more likely to develop a supportive position on health reform.

Unionization should matter, because high rates of unionization generally indicate rich health benefits and limits to a company’s ability to shift costs to workers. Unionized companies used to offer health benefits in lieu of union demands for wage increases, but recently benefits have become a much bigger source of labor strife (Victor 1990, 704, 706). Unions can also help business to develop their views (Bowman 1985, 35–88; Heye 1993; Locke 1990, 347–79). Thus unionized companies should be more likely to support comprehensive reform (1) to force their competitors to also bear health costs, (2) to reduce their commitments to their unions, and (3) to get the state to take over the provision of benefits.

HYPOTHESIS 5. Capital-intensive firms are more likely to develop a supportive position on health reform.
sector theorists usually assume that capital-intensive firms are more willing to grant social benefits on which they can sacrifice sacrifice higher costs for real peace (Ferguson 1984). Labor-intensive firms may reject government solutions because of cost shifting: mandates might actually reduce their health costs.

Hypothesis 6. Firms in regulated and troubled sectors are likely to develop a supportive position on health (Salmon 1987, 1-6).

Managers of industrial sectors are often identified as likely to accept government intervention: regulation and regulation are known to reduce the costs of health benefits. Troubled sectors have recently asked for government subsidies to their costs, and little has been heard from the government. (Yet working against the hypothesis is that troubled sectors do not face high levels of health benefits may be more of a mandate.) Regulated sectors are by definition used to a high level of government intervention and this might be less cautious about new controls (Burriss 1987, 17-42; Handler and Mulkern 1982, 199).

Hypothesis 7. Firms with a high proportion of exports are more likely to develop a supportive position on health reform.

Export-oriented firms that must compete with firms from countries with lower health costs might prefer a comprehensive restructuring of the system.

INSTITUTIONAL THEORIES OF FIRM PREFERENCE

Institutionalists hold a very different view of political action, assuming that preferences are somewhat indeterminate and looking at the political and institutional factors that shape preference formation and mobilization. A weak version of this view assumes a gap between material conditions and the articulation of preferences; individuals or firms take a while to adjust their positions in response to environmental change (Davies 1962, 5-19). A stronger version is that a range of political might be in an individual's or company's objective interests; one must decide which position within this range to endorse (Mansbridge 1990; Ziegler 1995). Thus institutionalists accept profits to be a key motivation but argue that profits may be maximized in varying ways. Groups have multiple objectives: the firm should be viewed as a "nonunitary actor" with conflicting and ambiguous interests (Thompson 1982, 233). Even when concrete goals are established, disagreement about policy means to these ends persist, especially when information is limited (Best 1990). As I noted in stating the hypothesis of an economic model, economic characteristics of the firm often have contradictory influences on public policy.

Given such indeterminacy, social context becomes critical to interpreting our situations. Institutionalists doubt that preference is a function of the individual. Rather they believe interests are socially constructed in collective settings (Friedland and Robertson 1990; Moe 1987, 277). Institutions create rules and channel the ideas that help people to interpret their material context and to develop a collective identity (Eckstein 1988, 790-91; Goffman 1974; Granovetter 1985, 481; Levi et al. 1990; Roberts and Bluhm 1981; Scott 1985; Snow et al. 1986, 464-81; Touraine 1985, 749-88). The institutional context also contributes to the mobilization of interests, in structuring the groups in which people air their grievances and decide to take action (McAdam 1988, 128-36; Flotke 1992, 175-98).

Institutionalists have largely focused on cross-national differences in governmental decision-making processes and the variation in mobilization of oppressed groups, but this literature (with exceptions in the sociological literature) has largely ignored variation in business preference at the firm level (Flijest 1990; Laumann and Knoke 1987; Mizruchi 1992). The relationship between business organization at the firm level and corporate preferences for welfare state policies has been totally ignored. But one can extrapolate from other settings three factors that might contribute to preference formation and political mobilization within a firm: the internal policymaking capacities of the company, institutional networks in which the firms participate, and policy legacies of the organization.

Hypothesis 8. Firms with a Washington, D.C. government affairs office are more likely to develop a supportive position on health reform.

The internal policy expertise, or capacity for analyzing public policy within the firm, should matter to preference development and political mobilization. State-centered theorists draw conclusions about governmental action from the institutional capacities of states to produce and successfully to implement certain kinds of public policies (Morone and Dunham 1985; Skocpol 1985; Skowronek 1982). In like manner, firms' abilities to grasp complicated policy issues will depend on their own internal political capabilities (Galbraith).

An important institutional development that has heightened understanding of policy issues and increased political participation in many firms is the professionalization of the government affairs function (Post et al. 1983, 135-50). Government affairs departments were originally developed to fight the new
social legislation of the 1970s (Baysinger 1984, 248–58). But these units subsequently increased collaboration between business and government (Harris 1989, 261–86; Vogel 1978, 45–78). Companies with these units have more practical views of government (Handler and Mulken 1982, 27). Thus the public affairs functions that first developed to protect the legitimacy of the firm have now become the major locations for cooptation by government.

**HYPOTHESIS 9.** Firms belonging to groups that have collectively considered the problems with the health care system are more likely to develop a supportive position on health reform.

Institutional factor affecting firm political activity consists of the groups and networks that link the firm to the larger community of policy ideas, contributing to information and resource exchange. Interest groups not only represent their member firms’ interests but shape their members’ preferences (Grimm and Holcomb 1987, 105–18). Mizruchi shows that a company’s position in policy networks influences its political behavior (Mizruchi 1992, 13–22).

Groups and networks may be organized along national, regional, or sectorial lines. National groups may make firms more sympathetic to state intervention because they bring business managers into regular contact with government. An economic view of corporate mobilization all too often neglects government leadership in the political organization of business. But government leaders can augment their power against their own political enemies by mobilizing supportive interest groups (C. Martin 1991). Participating in local politics can also sensitize participants to national issues. Historical relations with regional governments may make some firms more sympathetic to state regulations than their counterparts elsewhere (Putnam 1993; Saxenian 1989, 25–70). Sector trade associations also influence firm preference in public policy, because the type of organizing institution at the sectoral level shapes political relations within the industry (Atkinson and Coleman 1989, 47–67; Campbell, Hollingsworth, and Lindberg 1991).

**HYPOTHESIS 10.** Companies who have experimented with cost containment within the firm are more likely to develop a supportive position on health reform.

A final institutional factor—policy legacies—consists of the traditions and past experiences that guide future decision making (Hall 1993; Pierson 1993; Weir 1992). Prior firm strategies offer legacies for coping with political and economic problems (Child 1972, 1–22; Littlejohn 1987, 29; Nelson 1988, 804; Yoffie and Bergenstein 1985, 124–39). As companies exhaust the range of firm-level health care options, they may become disillusioned with market solutions and, through a process of social learning, move on to collective governmental solutions to the problem. (Working against this is the possibility that innovative firms may not favor national reform because they have managed to contain costs, want to protect their competitive advantage in lower health costs, and/or believe that firm-level action is more ideologically appropriate than state action.)

**METHODS**

The primary empirical goal of the study was to identify the economic and institutional factors that determined a company’s support for employer mandates. Some of the data were provided from a series of structured interviews, lasting on average two hours, with high-level managers from a sample of companies. Visits to corporate headquarters of these firms were made in the fall of 1992 and the spring of 1993. In June of 1993, follow-up telephone calls were made to fill in missing data. In all cases, the benefits managers of the firm were interviewed and in many cases, the author also met with the senior vice presidents for human resources and/or with the Washington, DC, government affairs personnel. The evidence gathered directly from company executives was augmented by other data to be described. The sample of companies were a random selection of Fortune 500 manufacturing companies and the American firms on the list of Fortune 500 international service companies (T. Martin and Moran 1992, 208–44; Rogers and Sookdeo 1992, 212–315). Sixty-six percent of a sample of 89 companies participated.

The dependent variable of firm preference was operationalized as the firm’s formal endorsement of employer mandates. It consisted of a scale, moving from a formal political position opposing employer mandates to a formal political position supporting employer mandates (Table 1). Thus, firms that were politically inactive on the issue occupied the middle ground. The scale reflected both whether the firm had taken a formal position on employer mandates and the content of that position.

The earlier discussion suggested seven economic hypotheses about the causal determinants of support for health reform. The cost of health care (hypothesis 1) was obtained by asking the firms to calculate their annual contributions to health benefits per worker. (This figure also included company-provided benefits for dependents.) The profitability measure (hypothesis 2), taken from 1992 Fortune 500 lists, represented net income as a percentage of sales (T. Martin and Moran 1992, 208–44; Rogers and Sookdeo 1992, 212–315). Size (hypothesis 3) was measured by the total sales of the company, taken from Securities Exchange Commission reports of firm sales for 1991 (Schoch 1993). Unionization (hypothesis 4) was operationalized as the percentage of total employees who belong to a union. Data about the relative capital intensity of the production process (hypothesis 5) consist of a ratio of net sales divided by employees (ibid.).

Another economic argument suggested that regulated and troubled manufacturing sectors were more likely to support national health reform (hypothesis 6). The troubled manufacturing sectors included met-
TABLE 1

Scale Placement and Frequency Distribution of Firm Positions on Employer Mandates

<table>
<thead>
<tr>
<th>POSITION</th>
<th>VALUE</th>
<th>FREQUENCY</th>
<th>PERCENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Formal opposition</td>
<td>1.00</td>
<td>1</td>
<td>1.7</td>
</tr>
<tr>
<td>Considering opposition</td>
<td>2.00</td>
<td>4</td>
<td>6.8</td>
</tr>
<tr>
<td>No formal position but management opposed</td>
<td>3.00</td>
<td>10</td>
<td>16.9</td>
</tr>
<tr>
<td>No formal position and ambivalent</td>
<td>4.00</td>
<td>8</td>
<td>13.8</td>
</tr>
<tr>
<td>Considering favor but mixed</td>
<td>5.00</td>
<td>3</td>
<td>5.1</td>
</tr>
<tr>
<td>Formal opposition but a faction of management</td>
<td>6.00</td>
<td>8</td>
<td>13.6</td>
</tr>
<tr>
<td>Favoring mandates</td>
<td>7.00</td>
<td>8</td>
<td>13.6</td>
</tr>
<tr>
<td>Formal support</td>
<td>8.00</td>
<td>16</td>
<td>27.1</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>59</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Rate leaders perceived as the overzealous spirit of new regulation activists in government (Edsall 1984; Vogel 1989). Many of the offices that were originally constructed to oppose government intervention are now pushing firms toward more state support.

To evaluate company participation in groups (trade associations that worked on health reform, regional health care coalitions, and national policy groups), I counted the number of such groups in which a company was a member. I did not include the three major umbrella groups—the National Association of Manufacturers (NAM), the Chamber of Commerce, and the Business Roundtable—in these discussions because almost all the companies belonged to these umbrella associations. In addition, the health policy deliberations within the Business Roundtable and the National Association of Manufacturers have been dominated by health care providers and insurers (C. Martin 1993, 359–93).

One might argue that joining a group is a dependent variable: interest in a solution causes one to join the group. But the participating firms entered into these groups before health reform became a national issue; moreover, the sector and regional groups were established for other purposes. Elsewhere, organizations have been found to enhance and to channel participation. For example, participation in purposive organizations rather dramatically increases participation in campaign activity (Pollock 1982).

Firm-level innovation to contain costs was chosen to evaluate the impact of strategy legacies on support for health reform. Firm-level innovation was best captured by the percentage of employees who belong to managed care networks and health maintenance organizations. The movement into managed care networks began in mid-1980s before companies began seriously to consider national health reform and have been considered the rage in firm-level cost containment.

The first statistical technique used to examine the hypotheses was an ordinary least squares regression method of estimation. Regression analysis was appropriate because of the interval-level quality of the dependent variable (Tabachnik and Fidell 1989, 7–9). Hours of interviewing convinced me that the firms truly were distributed along an ordinal scale with interval qualities. The statistical results were supplemented and complemented by the qualitative interview evidence concerning the dynamics of political participation by the firms. This evidence provided a check and added confidence to the assessments of the importance of the independent variables in the multivariate analysis.

Second, I conducted an F-test to evaluate the relative weights of the economic variables as a group versus the institutional variables as a group. This test was also motivated by a concern about a moderate degree of correlation between some of the variables in each group and a possibility of multicollinearity. I conducted a regression entering the economic variables on the first step and the institutional variables...
on the second step, and calculated the R-squared change and the associated F-test. Third, as a mechanism for checking the robustness of our findings, I estimated the model using an ordered probit. The dependent variable was altered somewhat for the probit analysis. Those companies with an explicit formal position favoring mandates were coded 2 (corresponding to the value 800 in Table 1). Those companies that had not taken a position supporting mandates but were not absolutely opposed to them were coded 1. (corresponding to values 4.00–7.00). Those companies in which top management was opposed to mandates were coded 0 (corresponding to values 1.00–3.00). This coding of the dependent variable should reassure anyone concerned about the subtle distinctions in the ordering of Table 1. The companies coded as 2 all took public official positions in support of mandates; those coded as 0 all reported that top management firmly rejected employer mandates.

FINDINGS

At the time of the survey, 28% of the companies supported employer mandates. Over half of the business respondents (54%) personally supported mandates whether their companies had taken a formal position or not, and another 19% felt mixed on the subject. These figures are consistent with other studies. Cantor and his colleagues (1991) found that 80% of the 834 Fortune 500 executives in their study believed that “fundamental changes are needed to make it [health care system] better.” Over 32% favored a public health insurance system either now or in the future, and 53% supported employer mandates (pp. 99–101). As one corporate lobbyist put it, “Business from the far right has moved to the center in saying that the federal government needs to be involved.” Before turning to political preference, it is important to note that the economic structural characteristics were quite relevant to a company’s costs. Table 2 shows a regression analyzing the health costs per worker. Sales, sector, and unionization were all statistically significant.

But although economic structural characteristics affected costs, these factors were much less important to a supportive position on employer mandates. Turning to the presentation of ordinary least squares regression results in Table 3, equation 1, one sees that none of the economic independent variables was statistically and that only sales and profits had a T-value greater than 1 (or −1). A 1-point increase in sales produced only a .003 point increase in the firm’s support for employer mandates; a 1-point decrease in profits produced only a .06 increase in support for mandates.

In reporting the poor performance of the economic variables, one must take into account the size of the sample. Only the largest U.S. firms were included. I chose this sample because the largest firms are more likely to be politically active; thus, it allowed me to understand the dynamics by which political choices are made. But had a more varied population of companies been sampled, size would certainly have been significant. The size of the sample could also have affected the performance of the measure of firm health costs per worker, because all of the companies interviewed provided some health care benefits. In addition, the sample size could have dampened the unionization variable, since larger firms tend to be more unionized. Yet despite the sample size, the firms were enormously varied in many ways. Although all made health care available, some picked up all of the tab while others paid for less than a quarter of their workers’ health costs. Some were totally unionized; others had no unionized workers. Profitability varied tremendously, as did the capital-labor ratios of the firms.

Some might be concerned that multicollinearity lay behind the poor performance of the economic variables; yet the variables were only moderately correlated. Percent unionization was correlated with health dollars per worker at .43 and with regulated and troubled sector at .47. Still, to protect against multicollinearity, I conducted a principal component factor analysis with the three highly correlated economic variables: health dollars per worker, percent unionization, and regulated and troubled sectors. These variables seemed theoretically to go together as a type of firm: the regulated, heavily unionized company with generous health benefits such as one finds in the auto or steel sectors. The factor produced accounted for 66% of the variance and had an eigenvalue of 1.977. Yet the new variable produced by this factor (called FT1) had a T-value of only .24 in the regression equation (see Table 3, equation 2).

Given the intercorrelation between variables and the small N, it seemed useful to try to reduce the number of variables in order to give fair play to the competing hypothesis. I pursued two different statistical approaches to reduce the number of variables. The initial approach was to run a series of regressions, beginning with the 10 independent vari-

| TABLE 2 |
| Determinants of Firms’ Health Costs Per Worker |

<table>
<thead>
<tr>
<th>INDEPENDENT VARIABLES</th>
<th>B</th>
<th>BETA</th>
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<tr>
<td>Sales</td>
<td>−.29</td>
<td>−.29***</td>
</tr>
<tr>
<td>(−.11)</td>
<td>(−2.54)</td>
<td></td>
</tr>
<tr>
<td>Regulated sector</td>
<td>71.04</td>
<td>.31**</td>
</tr>
<tr>
<td>(30.98)</td>
<td>(2.29)</td>
<td></td>
</tr>
<tr>
<td>% union</td>
<td>1.30</td>
<td>.31**</td>
</tr>
<tr>
<td>(.57)</td>
<td>(2.29)</td>
<td></td>
</tr>
<tr>
<td>Constant</td>
<td>309.99</td>
<td>—</td>
</tr>
<tr>
<td>(22.70)</td>
<td>—</td>
<td></td>
</tr>
</tbody>
</table>

Note: Adjusted R = squared = .34, N = 50. Standard errors and T = statistics are in parentheses.

*p ≤ .05, two-tailed test.

**p ≤ .01, two-tailed test.
TABLE 3
Determinants of Firms’ Supportive Positions on Employer Mandates

<table>
<thead>
<tr>
<th>INDEPENDENT VARIABLES</th>
<th>EQUATION 1</th>
<th>EQUATION 2</th>
<th>EQUATION 3</th>
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<tbody>
<tr>
<td></td>
<td>B</td>
<td>BETA</td>
<td>B</td>
</tr>
<tr>
<td>Economic Sales</td>
<td>.003</td>
<td>.16</td>
<td>.003</td>
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<td></td>
<td>(.003)</td>
<td>(1.21)</td>
<td>(.003)</td>
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<tr>
<td>Regulated sector</td>
<td>.15</td>
<td>.03</td>
<td>—</td>
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<td>(1.42E-06)</td>
<td>(1.74)</td>
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<td></td>
<td>(.06)</td>
<td>(-1.02)</td>
<td>(.05)</td>
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<tr>
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<td>—</td>
</tr>
<tr>
<td></td>
<td>(.003)</td>
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<td>(.01)</td>
<td>(-0.35)</td>
<td>—</td>
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<td>-.08</td>
<td>-.01</td>
</tr>
<tr>
<td></td>
<td>(.02)</td>
<td>(-.57)</td>
<td>(.01)</td>
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<tr>
<td>FTI</td>
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<td>—</td>
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</tr>
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<td>—</td>
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<td>(.29)</td>
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<tr>
<td>Washington office</td>
<td>1.85</td>
<td>.41***</td>
<td>1.88</td>
</tr>
<tr>
<td></td>
<td>(.62)</td>
<td>(3.0)</td>
<td>(.59)</td>
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<tr>
<td># groups</td>
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<td>.22</td>
<td>.25</td>
</tr>
<tr>
<td></td>
<td>(.18)</td>
<td>(1.48)</td>
<td>(.17)</td>
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<tr>
<td>% managed care</td>
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<td>.01</td>
</tr>
<tr>
<td></td>
<td>(.01)</td>
<td>(1.35)</td>
<td>(.01)</td>
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<td>(.59)</td>
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<td>47</td>
<td>—</td>
<td>47</td>
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Note: Standard errors and T statistics are in parentheses. FTI is the factor produced by doing a principal component factor analysis with health dollars per worker, % unionization, and regulated and troubled sectors.

*p < .10, two-tailed test.

**p < .05, two-tailed test.

***p < .01, two-tailed test.

An F-test assessing the significance of the change in R-squared across the economic-variable and institutional-variable equations gave some reassurance that the weakness of the economic factors was related to something besides multicollinearity. When the seven economic variables were run in a regression alone with the dependent variable, they explained only .13 of the adjusted r-square.29 The three institutional variables, entered on the second step of the regression, produced a r-squared change of .26 and an F-change of 1.99; the significance F-change was .08.

The qualitative data strongly reinforce this quantitative finding that economic factors only explain so much of the variance. Negative profitability mattered to many firms: respondents at many of the financially weak companies reported that they had tried everything, were pressed to take dramatic measures, and therefore had turned to government as a last resort. As one supporter of comprehensive reform explained, "There is nothing moral or aesthetic about
this—it’s strictly hard cash.” Yet others explained that low profits prevented them from becoming politically involved. Some companies argued that they wanted employer mandates and comprehensive restructuring of the U.S. health system so that they could better compete in world markets; others said that they had to shift costs to their workers to survive internationally. Thus economic factors seemed to work both for and against the support of mandates.

The data strongly support the institutional view of firm political action. The first major finding was that companies with institutionalized internal policy expertise were more likely to take a position in favor of employer mandates. The presence of a Washington government relations office was by far the most robust variable and was statistically significant at the .01 level, with a T-value of 3.0 in the equation with all of the variables together. A 1-point increase in the Washington government affairs office independent variable produced a 1.8-point increase in dependent variable (see Table 3, equation 1).

The second major finding was that companies belonging to groups that studied the health issue were more likely to support employer mandates. This variable was not quite significant in the ordinary least squares regression with all of the variables, although it had a T-value of 1.5 (see table 3, equation 1). The group membership variable became close to statistically significant in the more parsimonious equation in Table 3, with a T-value of 1.8 and a probability of T at .08. A 1-point increase in group membership produced a .29-point increase in the dependent variable. The somewhat high correlation between the three institutional variables partly interfered with the performance of this variable: group membership was correlated with Washington government affairs offices at .38 and with percent in managed care at .32.

But the ordered probit estimation of the model with its revised dependent variable found the groups variable to be statistically significant with a p-value of .01. The revised dependent variable rather than the different method of statistical analysis was responsible for this difference in statistical significance.30 Apart from the slightly better performance of the group membership variable, this change in measurement of the dependent variable produced findings virtually identical to those produced with the less truncated dependent variable (see the ordered probit results in Table 4).

The ordered probit model can be used to illustrate the probability of a response falling into each category of the dependent variable; one evaluates the effect of an independent variable by examining the change in probability of the response falling into each category (see Greene 1993, 672–76).31 In other words, one must imagine what would happen to the dependent variable with an incremental change in the dependent variable.

Table 5 illustrates the effect of changes in sales, Washington government affairs offices and of groups on the probability of supporting employer mandates. Taking the data as they are, the model predicts 23% opposing mandates, 43% in between, and 34% supporting mandates. With an incremental increase of $100 million in sales (very close to the standard deviation), the probability of supporting employer mandates increases to only 38%, and the probability of opposing mandates drops to only 20%. With an incremental increase in membership of one group, the probability of supporting employer mandates increases to 42%, and the probability of opposing mandates drops to 17%. If all of the firms are given Washington government affairs offices, the probability of supporting employer mandates is 41%. With none of the firms having Washington government affairs offices, the probability of supporting mandates is only 13%. The Washington government affairs office variable is statistically significant with a p-value of .006. Thus the ordered probit gives one a sense of the strength of the effects of the independent variables.

The qualitative data offered repeated testimonials to the importance of groups for preference develop-

---

### Table 4

<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>Coef.</th>
<th>Asymptotic S.E.</th>
<th>Z</th>
<th>P-Value</th>
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<td>Economic</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td>.002</td>
<td>.002</td>
<td>.93</td>
<td>.35</td>
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<td>Regulated sector</td>
<td>-.09</td>
<td>(.58)</td>
<td>-.15</td>
<td>.88</td>
</tr>
<tr>
<td>Capital intensity</td>
<td>1.09E-06</td>
<td>1.07E-06</td>
<td>1.02</td>
<td>.31</td>
</tr>
<tr>
<td>Profits</td>
<td>-.01</td>
<td>(.04)</td>
<td>-.35</td>
<td>.73</td>
</tr>
<tr>
<td>Health $$</td>
<td>.003</td>
<td>(.003)</td>
<td>1.30</td>
<td>.19</td>
</tr>
<tr>
<td>% unionization</td>
<td>.00</td>
<td>(.01)</td>
<td>.02</td>
<td>.98</td>
</tr>
<tr>
<td>% exports</td>
<td>-.01</td>
<td>(.01)</td>
<td>-.11</td>
<td>.29</td>
</tr>
<tr>
<td>Institutional</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Washington office</td>
<td>1.33</td>
<td>(.48)</td>
<td>2.77**</td>
<td>.01</td>
</tr>
<tr>
<td># groups</td>
<td>.36</td>
<td>(.15)</td>
<td>2.42**</td>
<td>.015</td>
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<td>% managed care</td>
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</tr>
<tr>
<td>cut 1*</td>
<td>2.10</td>
<td>(1.03)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>cut 2*</td>
<td>4.03</td>
<td>(1.12)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: Pseudo R-squared = .34, N = 47.
*The lambda cuts refer to the divisions between response categories of the dependent variable. Thus cut 1 separates those opposing mandates from those in between; cut 2 separates those in between from those supporting mandates.
TABLE 5
The Effect of Increases in Sales, Group Membership and DC Office on Firm Support for Employer Mandates (%)

<table>
<thead>
<tr>
<th>CATEGORY OF SUPPORT</th>
<th>AS DATA ARE</th>
<th>PLUS $100 IN SALES</th>
<th>JOIN ONE MORE GROUP</th>
<th>ALL WITHOUT DC OFFICE</th>
<th>ALL WITH DC OFFICE</th>
</tr>
</thead>
<tbody>
<tr>
<td>No</td>
<td>23</td>
<td>20</td>
<td>17</td>
<td>42</td>
<td>11</td>
</tr>
<tr>
<td>Maybe</td>
<td>43</td>
<td>42</td>
<td>41</td>
<td>45</td>
<td>48</td>
</tr>
<tr>
<td>Yes</td>
<td>34</td>
<td>36</td>
<td>42</td>
<td>13</td>
<td>41</td>
</tr>
</tbody>
</table>

Note: Table 4 uses the ordered probit model (see n. 31) to estimate the probability of a firm falling into each category of dependent variable. Because the coefficients are difficult to interpret, I estimated the effect of the individual variables on the probability of a firm falling into each category in the following way. I first calculated the mean of the probabilities for each firm, keeping the individual variables at their original values. Then I changed the variable I was interested in by a specified amount. For example, I increased sales by $100, and recalculated the mean of the probabilities for each firm.

ment. Groups were the crucible in which participants became aware of their policy preferences. Respondents were often confused about health reform before their groups addressed the issue; most were followers rather than leaders. Many business managers came of age in health care through participation in their trade associations. For example, the American Iron and Steel Institute brought large and small companies with varying profitability together in a unified industry position. In the Edison Electric Institute (EEI), a spirit of cooperation dating from the nuclear energy crisis enabled the industry to take a proactive lead in the health policy arena (Campbell, Hollingsworth, and Lindberg 1991). One participant reported that her participation in the EEI task force on health care 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.”

Regional associations were quite important to other companies’ path to political activism. Area coalitions were formed before health reform became an important issue and were created to try to control local markets. But community activism at the local level, even if originally oriented to market solutions, led to activism at the national level. Information was an especially important benefit of the groups: the case studies provided numerous testimonials to the learning effects of community activism. Members were invited to participate by contacts in the area and joined for a variety of reasons. But once they began to think systematically about the issues, their perspectives expanded greatly. Although the percentage of unionization in the company was not significant to a firm’s political action, labor-management committees also seemed to help many business managers to think about the issues in new ways.

National groups also helped companies to become aware of health reform issues. In fact, some respondents felt that the national groups were so eager to participate in the policy debate that these groups committed themselves too quickly to the reform position. These skeptics worried that the desire to participate made it harder for the business perspective to be represented. One industry representative said: “I am also concerned that the Chamber of Commerce, NAM, and APPWP [Assn. of Private Pensions and Welfare Plans] are all trying to develop a strong position and to show the administration that they can be flexible. But it is too early to put stakes in the ground. . . . In the past business groups have been viewed as ‘we are opposed to everything’. This was not a bad position to take in the Bush/Reagan years when they [the Republican presidents] wanted to say this to Congress. . . . Now there is a new set of dynamics. People don’t want to say ‘no’, but they may be too eager to say ‘yes’.”

Thus the story told here portrays a core and periphery in the American business community. Companies plugged into national networks learned from their groups and peers, and collectively moved toward a political solution. Peripheral firms, isolated from others in comparable positions, tended to rely on consultants and insurers for information and advice and as a result had more conservative views about the possible restructuring of the health care system.

The third institutional variable, percentage in managed care networks, had a more disappointing outcome and was not statistically significant using either the ordinary least squares or the probit estimation of the model. But there was some case study support that social learning from previous strategies, such as firm-level experimentation with managed care networks, led to support for national health reform. As companies exhausted private market solutions, they moved on to the more radical state intervention. Numerous respondents described their path to systemic reform as one of increasing frustration with firm-level efforts to change provider behavior. One veteran discovered her support for a single-payer system in completing a survey questionnaire to identify the solution to the U.S. health crisis: “I realized at that moment that the only thing that would make a difference was to have a national solution.”

The argument has been made that the development of corporate policy capacity makes a difference. But can’t one simply say that this actually reflects an
underlying causal effect of firm culture? Firm culture may be behind both the tendency to support health reform and the development of political capacity within companies.

Although we could not find a good quantitative measure of firm culture, the qualitative findings suggest that companies may be very different but that culture is not uniform throughout the company. Firms must determine where to put their energies, and institutional departments differ. A benefits manager reported that shortly before the 1992 election, President Bush asked the firm’s chief executive officer to support the president’s health plan. The CEO sought input from our respondent, who argued against such action because it might complicate the firm’s relationship with the White House should Clinton be elected. The benefits manager, a supporter of play or pay, thus pushed a very Republican company to the center on this issue. Culture may also be less important because the left-right distinctions on health care are beginning to change. Thus one respondent explained, “I am very conservative, but health care is out there by itself.”

CORPORATE ENGAGEMENT WITH THE CLINTON PLAN

Despite the early corporate interest in systemic health reform, in the winter and spring of 1993 many large employers distanced themselves from the Clinton health plan. Business objections to the Clinton plan did not, however, translate into a rejection of the goal of universal coverage. Most of the firms in this study that originally supported an employer mandate held to this position throughout the legislative cycle, primarily working for this goal through the Association of Private Pension and Welfare Plans, the Corporate Health Care Coalition, and the Chamber of Commerce health care task force.32 (These were known as the “mandate” business groups.)

But despite general support for mandates, employers had three problems supporting Clinton. First, big business did not like Clinton’s managed competition proposal. Sold as a mechanism to control costs while preserving the employer-based system, the health alliances in the administration’s original proposal (a firm had to have over 5,000 employees to opt out) made many firms fear that they would be pushed into these regional entities. Because health alliances were to extend across entire regions, companies worried that they would lose their considerable purchasing power relative to the public pools and would receive very poor rates from providers. Thus, Richard Smith with the APWPA argued that the major sticking point for business was not mandates but the strict rules surrounding the health alliances (Smith 1994). Companies also considered the original minimum benefits package excessive, worrying that they would no longer have control over their own plans and would be transformed into “check writers.” Business managers felt that the administration engaged in a fiscal slight-of-hand by suggesting that health reform could be achieved without any tax increase, and some believed the cost control mechanisms to be excessively weak in the president’s plan. Finally, in moving through the legislative process, the bill gave ever larger subsidies to small business and put heavier burdens on big employers.

Second, big business had a hard time organizing for health reform. Business associations were unable to express the preferences of a majority of their members for health reform, since these groups were crippled by the objections of a vocal minority (usually insurers and pharmaceutical companies.) Advocates of health restructuring struggled within each of the major business organizations to secure endorsement for the reform proposal; yet, none of the umbrella organizations overcame the divisions within its ranks and supported reform (or, in the Chamber’s case, remained in favor of support). The inability of business groups to endorse the parts of the reform proposal that the majority favored made both the administration and Congress less willing to take big business inputs seriously. Politicians wanted active help in getting votes in exchange for attention to corporate concerns. Confronted with the weakness of big business, legislators increasingly granted concessions to the much better organized small business community to try to buy off its opposition.

A final factor contributing to limited support by big business was Clinton’s conflicting priorities and strategies. Although the president developed a product designed to appeal to business, the pressing claims of the economic package and NAFTA finally delayed health reform and early corporate enthusiasm subsided. Unlike Lyndon Johnson, who used corporatist-style task forces to build consensus, Clinton excluded business in his task force, using the process primarily as a policy development tool. Originally the administration promised to address large employers’ major concerns at the proposal development stage, but Congressional allies forced a retreat on early deal making. The administration also used a language of class warfare to try to mobilize populist support; the villains in health reform were drug and insurance companies (Woodward 1994). But its language of good and evil elicited emotional, ideological responses that undercut the ability of business policy experts to portray the issue in technocratic terms. The Clinton’s language of class warfare worked against the policy wonks within the firms.

Big business supporters were further hampered by a Republican and small business campaign of obstruction. Believing that the administration could be conquered with the defeat of health reform, Republican legislators dramatically attempted to prevent business from supporting reform by threatening retaliation in future policy areas. When the Chamber of Commerce endorsed an employer mandate and a standardized benefits package, the House Conservative Opportunity Society chastised the Chamber leadership. John Boehner (R-Ohio and chairman of the group) sent letters on congressional letterhead to
Chamber constituents, saying that they should cancel their Chamber membership.

CONCLUSION

Companies across America acknowledged a need for employer mandates and health reform to cure the hemorrhagic health care system. I have analyzed the causes of variation in firm response to the health crisis. Although escalating costs and frustration with market intervention precipitated the willingness to explore government intervention, economic factors alone were insufficient to account for the change. New attitudes about social regulation in health care found a sympathetic ear among firm policy professionals. The institutionalization of their political capacities made companies more open to technical arguments about state solutions. Businessmen were exposed to these ideas in groups and networks. At least some companies went through a process of social learning in which frustrations with prior failures made them open to fundamentally different solutions.

These findings have important implications for the way that we think about business political action, offering very different insights from those suggested by the pluralist, instrumentalist, or structural power theorists. Conventional views of business political mobilization suggest that interests are easily recognized and that solutions are readily apparent. Yet health reform illustrates that preference formation takes place in collective organizations as policy personnel search for new solutions to a social problem.

Conventional research designs often isolate economic structural characteristics to the neglect of institutional factors in accounting for companies' policy preferences. Yet I have suggested that among the largest companies, corporate policy capacity is vital to outcomes. This sample's focus on the largest companies to some extent dampens the influence of size and cost, limiting the generalizations that can be derived from the study. But the in-depth study of the largest firms presented here also provides insight into the way that size mattered. It is the institutional slack often linked to size and the capacity of large firms to develop their political powers that make large companies important political actors.

The primacy of economic concerns to corporate managers is very real. This is not a story of corporate actors engaging in altruistic choice of the public good over their own firms' interests. Rather, it is a story of business managers' struggle to locate their interests in a world of imperfect knowledge and both long- and short-term considerations. Thus the institutional approach adds a context for the interpretation of interests, an explanation for why problems become political issues, and a view of the corporate road to political participation.

First, this approach highlights the importance of technical information to corporate preference formation. Ideas and interests are often portrayed as distinct and somewhat mutually exclusive explanations for policy origins (Heclo 1974, 298, 304–5; Weatherford 1986, 36–59). The split between ideas and interests often mirrors the split between state and society, with state actors guided by ideas and societal figures acting according to interests (Weir and Skocpol 1985, 107–63). Yet this study suggests that ideas shape firm positions.

Second, this view suggests that resources for political mobilization among business are both organizational and monetary. Firm preference and political action depend on the organization of professional expertise and the networks that expose employers to new ideas about social issues. We must put these insights into perspective: other policy spheres may have different politics (Lowi 1964). Interests are undoubtedly more fixed in areas closest to the production process; social initiatives may give business participants somewhat more freedom. Institutional context also matters the most during periods of ideological uncertainty: when old paradigms lose their salience, the interpretation of material interests becomes less obvious and the social construction of interests becomes more significant (Salant 1989, 37).

Third, businessmen are captured by fads just like the general public. Innovations in cost containment have gone through something of a reform cycle phenomenon, as market and regulatory solutions gain favor and fade. Morone argues that support for republican values occasionally guides Americans toward a different kind of politics and policy. People become enthusiastic about reforming the political process, then politics as usual set in and they become disillusioned with their innovations (Morone 1990). Business managers also exhibit cycles of enthusiasm for reform, supporting state activism in some periods but not others.

What do these findings imply for public policy? The constructive aspect of preference formation suggests greater business support for social welfare innovations than otherwise supposed. Most of the welfare state literature assumes that social policy initiatives prosper when business is relatively weak, especially vis-à-vis labor. Although often correct, this assumption misses the conditions under which business plays a more positive role in the process. With the decline of labor, the structural change in the organization of work, and the growth of issue-oriented politics all over the world, future welfare initiatives may depend more than ever on cross-clamp coalitions (Lasch 1985, 215–39; Longstreth 1988, 413–32; Swenson 1991, 513–44). The case of national health reform suggests that these cross-class coalitions are possible.

Yet formidable constraints work against business support for social initiatives as well. The two kinds of factors leading to corporate political participation—economic motivation and institutional facilitation—are in something of a dialectic tension with one another. This discontinuity makes the business contribution to public policy problematic. Corporate policy experts wear two hats: they are both bearers of the
economic interest of the firm and health care policy professionals with enormous accumulated knowledge and expertise.

As expert participants in the policy debate, firm policy professionals search for broader collective solutions to the problem; but at the same time they represent the firm’s interests. This Janus-faced perspective helps government policymakers when business professionals take their technocratic views back to the firm, yet businessmen’s concerns also limit the reform options. The overlapping and contrary nature of these two motivating and shaping influences is what makes the role of business in national health reform so confusing. Contradictions existing at the level of preference between the material and the ideological are mirrored at the level of policymaking.

APPENDIX

TABLE A-1

Descriptive Statistics

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<thead>
<tr>
<th>VARIABLES</th>
<th>MEANS</th>
<th>CORRELATIONS WITH INTEREST</th>
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<tbody>
<tr>
<td>Economic</td>
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</tr>
<tr>
<td>Sales ($billion)</td>
<td>9.38</td>
<td>.35*</td>
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<td>Total health costs</td>
<td>1.56</td>
<td>.35*</td>
</tr>
<tr>
<td>($billion)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Costs per worker ($)</td>
<td>3,460 (annual)</td>
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<td>Profits</td>
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<td>-.17</td>
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<tr>
<td>% unionized</td>
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<td>.26</td>
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<td>Capital intensity</td>
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<td>Regulated sector</td>
<td>.28–.26 % in sectors</td>
<td>.36*</td>
</tr>
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<td>Exports as % of total sales</td>
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<td>-.09</td>
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<tr>
<td>Institutional</td>
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<td></td>
</tr>
<tr>
<td>Washington Office</td>
<td>.66–66 % have</td>
<td>.46**</td>
</tr>
<tr>
<td>Number of groups</td>
<td>2.3</td>
<td>.49**</td>
</tr>
<tr>
<td>% of workers in managed care</td>
<td>33</td>
<td>.37*</td>
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*p ≤ .05.  **p ≤ .01.

TABLE A-2

Correlation Matrix: Economic Variable

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<tr>
<th>VARIABLES</th>
<th>HEALTH $</th>
<th>PROFITS</th>
<th>SALES</th>
<th>% UNION</th>
<th>CAPITAL INT.</th>
<th>REGULATED SEC.</th>
<th>% EXPORT</th>
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<td>Interest</td>
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<td>.0160</td>
<td>-.1668</td>
<td>.354*</td>
<td>.2645</td>
<td>.1751</td>
<td>.3535*</td>
</tr>
<tr>
<td>Health $</td>
<td>.0160</td>
<td>1.0000</td>
<td>.0316</td>
<td>-.2982</td>
<td>.4289**</td>
<td>-.0928</td>
<td>.4662**</td>
</tr>
<tr>
<td>Profits</td>
<td>-.1668</td>
<td>.0316</td>
<td>1.0000</td>
<td>-.1307</td>
<td>.2530</td>
<td>.1459</td>
<td>.0400</td>
</tr>
<tr>
<td>Sales</td>
<td>.354*</td>
<td>-.2982</td>
<td>-.1307</td>
<td>1.0000</td>
<td>.0106</td>
<td>.0106</td>
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<tr>
<td>% Unionized</td>
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<td>.4289**</td>
<td>-.2530</td>
<td>.0106</td>
<td>1.0000</td>
<td>-.1483</td>
<td>.4860**</td>
</tr>
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<td>Capital Intens.</td>
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<td>-.0928</td>
<td>.1459</td>
<td>.0107</td>
<td>-.1483</td>
<td>1.0000</td>
<td>.0376</td>
</tr>
<tr>
<td>Regulated sect.</td>
<td>.3535*</td>
<td>.4662**</td>
<td>.0400</td>
<td>.0493</td>
<td>-.0376</td>
<td>1.0000</td>
<td>.0020</td>
</tr>
<tr>
<td>% Export</td>
<td>-.0954</td>
<td>-.2011</td>
<td>-.0157</td>
<td>.0006</td>
<td>-.3330*</td>
<td>.0920</td>
<td>-.4042*</td>
</tr>
</tbody>
</table>

*p ≤ .01, two-tailed test.  **p ≤ .001, two-tailed test.

Notes

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1. Instrumentalists locate corporate influence in the predominance of the capitalist class in positions of power in both the public and private spheres (Miliband 1969). Structural power theorists believe that the state’s structural dependence on private investment gives business a veto over public policy through the threat of disinvestment. Thus, business wields an enormous amount of control over state policymaking, regardless of whether it actually takes action.

2. Health care tied to employment prevents people from moving to better jobs, because many plans have preexisting condition clauses.

3. For example, a firm with sufficiently concentrated interests or a sufficiently large part of the collective good might be willing to bear all of the costs.

4. The biggest companies are subject to cost shifting from smaller firms in their provision of health benefits to spouses of workers.

5. We gathered data on two other workforce characteris-
tics that subsequently had no explanatory value: the age of the workforce and the number of retirees to active workers.

6. I also gathered data on the percentage of a firm's total sales devoted to the health industry, but this was not significant.

7. I include under the rubric of institutionalists state-centered theorists such as Skocpol and Skowronek, social movement theorists such as Tarrow and McAdam, institutional sociologists such as Mizruchi, and rational choice new institutionalists such as Moe.

8. Sociological network analysis has concentrated on networks, unfortunately neglecting other institutional causal factors.


10. One difference between state capacity and capital capacity is that state capacity looks at both the ability to form policy and to execute these policies. My use of capital capacity focuses on policy formation rather than on the execution of policies. Executive officers blame the pragmatic focus of their political action committees on the undue influence of the Washington representatives.

11. Groups may take different positions, but the mere participation in collective forums makes businessmen think in more pragmatic terms.

12. As John Stephens points out, prior strategies are also shaped by economic interests.

13. It is important to note that firms did not develop positions on this issue unless they wanted to become involved; therefore, those companies in the top category were truly politically active on health reform.

14. The sample was chosen from a list sorted by size and sector; every third firm was selected. Data for the service sector firms were taken from the comparable Fortune figures for the international 500 largest service corporations.

15. I anticipated that there would be some selection bias in that active companies would be more willing to participate than inactive ones. While this was true to some extent, this tendency was overcome by an opposing tendency for the inactive firms to welcome me as a source of additional information about the health care debate. Also, some known activists in health care refused to see me because they were experiencing severe fiscal constraints and did wish to share information about their health costs or could not afford the resources to participate.

16. If there was no formal position, the position of the highest-ranking respondent at the firm was used as a proxy for content. The benefit manager's view in general seemed to be an accurate reflection of the general views of top management except in eight cases, where the company was quite divided. These cases were presented in the answer "no formal position but respondent favored mandates." The fact that the two measures were correlated at nearly .5 supports the use of a scale.

17. Based on self-reported and seemingly quite reliable data.

18. Based on company-supplied data.

19. These were drawn from a list of the "sick six," which also includes two regulated sectors.

20. This blending of data is unsatisfactory, but the reputed importance of trade concerns motivated the fullest investigation possible.

21. National groups include Washington Business Group on Health, APWPF, ERISA Industry Committee, Employee Benefit Research Institute, and the National Leadership Coalition. Firms received one point for sitting on the task force of a group (but could receive only one point).

22. The big umbrella business groups tend to sink to lowest-common-politics.

23. The interviews with corporate managers suggested a rather smooth progression from a strong negative position opposing mandates, through weak rejection of or support for mandates with no formal position, to a strong positive position in favor of mandates. The distance between each point on the scale seemed approximately equal; thus the data take on many attributes of continuous data. The parameters of the quantitative regression equations resulting from the statistical calculations were consistent with the qualitative data of the interviews.

24. Those coded as opposing mandates had not, with one exception, taken a formal public position; however, the company respondents reported that top management within the firm was uniformly opposed to the measure. The tendency for only those supporting mandates to take a formal position reflected the nature of the issue. Since mandates promised a general rather than a narrowly targeted impact, firms were less likely to develop the kinds of defensive positions protecting themselves that one finds, for example, in very specific environmental regulations.

25. The revised dependent variable had a distribution of 16 supporting mandates, 27 neither supporting nor opposing, and 14 opposing.

26. The parsimonious equation also allowed us to increase the n of the equation, since P.TXT and HEALTHS.WAR both contained missing data.

27. This two-route approach resembles that taken by Skocpol et al. 1993. The authors limited themselves in their first route to only those variables that were statistically significant after discarding variables from the equation at an early stage (pp. 686-701). Had we limited ourselves to statistically significant variables, we would have been left with only District of Columbia office and number of groups. Therefore, we decided to include all variables in this first round that did not increase the standard error when added.

28. The highest adjusted r-squared using only economic variables was .20, produced when sales and regulated sector were run alone. The institutional variables run alone produced an adjusted r-squared of .35.

29. The two key institutional effects held for an OLS estimation of the model of the truncated dependent variable. The OLS regression using the three-point dependent variable produced virtually the same results as the ordered probit estimation of the model. I felt confident using the OLS method because the three-point scale approximated a normal distribution with 16 supporting, 27 in between, and 15 opposing. In this equation, the District of Columbia office variable was statistically significant at the .01 level with a T-value of 3.0. The truncated dependent variable had exactly the same T-value as the 8-point dependent variable and was comparable to the ordered probit Z-level of 2.8. The group membership variable was also statistically significant at the .05 level with a T-value of 2.2 (comparable to the ordered probit Z-level of 2.4). Neither of the economic variables had a significance of T lower than .27. The adjusted r-squared of the OLS regression run with all of the variables and the truncated dependent variable was .40 (again comparable to the adjusted R-squared of .39 using the 8-point dependent variable) and the standard error of the equation was .59.

30. The ordered probit model assumes a latent-variable structure of the form y* = XB + e. We observe

\[ y = \begin{cases} 0 & \text{if } e < XB, \\ 1 & \text{if } XB < e < XB^+, \\ 2 & \text{if } XB^+ < e, \end{cases} \]

where \( * \) > 0, and

\[ P_y = F(XB), \quad P_1 = F(XB^+) - F(XB), \quad P_2 = 1 - F(XB + \delta), \]

\( \delta \) signifies lambda. The lambda cuts specified on Table 3 refer to the divisions between response categories of the dependent variable. Thus cut 1 separates those opposing mandates from those in between; cut 2 separates those from those supporting mandates.

31. In the spring of 1995, I contacted all of the companies in my study that originally either supported employer mandates or were thinking about taking a positive position (i.e., were coded 7 or 8 on the scale), (I did not attempt to contact all of the firms because it seemed unlikely, given the climate surrounding the health debate, that those who originally opposed employer mandates would come to support them, and I did not want to lose cases in the event that less interested firms failed to return my telephone calls.) Two of those ranked as 8 contin-
u ed to support universal coverage but moved away from employer mandates, and one large company was silenced on the issue due to objections from small business customers. All but 3 of the 16 firms originally coded as “8” continued to support employer mandates. The three others remained committed to universal coverage but were silenced by consumer pressures or became pessimistic that a reasonable mandate could ever be created by the Clinton administration. Five of the 8 initially coded “7” (who were seriously considering taking a supportive position, but had not yet done so) moved into the “8” category of having a formal position supporting mandates. One company originally coded “7” initially worked very closely with the administration but ultimately turned away from mandates, frustrated by the administration’s version.

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