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AND THE STATE

by
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ABSTRACT

In this paper we develop propositions about the interconnections between organizations, industries, and the state. Although several subdisciplines deal tangentially with these issues, few researchers have used a political economic perspective to focus directly on such matters. In spite of its importance as an explanation for organizational behavior, organization theorists generally neglect environmental political factors. Work on state-capital relations frequently operates at such a high level of aggregation that useful explanations about the politics of organizations and industries are ignored. In political science, models of interest group behavior attempt to generalize about all interests so the degree of specificity in this area has been limited. The result, despite its utility, is that little middle range theory about the politics of organizations and industries currently exists. We seek to fill this gap by delineating some of the determinants of company and industry level political activity and the reciprocal relationships between state attributes and their impact on organization and industry level politics.

ORGANIZATIONS, INDUSTRY, AND THE STATE

The growth of large government and large organizations is a hallmark of modern society. Consequently, an understanding of the relations between these giants ought to be a prime task for sociology. And several branches of sociology and political science approach that intersection. Work on interest groups includes organizations and industries as one kind of group. Organizational theorists examine the environment of organizations, and sometimes look at the actions of state agencies. Students of capitalism look at the interplay of business and government. Yet in many ways these areas of sociology and political science present an inadequate middle range framework for the investigation of the overlap between organizations and the state in advanced societies.

The main problem is that the relevant research has not developed a cumulative agenda because the subdisciplines involved only deal with limited aspects of relations between organizations and the state. The nature of an organization's interactions with public agencies, its interests in government policy and the state's interest in a particular organization's products are to an important degree determined by the industry or industries to which an organization belongs. But these issues have been largely ignored because they fell between the relevant subdisciplines. Students of organizations often neglect politics. Students of capitalism operate at a high level of aggregation so firms and specific industries generally are overlooked, while students of interest groups attempt to deal with every kind of interest. The result is that little or no middle range theory currently exists.

We think that a focus on the intersection of industry, organizations and the state will provide a level of aggregation that yields more understanding of where, when, and how organizations participate in politics. Organizations may relate directly to the state, or they may pursue their interests through participation in trade associations organized by industry or by class wide alliances. Different levels of government and various governmental agencies put constraints on industries. These questions need to be studied by using the organizational and industry level of analysis.

Research on economic interest groups, on the participation of business in politics, and on the links between organizations and the state needs to be integrated. At least, connections between the state and the problems of specific organizations and industries ought to be made more explicit. In this paper we attempt to begin this process. First, we develop criticisms of prior research in order to justify our search for a more encompassing middle range framework. Then, we define the elements of the framework and suggest major dimensions and their links. Finally, in the main body of the paper we present discussions illustrating the utility of these considerations.

THE LIMITS OF EXISTING FRAMEWORKS

Interest Group and Organization-Environment Approaches

There is much work of high quality that bears on the issue of the interpenetration of organizations and politics. Some of these studies concentrated on individual interest groups while others attempted to develop theories about the group system. There are numerous studies of particular industries that focus on specific political arenas. Examples include the politics of oil, the politics of health care, or the politics of higher education. A large literature that attempts to formulate a general theory of interest groups also is available (Moe 1980; Wilson 1981; 1985; Wootton 1985; Truman 1951; Gaies, Peterson and Walker 1982). On occasion, the organizational literature also deals with political matters. Even abstract organizational-environmental studies may use the actions of state agencies as a major component of organizational environments.

None of these works are irrelevant to us, yet all have limits. Interest group theory, as developed in political science, includes business groups as one kind of association. But it also attempts to deal with the representation of every other associational and categorical interest. Generalities about the political behavior of groups as diverse as environmentalists, consumers, minorities, professionals, and other single issue associations are attempted in this literature. This very inclusiveness breaks the tie between this research and the analysis of political and economic arrangements. Because they attempt to deal with the political expression of all major interests, the focus of these researchers inevitably must shift away from the economic sources and results of interest group conflicts. Although all groups are not equal, interest group theory has little explanation for these differences that is based on political economic factors. Even the most sophisticated version of interest group theory (Laumann and Knoke 1987) is no exception. Operating out of a multiple elite perspective, they use advanced techniques to delineate patterns of interest group involvement in national arenas. While it is a major step forward, Knoke and Laumann's work still does not focus directly on the organization of the political economy.

Interest groups have been studied at the local, state, and national levels. While the systematic patterning of interest groups in response to what we will call the jurisdictional geography of state agencies has not been a major part of interest group research, this work does contribute to our effort. In particular, interest group theory (Salisbury 1969) along with resource mobilization theory (McCarthy and Zald 1977) has provided insights about the conditions that lead to mobilization for political purposes.

If we turn to organization theory, the political environment should be recognized as an important part of the environment of organizations. Organizations exist in a matrix of laws and regulations enacted by the larger polity. Although they may attempt to evade the law or dominate political institutions, organizations operate in a context in which the coercive power of the state establishes the organization's right to exist, the conditions under which it may continue to operate, the manner in which factors of production may be utilized, and the distribution of profits from organizational endeavors.

Hence, theories of organization-environment (O-E) relations should try to explain interactions between states and organizations. Yet, except for a few authors (Aldrich 1979; Meyer and Scott 1983; DiMaggio and Powell 1983), students of organizational environments often make no distinction between state and other kinds of environmental effects. Most O-E theories are quite abstract, even drawing upon general system terminology for explanatory concepts. Less abstract theories, such as resource-dependence explanations, deal with power-scarcity relations among organizations. At the general level, O-E theory has focused on exchange relationships that are cooperative or competitive, or on networks of relationships, or on environments as the ecological base for organizational sustenance. On the empirical level, O-E research has usually concentrated upon inter-organizational relations within an industry, such as relationships between petroleum companies or hospitals, or on relations between an industry member and its suppliers and buyers. But all of these explanations rarely consider the power of law or the coercive apparatus of the state, either theoretically or with specific examples.

Meyer and Scott's (1983) analysis of societal sectors breaks from the usual tradition in that organizations are seen as existing in an environment that includes state actors as central components. They have paid special attention to the fragmentation or centralization of the institutional control system that groups of organizations must accommodate. But for the most part O-E theory has proceeded without reference to concrete political economic factors and without looking at industrial differences in environments.

In spite of these limits, aspects of the O-E perspective are useful as one begins to theorize about the state-organization intersect. Some scholars operating from this orientation assume that organizations may be able to change their environments. Organizations need not be passive environment-takers. Organizations, proceeding on their own or in concert with others, may attempt to refashion the coercive regimes under which they exist. Resource dependence theory (Aldrich and Pfeffer 1976) and inter-organizational political economy approaches (Benson 1975) begin to give us insights about the methods organizations use to influence state agencies.

Macro System Approaches: Theories of the State and Business Influence

Students of capitalism and national political economies inevitably discuss alternative forms of business-state relations. A central issue is the dominance relationships between state and capital (Przeworski and Wallerstein 1982). To what extent do corporations or their associations control public policy (Lindblom 1977; Jacobs 1988)? What are the conditions when the interests of capital constrain state agents? What alternative structural arrangements, such as corporatist peak associations or national planning systems, are in place to shape the relationships between organizations and governments. Much of this literature is directly related to our concerns, but it often operates at too high a level of aggregation.

In seeking to understand these relationships, the macro literature tends to collapse finely textured detail into aggregate categories. Distinctions between finance and manufacturing capital are often preserved as are others such as the distinction between large and small manufacturers. Yet such general categories do not catch the full range of issues that lead to the vital political contingencies faced by individual organizations in various industries. The structure of industries and the dynamics of industry life cycles must be explicitly incorporated into these macro analyses. Industries vary substantially on important dimensions such as their cost contingencies, labor or capital intensity, internal organization, competitiveness, or their dependence on state agencies. While the macro work has provided useful information about general relationships, much will be lost if all this diversity is ignored and dissimilar industries are always collapsed into aggregate categories.

Within the group of scholars interested in the relationship between business and the state, our work comes closest to that of Streeck and Schmitter (1985; 1986). Starting from an initial concern with corporatism, they have developed a research program examining "interest group intermediation." They focus on comparative differences in industrial governance and industries and on the processes by which the resulting interest groups are linked to the state. Our work differs from theirs in that we devote more attention on industry structure as a determinant of organizational participation in politics and on jurisdictional matters. Their approach may be better for a comparison of industry linkages within national systems; ours may be better for a fine grained analysis of the American scene but we study similar questions.

Obviously, since all of the approaches we have reviewed were not specifically designed to deal with the intersection of the state and organizations, it should come as no surprise that each has limits. Nevertheless, we believe some central concerns of these approaches can be illuminated by thinking about what has been left out. For instance, students of the transformation of capitalism to a welfare state or to socialism should consider which industries and organizations stand to gain or lose in such a transformation. Moreover, the interests of specific organizations may change over time and they may not be the same for all elements of an industry. What is good for Chrysler may not be as good for General Motors. When Chrysler's bankruptcy seemed likely, the company turned to the Federal Government for support. General Motors stood to the side while the Business Roundtable opposed a bailout. Chrysler subsequently favored import quotas on Japanese autos, as did the United Auto Workers, while Ford and General Motors, with their more extensive presence overseas, were ambivalent. It is these nuances and the resulting implications for the mobilization of interests that we hope to illuminate with our approach.

Necessary Elements for the Conceptual Framework

Several core orientations guide our approach. These concern the nature of organizations and industries, along with their capacities for political mobilization, and how the state is organized. One consideration is the four levels that influence the intensity and direction of political activity. Organizations, industries, and inter-organizational or trans-industry associations all participate in politics, but this participation is also shaped by jurisdictional constraints that result from the character of the state. Because corporate political activity is governed by factors at all four of these levels, they each will be discussed in subsequent sections of this paper.

Since our approach focuses on industries, this term should be defined. An industry is usually seen as a group of firms selling a relatively similar product (Shepherd 1985). This definition by itself is too restrictive. Sometimes industries also are defined by similarities in production processes. We use both concepts and define an industry in terms of the equivalence of its outputs and the similarity of its transformational operations. An industry, therefore, is a group of organizations offering relatively similar goods or services, which are produced in an equivalent fashion. The enterprises in the industry may seek profit or not. The discussion that follows, however, is largely built around an explicit focus on for-profit corporations since this is where most research on the politics of organizations has accumulated.

Industries vary in structure. The scale of organizations, the distribution of market shares among them, along with the size and location of markets shape participation in politics and its success. Consider the differences in the political potential of neighborhood grocery stores, utilities, or firms in the auto industry. Organizations exist within industries, or, in the case of conglomerates, within several industries. Their fate is intimately bound to the demand for products of their industry. Prospects also depend on relative market shares and the extent to which products are differentiated from others. Although belonging to a particular industry leads to parallel fortunes, differentiation within an industry causes organizations to have dissimilar political interests. Because competitive strategies are determined by industry position (Porter 1980), it is plausible that political strategies should be subject to the same considerations.

In turn, these industry characteristics often are established by political definitions. Markets are shaped by import policies and laws regulating property rights. Political outcomes often control entry. In industries such as cable television, telephones, banking and alcoholic beverages, licensing is a fundamental determinant of competitive patterns. In other industries, patent rights and copyright laws have equivalent effects. Developing explanations about the reciprocal interactions between these industry characteristics and politics will be a key task for us.

Industries also go through product and technological life cycles. These cycles are a central aspect of the transformation of industrialized societies. New industries emerge, press for room to grow, establish claims on the polity, and decline. Who now speaks of the leaders of the railroads as robber barons? Neither large fortunes, political careers, nor power currently rest there. Industry life cycles are connected to the transformation of the political economy in several ways. The rise and fall of class fragments is tied to the fate of industries. The changing dynamics of state-industry relations also are tied to the transformation of specific industries and their problems and prospects.

The state is a system of legitimated authority backed by a monopoly of force. This legitimated authority is distributed over geographical and functional jurisdictions. City, county, state, and federal authorities often have distinct jurisdictional claims, as do the courts, the legislature, and the executive. Organizations and industries react to and enter into negotiations over the implementation and interpretation of state policies in these various arenas. They attempt to influence the selection of major office-holders and bureaucrats. Similarly, state agents attempt to influence selected industry constituencies. It is here in the political process that the state and industries meet.

Our task is to combine this material to illuminate the relationships between organizations, industries and the state. Since we assume an interactive, reciprocally influencing system, an exhaustive list of hypotheses cannot be presented. But we will introduce arguments about each of the major topics we believe to be interlinked. Topics will include the relation of industry life cycles and structure to demands for political intervention, the relationships between industry organization and the activities of trade associations, geographic jurisdictions and the locus of industry political activity, the relationship of changing industry coalitions to the cohesion of the business elite, and, finally, a brief discussion about the effects of state priorities upon industries. There is systematic research on some of the topics that we discuss. For others, evidence must be more anecdotal.

ORGANIZATIONS AND POLITICAL ACTION

When Do Organizations Participate in Politics?

Since organizations are the building blocks of industries, we begin with a discussion of the determinants of company participation in politics. The literature shows that company political action is shaped by factors similar to those determining economic behavior. Size, profitability, and the relevance of political outcomes are primary determinants. But other factors are influential including the involvement of top company managers in community affairs and the company's political environment. Political action by individual companies also takes several forms. The most visible are the operations of the corporate public affairs office and political action committees. Less visible actions include company contributions to nonprofit organizations, advocacy advertising, lobbying, and public-private partnerships.

The major dimensions of company political action are strongly correlated with one another. Companies active in one domain tend to be active in all. Part of this correlation is a spurious product of a dependency on company size, but even after size is controlled, the relationship persists. This is so because the various forms of political activity stem from the same underlying dynamic. Politicized companies tend to use many influence methods while apolitical companies use none. Routine company political action is intensified by higher company profits although this activity does not help to generate further increases in short-term profitability. Corporate political action is not normally intended to increase a company's immediate bottom line. Instead, it is seen as a long term investment in company growth, more akin to research and development than product advertising. Thus, socially responsive companies are not found to have greater short run profits (Kedia and Kuntz 1981; Preston 1981; Cochran and Wood 1984). Some actions, of course, are directed at short-term gains but these are the exceptions. Within the company, most political action is justified as a long-term investment in the firm's future (Fry et al. 1982).

The evidence suggests that this premise is correct. Politically active companies, for example, generate reputations not only as more socially involved firms but also as better run businesses. National surveys show the public as aware that firms vary in social engagement--and that favorable perceptions are associated with the actual level of corporate involvement. But there also is evidence that a company's reputation for social responsibility can spawn a reputation for being a well-run business (White 1980). In a study of company giving in Minneapolis-St. Paul, Galaskiewicz (1985 p. 214) concluded that "... a reputation as a successful business appears to have been a function of either how much a company earned or how much it gave away."

Because political action is costly, it depends on surplus resources. Unlike production or sales, this activity often is not viewed as critical. One result is that these endeavors tend to be cut in periods of austerity and expanded in periods of growth. This is most evident for company contributions, where the overall giving budget tends to be a function of annual income. Among large firms, a convention has emerged that fixes contributions at approximately 1 percent of pre-tax net income so, in a year when this figure varies by $1 million, contributions will shift by $10,000 (Useem 1987). The relationship is less linear for other political endeavors, but, in general, the greater a company's net income, the more politically vigorous it will be.

The most important single determinant of political activity is size. Larger companies produce more net income but size is also associated with a host of other factors that increase political involvement. The large enterprise with well connected executives, public relations experts, in house attorneys, and a legal firm on retainer can participate inexpensively in politics because these useful resources have already been acquired. Siegfried (1981) and McCaffrey (1982) argue that effective lobbying and political advertising require substantial expenditures and only large enterprises are able to afford such outlays. The prior acquisition of politically useful resources and economies of scale probably explain why Salamon and Siegfried (1977) and Jacobs (1987; 1988) found size to be the most important predictor of diminished tax payments. Larger companies also are more likely to be influenced by government actions and these companies are more prone to conform to the emergent business convention requiring firms to take an active role in community and national affairs. Almost all large companies have an array of political programs; small companies have few.

As companies grow, the scope of their political activity becomes more homogeneous. Small companies engage in little political activity of any kind; medium-sized companies typically become involved but their programs are often highly idiosyncratic in thrust. But large companies almost always have active political programs and, as firms expand, homogeneity increases. This is evident in the distribution of corporate contributions among the four major categories that are used to track company giving: education, health and human services, the arts, and civic and community affairs. Small firms often give to none; middle-sized firms tend to skew most of their contributions to one or two ignoring the others, while large firms tend to devote about two-fifths of their contributions to the first two categories, and one-tenth to the latter two (Useem and Kutner 1986; McElroy and Siegfried 1984).

The same is true in the distribution of PAC monies: small firms give none, middle-sized firms tend to concentrate their PAC dollars on a few candidates and large companies allocate their dollars to a variety of candidates in ways that are similar to one another. Variation in company practices thus decreases as company size increases, a kind of "regression to the mean" effect (Eismeier and Pollock 1984; Epstein 1984; Matasar 1986; Siegfried and Sweeney 1982). An explanation can be found in the grip that an emergent business political culture has on the country's largest firms, a culture that smaller companies are freer to ignore. In contrast to economic affairs, there is no anti-trust legislation prohibiting collaboration on political matters, so large companies frequently consult one another on the design of their political programs, thereby developing common approaches.

Corporations that sell to the general public also are more likely to be involved in community and national affairs. Corporate contributions, and the voluntary involvement of company managers in civic affairs, evidently are used as forms of advertising. Analyses of contributions and advertising expenditures confirm that they are indeed correlated, implying that contributions are used by companies as an indirect form of corporate, if not product, promotion. Work already cited shows that the underlying managerial premise is correct: companies that are more active in community affairs are viewed by local civic leaders as not only more responsible, but also as more effectively run.

Corporations that sell directly to the government are also likely to be heavily involved in political action. Influencing government policy through political acts can be seen as a natural extension of standard marketing procedures. Companies producing costly weapons systems have a major stake in the continued expansion of defense budget and in winning contracts funded by it. Hence, defense contractors contribute large amounts through their political action committees to incumbents serving on the committees responsible for military spending (Lieberson 1971; Mizruchi and Koenig 1986).

Corporate acquisitions tend to increase the level of company political participation, but also to redirect its focus. Since size is the major determinant, and since acquisitions create larger corporations, mergers tend to increase political activity. However, the headquarters of an acquired company is often moved as a result of a merger so the geographic focus of a company's political activity is frequently redirected when it becomes a subsidiary. The latter change can be seen in the impact of Chevron Corporation's acquisition of Gulf Oil Corporation in 1984. Based in California, Chevron closed many of Gulf's Pittsburgh headquarters offices, and Gulf's $1 million annual contribution to causes in the Pittsburgh region was substantially reduced. But the combined giving of the merged companies was no less than before. In the year Chevron acquired Gulf Oil, Chevron contributed $20 million and Gulf Oil gave $5.6 million. In the following year Chevron's enlarged giving program totaled $27 million (Desruisseaux 1986).

The Effects of Political Participation

We have discussed the composition and determinants of firm political behavior but the effects of political action are also important. Unfortunately, because outcomes have not been investigated as much, there is less evidence on these questions.

Corporate political action has greatest impact when political outcomes are more uncertain or less visible. Contributions by corporate PACs are most likely to influence the outcome of an election when the candidates are relatively evenly matched in voter support and campaign resources. Similarly, corporate financial backing for state ballot initiatives has its greatest effect when public opinion is fluid and major interests are divided (Whitt 1982). Much corporate political action, however, is directed at less visible political outcomes that often take the form of special legislative provisions that are not understood by the public. PAC gifts are often intended, especially when directed to incumbents whose reelection was never in doubt, to influence the actions of elected officials when pending legislative actions are of high company but low public salience. Moreover, political action frequently takes place at the implementation stage, which is less visible to both the public and other political actors.

Company political impact is greatest in the region of company headquarters. Corporate political action tends to be concentrated close to the home of top management. Contributions, for instance, are highly skewed toward the headquarters' region: companies give an average of $40 per employee to nonprofit organizations near plants, but $200 per employee near the main office. Company officers are far more active in civic affairs in the headquarters community than in plant communities elsewhere in the country. Hence, the local influence of the business community is much greater in cities and states with large numbers of corporate headquarters, while business activity is comparatively rare in areas with absentee owned plants.

INDUSTRY STRUCTURE AND POLITICS

How are the relations of organizations to the state determined by the industry in which the organization exists? We begin this section with a discussion of some structural determinants of political action.

Static Considerations

Three competitive arrangements lead to greater political participation. First, oligopolistic industries have a limited number of firms with larger shares of total sales. When this is the case, it will be easier for firms to act together politically for reasons developed by Olson (1965). Olson argues that when an unorganized group is composed of a large number of roughly equal actors with small portions of total resources and some collective action is in the group's interests, that action often will not be taken for the following reasons: first, the rational actor among many can plausibly reason that his or her contribution will not appreciably alter the probability of collective success because the resources of any individual are but a small fraction of the total group's. Second, as long as the typical circumstance holds and the good sought is indivisible, so each actor will benefit from victory whether s/he participates or not, the rational strategy of the individual among many is apathy. If the good is provided, it must be provided to everyone even if they did not help. Therefore, actors who free ride often do best because they can obtain full benefits without bearing costs.

Atomized latent groups often cannot overcome this problem. But when a few actors have both more resources than others and a greater stake in the provision of the collective good, this difficulty can be surmounted. Under these conditions it is more likely that participation by an actor with substantial resources will tip the balance. When there are a limited number of high resource actors, monitoring and punishing those who attempt to free ride also will be easier. Oligopolistic industries, with firms with quite unequal market shares and resources, meet these conditions. Hence, the largest firms will have a greater tendency to participate in collective endeavors. It follows that the more oligopolistic an industry, the more likely firms within it will engage in coordinated behavior to gain political ends (for empirical evidence see Pittman 1976; 1977; Esty and Caves 1983; and Noam 1984).

Second, firms in oligopolistic industries often successfully use political means to create a market where their goods are imperfect substitutes for one another. The result is that each firm can act as a quasi-monopolist. Under this condition, called monopolistic competition, a firm can raise prices without losing a large number of customers who would quickly switch to a competitor's merchandise if products were undifferentiated. Consider the analysis by Hirsch (1975) on profitability in the record and pharmaceutical industries. In spite of the fact that the record industry was a tighter oligopoly, which therefore should have been more profitable, the opposite was the case because firms in this industry were never able to gain political protection for their products.

Attempts to use political means to prohibit the free playing of records on the radio were unsuccessful while public decisions about copyrights required composers to give any artist or company the right to record their work. The result was less differentiated products, heightened competition, and lower profit margins in spite of the greater sales concentration in this industry. The pharmaceutical industry, in contrast, was able to resist legislation that required druggists to substitute chemically identical but cheaper drugs. Because physicians often prescribed compounds that were chemically equivalent to less expensive drugs and because druggists had an incentive to use the more expensive product, these goods were imperfect substitutes. The result was that substantially higher prices could be charged for reasons that were essentially political. Hirsch's analysis suggests that the use of political means to differentiate products is a natural strategy for oligopolists.

Therefore, when a few firms have a major share of the sales in an industry, collective political actions will be more likely because such industries will be better able to overcome the free rider problem. According to Hirsch (1975), firms in these concentrated industries also will be more likely to use political means to create and maintain differentiated products and the higher prices that result from this differentiation.

A third static market condition that leads to intense political activity is called natural monopoly. In many industries production is subject to economies of scale. Due to fixed costs and indivisible technologies, production below a minimum amount will be expensive (see Scherer 1980 for discussion). If these conditions are extreme, efficiency considerations may require only one firm. When the total demand for a good or service is equal to the productive capacity of the minimally-sized efficient firm, only that firm will be large enough to take advantage of economies of scale and provide the good at reasonable cost. Thus, because smaller firms will be more costly producers, efficiency may compel a market controlled by one monopolist. Examples include utilities, cable television, and the production of expensive durable goods like automobiles in small markets. When this condition holds, often the only workable way to control the market power of a natural monopolist is by close regulation. One result is that operations in such industries are intensely political because almost every important action taken by the natural monopolist will be subject to the scrutiny of regulatory agencies and their political overseers (Wilson 1974; 1980).

Dynamic Considerations

Industries also vary over time in their propensity for political action. Many industries go through a similar set of stages. Initially, a set of novel technological developments leads to the formation of the new industry. Unless barriers to new entrants are extreme because of patents or secrecy, many small firms enter at this stage. During this period, there is little agreement about critical technical matters. In the initial stages of the automobile industry there was no consensus about something as basic as the proper engine. When microcomputers were first sold, there also was no agreement about something as fundamental as the way information should be permanently stored.

Such divergences often are quickly reduced. The clear benefits of the best technology give an important advantage to the firms that happen to make the correct choice, while their competitors who did not choose this alternative inevitably fall behind. Another, perhaps more common reason for reductions in competition is the presence of economies of scale. If there are significant cost advantages associated with volume, the first firms to get a bit larger than their competitors will be able to charge less and grow faster than their rivals, and the result will be enhanced sales concentration in the industry.

Hence, mature industries often are dominated by a few unequal giants. When this happens, strategies that stop new entrants become useful to maintain the higher prices that result from the greater sales concentration in such industries (Porter 1980). The concurrent standardization of technologies as industries mature means that the industry's core products often can be readily mimicked. One consequence is that technical barriers to entry will be difficult to maintain without recourse to political means so these circumstances lead to strong temptations to march to the capital.

But this relationship also is contingent on the economic characteristics of the largest firms. Victory in a price war requires that production can be readily expanded because more must be sold if a firm is to make equivalent revenues after a price cut. If production can be quickly expanded, or if the attention of anti-trust agencies is diverted so deep pocket strategies (where price is deliberately driven below costs to drive out new, weaker entrants) can be applied with minimal risk, then political efforts to block entry will not be necessary. Because huge firms often can afford low prices for a long time, the new competitor who attempts to take business away from them ought to have a substantial line of credit. But when these barriers to entry are ineffective, mature concentrated industries will often seek political protection to stop potential competitors.

The standardization of technology as industries mature also means that expensive, skilled labor becomes less necessary. This in turn often causes the potential savings from diminished labor costs to result in intense competition from foreign producers. Labor is cheap in many developing nations. When the mature industry stage is reached and skilled labor is no longer as necessary, firms in developing countries will be able to undercut domestic producers because their costs will be lower (Norton 1986). When this happens, the domestic industry together with its unions will often begin a political campaign to erect barriers against imports (Magee 1978). Therefore, another political implication of this industry life cycle theory is that the standardization of technology over time brings about competition from imports and political demands for tariffs to block foreign competitors.

Another set of dynamic conditions that lead to political activity concerns what economists call a sick industry, or one with perennially low profits. The combination of low barriers to entry and high barriers to exit together with inelastic demand and supply curves at the industry level (so the amount demanded by consumers and the amount supplied by the industry are relatively unresponsive to changes in price) give rise to continual demands for political help. When barriers to entry are low and barriers to exit are high--because, when they face suboptimal returns, producers will not leave--a constant state of over-supply and low prices will result. Barriers to exit are common when the typical firm is family run so life style considerations take precedence over economic calculations. A second condition that leads to episodic losses has to do with the shape of demand and supply curves at the industry level. If both of these curves are inelastic, prices will change drastically in response to relatively small changes in both the total market for the good or the amount that producers are willing to sell.[1]

Consider the farm industry where all of these conditions hold. Barriers to entry are quite low. Barriers to exit are high because farming is a way of life. The result is too many farmers, perennial over supplies and low prices. But the other condition is just as important. If both the supply and demand curves for an industry are inelastic and unresponsive to changes in price, small changes in the total demand or supply of farm goods cause the point where these curves intersect, and the price, to fluctuate drastically.[2] In the specific case of agriculture, consumers cannot substitute for most foods so the total demand for food is unresponsive to price and relatively vertical or inelastic. The industry supply curve for most farm goods also is inelastic and relatively vertical. This can be explained by the fact that when a particular farm good is scarce and the price relatively high, producers will not be able to take quick advantage of this condition because farm products take time to grow. Thus, the supply of most agricultural products also is inelastic or relatively unresponsive to changes in price.

As a result, when total demand is high, farm prices increase rapidly but when demand slackens, prices can quickly fall to a point well below the costs of even efficient producers. Also because barriers to entry are low, when times are good, many rush to get back into farming only to seek political redress when the economic screw quickly retightens. The severe needs created by the interaction of both sets of conditions, in concert with the over representation of agricultural interests in the senate, were sufficient to overcome the formidable free rider problems faced by such an atomized sector. The result, of course, is that political considerations often are a substantial determinant of profits in this industry.

There are other dynamic reasons for expecting political actions in oligopolistic industries. To the extent that higher, coordinated prices are difficult to maintain and the conditions that impede coordinated prices (or price discipline) do not impede the formation of political organizations, then political assistance will often be sought. Coordinated prices emerge because pricing in an oligopoly is interdependent. Consider, for simplicity, a three firm industry with equal prices and market shares. When one firm lowers its price, the others often will reciprocate to maintain their sales. This cycle frequently is repeated so prices are driven below costs and all firms end up losing. Because they do not involve explicit communications between firms, legal strategies are available to prevent this and maintain high profits. For example, firms may only alter prices when they are changed by an informal leader. There are many circumstances that make it difficult to maintain high coordinated prices when demand slackens, but most of these factors will also interfere with coordinated political actions.

One condition, which will not disrupt the formation of political coalitions, concerns the ratio of fixed to variable costs. Profits in oligopolistic industries with high fixed costs relative to variable costs tend to be low. One reason is the difficulties firms experience when they attempt to maintain coordinated prices. Because most costs are fixed and are not altered by reduced production, a firm can save only small sums by cutting output. Interest payments, for example, must continue so why not make all that can be sold in the hope of covering as much loss as possible. But the only way to maintain production when demand is slack is to cut prices, an outcome inconsistent with coordinated prices. Price wars result and the average yearly price often is just above or even below total costs. Perhaps because banks often have too much at stake to let such high debt lenders fail and because many assets are firm or area specific and cannot be sold without substantial loss, firms in industries with substantial fixed costs also frequently encounter severe barriers to exit. As a result, these firms typically limp along barely holding their head above water when demand is high and constantly calling for political help when it is not.

In this specific case, the kind of political help that is most often sought is that form of regulation, described by Stigler and the corporate liberals, where the industry uses the regulatory agency to insure a price as far above costs as the political climate will bear. One reason for choosing this kind of political assistance is because it is less visible. Indeed when these regulatory statues were first adopted, they were often seen as a victory by purchasers of the regulated industry's services. A good example is the railroad industry where interest on loans and the maintenance of rolling stock, track, and other structures represent formidable fixed costs. In this industry, capital stock averages almost six times annual gross revenues compared to virtual equality in manufacturing (Scherer 1980). The result is a sick industry, heavy regulation, and largely successful efforts to maintain artificially high prices by these intensely political means.

But most of the conditions that hurt price discipline also make concerted political action more difficult. When several industry leaders have roughly equal market shares, for example, rivalry should be intense and coordinated prices will be more difficult to maintain (Porter 1980). It is plausible that the same condition will hurt concerted political action because the largest firms will have difficulty working together. Support for this argument can be found in the work of Feldman and Nocken (1975) and Staber (1983) who find that consensus within industry trade associations is more likely when the largest firms have resources that are significantly greater than those of other firms. The same reasoning suggests that when differences in cost curves and technologies are greatest, both price discipline and political action should be less likely because interests are diverse and agreement should be more difficult to obtain.

Trade and Business Association Political Activity

Most companies are members of one or more trade associations, and most trade associations devote at least some of their budget to political action, primarily legislative lobbying. A smaller proportion of companies are members of general business associations, such as the National Chamber of Commerce and the Business Roundtable. The likelihood of joining a trade association is a direct function of company size. Virtually all large companies in a sector are certain to join the sector's major association, while membership is less likely among smaller companies.

But the political payoff of membership diminishes with size, since larger companies maintain their own public affairs office and generally prefer to pursue their own political agenda. Smaller companies lack the muscle to go on their own and must depend on their trade association. This suggests that the number of members in trade associations should be greatest in sectors with an average degree of concentration. In competitive industries, the free rider problem discourages collective action; in high concentration industries, the few relatively large firms will often have the resources to conduct their own political agenda either separately or together. It is in the middle range that companies are most likely to support a trade association as a vehicle for joint action. Note, however, that this proposition only refers to trade association membership. Because concentrated industries are better able to deal with free rider problems, in these industries the largest firms should be more likely to engage in other forms of coordinated political action.

The number of trade associations is a function of the scope and generality of legislation and regulation affecting business. Thus, associations should increase during periods of rising regulation, particularly when regulation is industry specific. When regulation is not specific, however, as was the case for much of the social legislation of the 1960-70s (e.g. EPA, EEOC, OSHA), then the number and influence of non industry specific business associations is likely to increase instead (Useem 1984). The division of labor between trade associations and the constituent organizations leads them to behave differently. Trade associations are more likely to deal with the general collection of information and with the formulation of policies that bear on long run matters while constituent firms often spend more time attempting to influence specific political allocations.

Political Action Across Industries

Corporations are drawn into politics by the networks in which they are embedded, regardless of their interests. The mobilization of organizations is analogous to the ways that individuals are politically mobilized by networks (Useem 1980). The denser the network of ties among companies, the more likely they are to act in similar political ways. This is evident in the patterns of giving to PACs by the nation's major corporations. Companies based in sectors with substantial exchanges display relatively similar PAC preferences (Mizruchi and Koenig 1986). More generally, the more connected a firm is to inter-corporate networks, the more politically active it will be. Networks provide better political intelligence and define the appropriate ways of acting. They also furnish channels through which already active companies are able to enlist others for support. Thus, corporations that share directors with other corporations are found to be more politically involved on a range of fronts, varying from generous giving programs to aggressive PAC agendas. Hence, a company's political actions for ends that are largely unrelated to its concerns can be traced to the concerns of other companies that are interlocked with the focal company (Useem 1984).

Occasionally, companies are jointly mobilized in numbers that go far beyond networks and industries. This trans-industry political action is relatively rare, occurring only when large numbers of companies face similar challenges. General economic slowdowns that squeeze profit margins of many corporations would be one example. Another would be political instability that undermines investor confidence. While Washington offices provide the primary means for the pursuit of company-specific political interests, and sectoral trade associations perform this function at the industry level, "peak" associations are the organizational vehicle for the expression of trans-industry political interests. There are a few organizations, such as the Business Roundtable, that provide links between most major companies when matters of common policy need to handled. Hence, the likelihood that a company will participate in political actions to gain general business goals is partly a matter of its own interests and that of its industry. Yet trans-industry networks can draw a company into political initiatives regardless of a firm's immediate stake in the matter at issue.

Jurisdictional Constraints and the Organization of the State

Since agencies of the state differ in their jurisdictional authority and their ability to influence allocations in specific policy arenas, firms in different industries vary widely in the political arenas they participate in. This fact leads to a description of the political geography of American industry. Some industries depend upon local jurisdictions for vital requirements like contracts, the allocation of licenses, or property use rights. The survival of construction firms hinges on the decisions of local zoning and planning boards for exemptions from land use standards, for approval of specific building plans, and for reclassification of specific plots. Since tariffs are controlled by the federal government, industries faced with international competition expend resources at the national level. Finally, because the liquor and insurance industries are largely regulated at the state level, firms in these industries are more active in state capitols.

Industries vary in their size and their economic importance to geographic jurisdictions. The politics of states and communities is tilted by the weight of industries within them. Moreover, the politics of industries that are major suppliers or consumers of a particular industry in a region are shaped by the problems of the focal industry. The banking industry in Texas and Oklahoma has a stake in the political treatment of the oil industry but this interest is largely irrelevant to banks elsewhere.

When a regional economy is dependent on a particular industry, direct political action may be unnecessary. Instead the process suggested by Block (1977) and Lindblom (1977) may be a better description. Lindblom explains how business may control public outcomes without direct political action.

> Businessmen only rarely threaten any collective action such as a concerted restriction of function. Ordinarily, they need only point to the costs of doing business, the state of the economy, the dependence of the economy's stability and growth on their profits or sales prospects--and simply predict, not threaten, that adverse consequences will follow on refusal of their demands. Ostensibly, businessmen do nothing more than persuade . . . But prophecies of some kinds tend to be self-fulfilling. If spokesman for business predict that new investment will lag without tax relief, it is only one short step to corporate decisions that put off investment until tax relief is granted. (p. 185)

Thus, when an industry dominates a region's economy, the member firms need not engage in direct lobbying and vulgar attempts to buy influence. Instead, it should be enough to let public officials know that future investments may have to be reconsidered. But if an industry's contribution to an area's economy is substantial enough to matter but not substantial enough to dominate, more direct political actions may be necessary (for evidence, see Jacobs 1987).

Jurisdictions are both specialized and overlapping. State legislation may provide the context in which cities develop their own land use policies. Federal banking laws constrain state banking policies. When they do overlap, it is likely that state laws operate as the enabling context for local statutes. Within a governmental level, the legislature and operating agencies often have a similar division of labor. The long range trend has been to move jurisdiction to higher levels of control. Sometimes the search for a better funding base leads to a partial change in jurisdiction. Or the national government may intervene in jurisdictions previously reserved for the states or local governments. Thus, local communities have partially ceded jurisdiction over school systems to the states and states have been partially superseded by the Federal government. In any case, an important aspect of the politics of industry often concerns the choice of jurisdiction. The issue of who controls and who is represented in the control system is interdependent with the location of jurisdiction. Industries and organizations often attempt to have jurisdictions transferred to minimize costs or to find a more favorable venue. It follows that the politics of industries and the organization of the state are mutually interdependent on one another.

State Action as a Determinant of Industry Behavior

Interest group theory usually begins with the demands of groups for state action. But one can reverse the question and ask how state needs make demands upon groups and organizations. Although our discussion is necessarily truncated, we view the state as at least partially autonomous (Skowronek 1982). Political leaders develop agendas for government action that have implications for organizations and industries. State requirements include demands for changes in industry structure. State priorities shift the demand for products. The instability of state demands also is a major source of turbulence for industries.

These demands may be expressed in several ways. Public agencies may directly purchase products, provide the capital for an industry, limit or underwrite industry liabilities--as was the case for nuclear power, or stabilize markets by limiting entry. States may change the demand for products with the tax code (Schumpeter 1954) or with monetary policy. What the state regulates, and what it does not, also is an important determinant of political action. One study of regulated firms found company lobbying to be a function of the proportion of sales within the regulated sector. Corporations with small stakes in that sector lobbied little; companies with large stakes lobbied intensively (Brenner 1980). This finding shows how the organization of the state is reciprocally interdependent with political action.

The organization of the state is implicated whenever state agencies enter into consultation with industry representatives. At one extreme the industry may be incorporated within the hierarchical bureaucratic apparatus of the state, or states may own but delegate management of the industry to an "independent commission," or state agents may engage in intense consultations with industry representatives, or states may induce industry performance with market controls (Dahl and Lindblom 1955). Although the latter is the ideological preference of economists, market failure can make other arrangements more useful (Williamson 1985). Wherever the state develops a stable interest in an industry's product, bridging structures develop to register and guide those interests. These bridging structures include consultative committees, regulatory commissions, and long range contracts.

This discussion begins to link support to the organization of the state. We do not assume that industry overrides class, ethnicity, party identification, or ideology in determining regime support. Moreover, since state policy may be the same across regimes, industry members may find little advantage from switching loyalties. Nevertheless, because alternative regimes may offer alternative policies that differentially effect particular industries, constituents of these industries can be expected to respond regardless of their class or ideological identifications. It is clear that the landscape of the polity deeply intrudes into the organization of industries and the political activities that result.

Our discussion of the state has drawn largely upon the American experience. Yet nation states vary enormously in how industries and organizations are controlled by the state. Even among capitalist nations, there are substantial differences in the amount of intervention in industry as a whole and in the forms this intervention takes for particular industries. Not only the amount, but the methods of intervention also differ widely. Our approach implicitly was shaped by our knowledge of the American case. But what we neglect, Schmitter and Lehmbruch (1979) largely capture with their more comparative perspective.

We also omit historical processes. Ongoing political contests gave rise to the gradual development of legally based rule systems that became the context within which managers and workers now carry out their everyday work lives. The development of a regulated stock market and of labor-management bargaining systems initiated by the state represent such institutionalized systems (Clegg 1981). Thus, organizations may be involved in short term specific political encounters, yet they are also shaped by comparatively slow moving but significant historical transformations in institutional rule systems that often were state imposed (Roy 1986).

CONCLUSIONS

Parts of our discussion of what happens at the intersection of organizations, industries, and the state are well supported by the evidence and have the status of empirical propositions. Other aspects are much more speculative but hopefully they point to new research. While suggesting new lines of research is important, we hope to have started more than that. What needs to be done is to reframe the conceptual intersection of organizations, interest groups, and the state into a new area for future research. An analogy may make this goal more transparent. Economists have developed a field called "industrial organization." It asks a series of interrelated questions about actual markets. How, for example, are markets organized? Why are some competitive while others are oligopolistic? What are the consequences of differences in market structure for profit rates, equity, and stability? What are the policy implications of these findings?

Any sociologist or political scientist viewing this field would be struck by its progress over the years since Bain's (1959) first textbook appeared. What was a largely theoretical area has become a tightly documented and richly elaborated set of interconnected studies (Scherer 1980; Shepherd 1985). Organization environment analysis, interest group theory, and aggregate studies of capitalism cannot claim such a clear set of interlocked hypotheses. An integration that parallels the development of industrial organization and organizes these interrelated subfields in sociology and political science would be quite worthwhile. By specifying arguments that link key processes between organizations, industries and the state, perhaps a unified field that would simultaneously benefit the constituent subdisciplines can be created.

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FOOTNOTES

[1] The term inelastic means that demand or supply is unresponsive to changes in price. This concept is graphed by putting price on the vertical axis and quantity (the amount offered for sale or actually bought) on the horizontal axis. If the price changes substantially while the amount offered for sale or bought does not change much, the curve describing this relationship will be more vertical at the relevant point. Such a relationship is inelastic. In fact, the concept of elasticity is not the same as slope but this more readily understood approximation is sufficient for our purposes.

[2] The reason that price will be overly responsive to small changes in either total demand or supply when both are inelastic can be illustrated by imagining a pair of scissors with the blades pointed upwards. When the tips of the blades are furthest apart, changes in the angle between the blades have little effect on the height of the point where they meet but as the blades approach each other and become almost vertical, their intersection moves a great deal in response to small movements of the blades. So it is with price when both the demand and supply curves are inelastic and almost perpendicular to the horizontal axis. When the total amount offered for sale (the supply) or the total amount bought changes, the relevant curve for demand or supply shifts horizontally from side to side. When the angle between these curves is narrow because both are relatively vertical or inelastic, comparatively small horizontal shifts due to these changes will lead to large vertical changes in the point where these curves intersect. Because this point determines the price, large changes in prices will result from small changes in total amounts demanded and/or supplied when demand and supply are inelastic.

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