CHAPTER 5

Business in Policy Networks: Estimating the Relative Importance of Corporate Direct Lobbying and Representation by Trade Associations

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Introduction

Like many other things, science has been touched by recent fads and trends. For some time now, a topic that was at the heart of social science debates in the 1970s has now returned to the limelight: the political influence of large companies and their role in political decision-making processes. The titles of books such as All Power to the Companies (König 1999) remind us of the early 1970s, when large corporations appeared as symbols of monopoly capitalism, controlling the state and public policy-making. In particular, during the 1970s the power of big business was a broadly discussed topic in the US and in Europe. Not only were radicals alerted by the “rise of the corporate state,” but distinguished sociologists and economists (Coleman 1974, Marris 1972) also raised public attention to “corporate” features of contemporary society.

Older and newer strands of critical analysis—from neo-Marxism to elite theory—have emphasized the political influence of business in the last few decades. However a major shortcoming of these studies often was that they failed to distinguish between diverse forms of political actions; that is, between direct lobbying versus collective action through business associations. Firms and associations were simply lumped together under the category of capital or business interests.

After many of these studies were criticized for their instrumentalist view of power, social and political science analysis subsequently focused on encompassing economic structures favoring business interests or on big business associations. This was the case, for example, in the debate on neo-corporatism in the 80s. In both analytical perspectives, the political effects of individual firms have been considered only in an aggregated form. The major

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focus of corporatist theory was placed on associations, the intermediary role of business associations that have to balance out the logic of membership (the need to be responsive to member interests) and the logic of influence (the need for the association to increase influence by the accumulation of power and autonomy vis-à-vis its individual members) (Schmitter and Streeck 1999, Streeck and Kenworthy 2005).

For some time though, we have been witness to an analytical turn, in which the political participation of companies has become an important topic among political scientists and sociologists (Bouwen 2002, Coen 1997; Grant 1984, Green-Cowles 2001, Tenbücken 2002). Not only the growing number of publications on the subject matter is indicative of this turn, but also the introduction of specialized scientific journals (e.g. Business and Politics from Sage), as well as special study programs at universities in the US. However, much of this discussion is focused on lobbying research using qualitative methods and conventional statistical analysis. This article extends the analysis to overall network structures using relational data.

Framed in this context, this chapter tries to answer the question of whether the newly observed relevance of the corporate political activity of companies is reflected also in their positions within political network structures. At the same time, this direct form of political action is compared with more conventional forms of the political participation: action through trade associations. After presenting the major strands of the growing literature on policy networks, I examine the different weights and positions of two forms of business representations: self-representation by direct lobbying versus associational intermediation by a focused review of the quantitative policy network literature. This maps out more precisely the political influence of individual large companies, which are frequently described with the fuzzy term “business.”

Policy networks as decentralized policy-making in modern societies

The notion of policy network is one of the relatively few conceptual innovations political science has produced during the last two decades. Given the fact that a burgeoning literature has evolved around this notion since the early 1990s, a sketch of the different variants of policy network analysis is necessary to put some order into this conceptual landscape. This attempt also draws on some other overviews that have appeared up to now (Börzel 1998, John 2001, Kenis and Raab 2003, Kenis and Schneider 1991, Peterson 2003, Rhodes 2002, Thatcher 1998, Windhoff-Héritier 1993). While most of the reviews have been generally supportive, some of them also have been quite
critical of this analytical orientation (Dowding 1995, 2001).

The most common denominator of all policy network definitions is that policy-making is not simply the design by a single, monolithic actor (the state). It emerges from the interaction of multiple actors participating in the formulation and implementation of public (and sometimes private) policies. Which kind of actors (private, public or mixed) are identified, how their interaction is conceived (such as resource exchange or strategic interaction), and how the functional operation of whole policy system is modeled (such as decision-making, exchange, or power-based) depends on the different concepts and approaches.

Besides the more trivial distinctions in the literature with respect to the national orientations in policy-network analysis (American, British, Canadian, Dutch and German schools), or the level where policy network analysis operates (local, regional, national or supra-national), the following differentiations might be useful to classify the various approaches in a philosophy of sciences perspective (Bunge 1996):

- Qualitative versus quantitative: This dimension differentiates between network approaches that describe policy interaction in a narrative and sometimes impressionistic fashion, versus approaches that try to identify policy actors by more systematic procedures, and sometimes even try to measure intensities of interaction in a more or less precise manner. Typical examples of qualitative analysis are Coleman (1991) and Döhler (1991).

- Descriptive versus explanatory: Network studies might be primarily interested in describing the actors and their different involvement in decentralized policy-making, or they can be more interested in hypothesis testing and the construction of explanatory models with respect to causal mechanisms that make policy networks “tick.” Within the explanatory perspective, we can further distinguish between approaches merely pointing to statistical correlations versus theories that also display the causal mechanisms. An example of a descriptive and comparative quantitative account of a policy network structures is given by Schneider and Werle (1991), whereas the chapter by Pappi and Knoke (1991) in the same book applies an exchange theoretical model to explain policy interaction.

- Single-item theories versus integrated conceptual systems: Policy network concepts may be presented as isolated, “unique” analytical innovations, or they might be integrated into a middle-range (such as neo-corporatism) or grand theory perspective (such as rational choice or structural-functionalism). Policy networks are then the building blocks of large theoretical architectures, such as structural functionalism (see Laumann and Pappi 1976 as an early version of policy network analysis.
at local level) or rational choice (Pappi and Henning 1999).

In some cases, policy network analysis is based on middle-range theories. Implicitly oriented toward this direction, Tanja Börzel made the useful distinction between policy network concepts based on “governance theory” versus conceptualizations based on the “theory of interest intermediation”: “The more prominent ‘interest intermediation school’ interprets policy networks as a generic term for different forms of relationships between interest groups and the state. The ‘governance school,’ on the other hand, conceives policy networks as a specific form of governance, as a mechanism to mobilize political resources in situations where these resources are widely dispersed between public and private actors. This narrower conception of policy networks mainly draws on the works in the field of public policy” (Börzel 1998: 2–3).

While this categorization points to an important distinction, it should not be overlooked that there also is a link between the two schools. Some approaches that are based on the structural analysis of interest representation also contribute to the development of governance theory. From this perspective modes of interest intermediations such as corporatist associational systems are at the same time forms of governance (Atkinson and Coleman 1992, Schmitter 1990, Streeck and Schmitter 1985). Scholars representing the British perspective of policy network analysis have also emphasized a governance perspective in their analysis (Rhodes 1996).

Structures of interest intermediation can indeed be conceptualized as macro-structures of political systems that incorporate societal interests into policy making in very specific ways. In order to understand the contribution of interest intermediation to governance, it is useful to start with the liberal model of democracy. From this perspective, the formulation and implementation of public policies is a purely public task, and only Parliament and government operate as transmitters of voter preferences into policy programs. From this standpoint, organized interests only have indirect significance, as they exert influence on the political process from the outside. According to this model, policies are initiated in Parliament, which not only controls itself, but also has the implementation of policies by the government and administration totally under control. Many constitutions in the world are oriented toward this ideal. Parties, if mentioned at all, tend to appear as voting alliances. In only a few countries are interest associations and unions conceived as legitimate elements of the political process mentioned in the constitution.

The reality in policy-making usually differs from this constitutional ideal. Parliament and government do not really possess the exclusive positions granted to them in the constitution. State organizations that are responsible for the formulation and implementation of public policies are dependent on private actors in many different ways: they often lack the
specific policy resources, and in particular special knowledge, necessary for effective policy intervention. They frequently must fall back on complementary decisions and resources of private actors. State actors are also strategically dependent on private actors to the extent that they require their cooperative behavior in the enforcement of policy decisions.

In modern societies, in which the resources for problem-solving are highly dispersed among societal actors, private actors should not be conceived just as actors that exert influence from the outside. They are also internal players that contribute important resources to the initiation, formulation and frequently also to the implementation of public policies (Kenis and Schneider 1991, Mayntz 1993).

Like a network of legally and financially independent firms interacting to create a common product, policy networks can be conceived as production networks in public policy-making that integrate dispersed resources for the common pursuit of a policy program. A realistic understanding of public policy cannot restrict itself to legally prescribed patterns of interaction between state organizations. Public policies equally incorporate informal patterns that involve private organizations such as interest associations, research institutes, and also large companies.

The importance of companies and associations in policy networks

During the last 20 years, a small but broadening stream of studies of policy networks emerged that use quantitative and formal techniques to depict the various forms of policy interaction. An important advantage of this research orientation is that it provides for standardized procedures to identify policy actors and to specify the boundaries of policy areas. In addition, it provides for systematic measurement of an actor’s structural position—a goal that is difficult to attain by purely qualitative research methods.

In the following section, I re-analyze a collection of quantitative policy network studies to evaluate the relative importance of direct versus collective participation of firms in politics. Although even the quantitative studies often greatly differ in terms of methodology, an overview of the size of the networks and the share of companies in them can at least give us some clues as to how widespread the phenomenon of politically active firms is, compared with that of associations.

Table 1 depicts a number of quantitative network studies in which different political sectors or policy processes have been examined in various countries. The first column provides authors’ names, which are also listed in the references. Although some quantitative network studies on business
participation within the EU have also emerged (such as Pappi and Henning 1999), the sample to be used in the analysis is restricted to policy studies at the national level.

The following studies are included:

1. a comparison of the energy and health policy domains in the US (Laumann and Knoke 1987) representing the situation at the end 1970s and early 1980s

2. network studies on a single policy process in the legislation of a chemicals-control law in the early 1980s (Schneider 1988) and videotext (mid-1980s) in Germany (Schneider 1989, 1993)

3. the policy study on German telecommunications reform leading to the liberalization of the sector at the end 1980s (Schneider and Werle 1991)

4. an intersectoral comparison of policy domains in agriculture, energy, health and labour within the US (Heinz et al. 1990, 1993)

5. a cross-national comparison of labour policy domains in Germany, Japan, and the US in the early 1990s (Knoke et al. 1996, Pappi, König and Knoke 1995)

6. a policy analysis of an agricultural decision process in Switzerland (Sciarini 1996) (the end of the 1980s)

7. a policy network of health and social policy in Finland (Mattila 1994, 1999)

8. an intersectoral comparison of several policy areas in Canada related to the deregulation of the aviation sector, trade liberalization, the promotion of education, and the deregulation of the banking sector (Howlett 2002), which is not a quantitative network analysis in stricto senso, but is based on an evaluation of secondary literature

9. the analysis of two privatization processes in Germany (Raab 2002).

These nine studies contain information on 20 policy areas listed in Table 1. To improve comparability (which is still not perfect), some population sizes had to be corrected. In one study only the share of private actors is explicitly mentioned (Heinz et al. 1993), and in other studies (Knoke et al. 1996, Laumann and Knoke 1987) some organizational entities are subdivided, which artificially inflates the organizational population. In column 2, some estimates are inserted correcting the relevant population sizes in order to allow some reasonable comparisons. Columns 3 to 6 report the numbers and percentages of firms and associations within the overall organizational population of a given area or domain. Country names are abbreviated by Internet domain name codes.
Table 1: Firms and Business Associations in Policy Networks

<table>
<thead>
<tr>
<th>Analysis</th>
<th>Policy Domain</th>
<th>N</th>
<th>N corr.</th>
<th>F</th>
<th>%</th>
<th>A %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lauman/ Knoke 1987</td>
<td>US Energy I</td>
<td>198</td>
<td>182</td>
<td>66</td>
<td>33</td>
<td>48</td>
</tr>
<tr>
<td></td>
<td>US Health I</td>
<td>135</td>
<td>115</td>
<td>6</td>
<td>4</td>
<td>11</td>
</tr>
<tr>
<td>Schneider 1988</td>
<td>DE Chemicals</td>
<td>26</td>
<td>26</td>
<td>0</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td>Schneider 1989</td>
<td>DE Videotext</td>
<td>43</td>
<td>43</td>
<td>14</td>
<td>33</td>
<td>12</td>
</tr>
<tr>
<td>Schneider/ Werle 1991</td>
<td>DE Telecoms</td>
<td>36</td>
<td>36</td>
<td>7</td>
<td>19</td>
<td>11</td>
</tr>
<tr>
<td>Heinz et al. 1993</td>
<td>US Agriculture</td>
<td>80</td>
<td>105</td>
<td>16</td>
<td>15</td>
<td>41</td>
</tr>
<tr>
<td></td>
<td>US Energy II</td>
<td>76</td>
<td>102</td>
<td>40</td>
<td>17</td>
<td>17</td>
</tr>
<tr>
<td></td>
<td>US Health II</td>
<td>61</td>
<td>105</td>
<td>12</td>
<td>11</td>
<td>13</td>
</tr>
<tr>
<td></td>
<td>US Labour II</td>
<td>74</td>
<td>99</td>
<td>6</td>
<td>6</td>
<td>19</td>
</tr>
<tr>
<td>Pappi et al. 1995</td>
<td>DE Labour</td>
<td>126</td>
<td>112</td>
<td>3</td>
<td>3</td>
<td>21</td>
</tr>
<tr>
<td>Knoke et al. 1996</td>
<td>US Labour</td>
<td>117</td>
<td>117</td>
<td>4</td>
<td>3</td>
<td>22</td>
</tr>
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<td></td>
<td>JP Labour</td>
<td>122</td>
<td>122</td>
<td>0</td>
<td>0</td>
<td>36</td>
</tr>
<tr>
<td>Sciarini 1996</td>
<td>CH Agriculture</td>
<td>28</td>
<td>28</td>
<td>3</td>
<td>11</td>
<td>10</td>
</tr>
<tr>
<td>Mattila 1994</td>
<td>FI Health and Social</td>
<td>45</td>
<td>45</td>
<td>0</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>Howlett 2002¹</td>
<td>CA Aviation</td>
<td>55</td>
<td>55</td>
<td>22</td>
<td>40</td>
<td>13</td>
</tr>
<tr>
<td></td>
<td>CA Trade</td>
<td>46</td>
<td>46</td>
<td>1</td>
<td>2</td>
<td>14</td>
</tr>
<tr>
<td></td>
<td>CA Education</td>
<td>102</td>
<td>102</td>
<td>5</td>
<td>5</td>
<td>18</td>
</tr>
<tr>
<td></td>
<td>CA Banking</td>
<td>137</td>
<td>137</td>
<td>51</td>
<td>37</td>
<td>33</td>
</tr>
<tr>
<td>Raab 2002²</td>
<td>DE Shipyard Industry</td>
<td>23</td>
<td>23</td>
<td>4</td>
<td>17</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>DE Steel Industry</td>
<td>182</td>
<td>18</td>
<td>3</td>
<td>17</td>
<td>1</td>
</tr>
</tbody>
</table>

Abbreviations: C = Country Internet code N = Total Number F = Firms A = Associations

¹ Evaluation of secondary literature, no quantitative network analysis in a narrow sense. Data refer to the year 2000
² Without the organizational entities of the company being privatized

A review of these network studies provides for a number of general observations:

1. There is compelling evidence that in almost all countries and sectors that are represented in Table 1, business interests are not only represented through associational forms, but also by direct political actions of large companies. In only three cases is no participation of individual firms reported.

2. Direct political action by large companies, as well as their relative weight, varies not only between countries, but also between sectors and policy areas. Countries with intense corporate participation are the US and Canada, where energy and telecommunications are the sectors with a strong presence of politically active firms.

3. If we consider the overall weight of business actors within policy networks, in roughly a third of these 20 studies, the number of business actors exceeds 50 percent of the policy actors—thus crossing the secondary diagonal in Figure 1.
Figure 1 shows a large variation among countries and sectors. Companies in the US and Canada seem to be more present on the political scene than in Japan and the European continent (Federal Republic of Germany, Switzerland, Finland, etc.). Within Europe, the telecommunications and videotext networks in Germany are exceptional cases that exhibit highly pluralist patterns in the organization of business interests.

Although we see some basic trends, it would be premature to draw any general conclusions from this pattern. Despite a common quantitative orientation, the studies differ in terms of their underlying methods. The various research groups used different techniques of actor identification and boundary specification. In this respect, the highest degree of cross-national comparability is undoubtedly provided by Knoke et al. (1996), whereas the highest degree of cross-sectoral comparability is given by Laumann and Knoke (1987). And even in these studies, there are some comparability problems at the level of actor designation.

Without pretending to much precision, it seems safe to say that in certain countries and policy domains, besides business representation by trade associations, the direct political actions of large firms is as a crucial facet of modern politics.
National and sector-specific determinants of business lobbying

The significance of direct lobbying in the US, as well as the difference between established and emerging sectors, also was manifested in a survey that was carried out in the context of comparative research on economic interests groups (Grote and Lang 2003, Grote and Schneider 2005, Schmedes 2003). In standardized interviews with 126 associations representing the chemical, informational and communications industries, we asked the following question (among others): Large firms are able to exert influence on politics and society by means of direct lobbying (...) Which of the following statements coincides best with the attitude of your organization?
(1) We encourage our members to act independently.
(2) We attempt to restrain such behavior.
(3) We do neither of the two.

The analysis of this survey is presented in Table 2. The data indicate that direct lobbying by interest associations in the US is perceived much less negatively than in Germany. Only 14.7 percent of the American interest associations would like to restrict direct lobbying, whereas it was 41.5 percent in Germany. The difference between the branches are even more striking, as more than 40 percent of the business associations in the information and communications sector were disposed to encourage corporate lobbying, while in the chemistry sector only the half of this percentage indicated support for direct participation of firms (see also Schneider 2004).

Table 2: Attitudes on direct Lobbying among Associations from Different Branches

<table>
<thead>
<tr>
<th>Countries</th>
<th>N=126</th>
</tr>
</thead>
<tbody>
<tr>
<td>DE</td>
<td>UK</td>
</tr>
<tr>
<td>Encourage</td>
<td>26.4</td>
</tr>
<tr>
<td>Restrained</td>
<td>41.5</td>
</tr>
<tr>
<td>Neither-Nor</td>
<td>32.1</td>
</tr>
<tr>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

Pearson χ²(4) = 8.25 Pr = 0.08

<table>
<thead>
<tr>
<th>Sectors</th>
<th>N=126</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chemicals</td>
<td>ICT</td>
</tr>
<tr>
<td>Encourage</td>
<td>20.3</td>
</tr>
<tr>
<td>Restrained</td>
<td>36.5</td>
</tr>
<tr>
<td>Neither-Nor</td>
<td>43.2</td>
</tr>
<tr>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

Pearson χ² (2) = 7.48 Pr = 0.02

The participation of firms in public policies thus could depend on several factors. Of primary significance is the institutional structure of the political system that grants access to the political process (for example, pluralist
openness versus corporatist closure). The underlying political issues and conflicts that create specific concerns for actors are also crucial. And last but not least, there are the institutional traditions and structural conditions in different social and economic sectors that are supportive or restrictive to direct lobbying (such as traditional and consolidated versus emerging and flexible).

In the US, this phenomenon undoubtedly has to do with the fact that business uses multiple forms of collective action and interest representation. There are no trade associations assuming representational monopolies. “Corporate lobbying” is not only restricted to mega-companies, it is also a sign of an increasingly politicized economy. Evidence of this is provided by the National Directory of Corporate Public Affairs (see, for example, 1998 in the 15th issue), which lists the 2000 most important US enterprises that pursue active programs in terms of public or regulatory matters. Of particular significance are the action committees of large companies (PACs), which have grown in explosive fashion since the 1970s. While only 89 PACs existed in 1974, the number climbed to the thousands in the 1980s and 1990s (Boies 1989).

In Germany, a few years ago companies were seldom cited as direct players in the policy process. Relations between the economy and politics were always rather close in this country. But the main responsibilities in the representation of economic interests were essentially always shared by interest associations, which were able to make use of their intermediary positions in the German Empire and even more so in the Weimar Republic (Ullmann 1988). With the increasing centralization and hierarchization of the associational landscape, which was massively supported by the state for practical reasons, individual firms had smaller chances of making themselves heard, even if they had the necessary resources at their disposal. For example, Hennis (1961) points out the practice in the ministerial bureaucracy of the Weimar Republic of communicating only with peak organizations of economic interests.

Up until the 1990s, the hierarchical position of these associations as interest mediators for the economy was upheld. In Germany, their standing is particularly shaped by the fact that peak organizations of the BDI (Bundesverband der Deutschen Industrie / Federal Association of German Industries) and the BDA (Bundesverband der Deutschen Arbeitgeberverbände / Federal Association of German Employers’ Associations) do not offer direct membership for companies, unlike in countries such as Great Britain. There, the Confederation of British Industries (CBI) offers a platform to associations representing branches of industry, as well as direct memberships from large companies. Another factor is the general political tradition in Great Britain that direct participation of companies it is not conceived as unusual in the political arena (Grant 1984).
With respect to political style and tradition, the difference between Germany (and other continental European countries) and the Anglo-American world is obvious. In the early 1980s, Wolfgang Streeck had emphasised the exclusive mediation power of German employer associations (Streeck 1983). In Germany’s hierarchical system of interest associations, firms traditionally only had indirect access to political decisions. Even large multinational companies, such as the three giants of the chemical industry, adapted to this logic of interest intermediation and assert their interests through the Verband der Chemischen Industrie (Association of the Chemical Industry) (Grant, Paterson and Whitston 1988, Schneider 1988).

To this extent, the traditional German situation could in fact be summed up in line with Beate Kohler-Koch’s (1993) claim: “Direct lobbying by private firms and the use of professional lobbyists are uncommon in national politics and can raise suspicions of inappropriate political manipulation by capitalist interests.” This does not mean that the phenomenon of corporate representation does not exist at all in Germany. The large number of corporate offices in Bonn and Berlin may be interpreted as an indication that direct political involvement of individual firms is actually taking place. However, in the associational system of Germany, the intermediating role of business associations in most of the economic sectors is still unchallenged.

With respect to issue structures and situational factors, policy research has delivered some evidence. Although the analytical interest in policymaking processes traditionally was placed on the interactions between public actors and interest associations—if the behavior of private actors was ever noticed—during the 1990s, some studies have shown that under specific conditions, direct corporate participation also takes place (Grande and Häusler 1994, Schneider 1993). These exceptions especially pertain to high-tech sectors, such as energy, biotechnology and information and communications, where firms are either contributing with highly specialized knowledge, or where they have especially high stakes in the policy process. In some exceptional situations, large companies broke away from associational discipline and appeared as independent political players in the policy process. A recent example is given by Tenbücken (2002) for strong conflicts within the car industry at an EU-level policy process. However, it is safe to say that in the traditional and established areas of business interests, German firms are still represented mainly by a few non-competitive and complementary associations enjoying de facto monopolies in interest representation. Here the situation did not change very much in the course of two decades (Grote and Schneider 2005).

This leads to the third factor mentioned above. In their historical development, associational systems are structured by associations, which find their interest niches through specialization and hierarchical integration. However, technical revolutions such as digitalization and genetic engineering
have led to profound structural changes, and associations had to respond by new adaptation strategies. In some cases, established associational systems are able to absorb these developmental shocks; in other cases they are restructured completely. One of the reasons why corporate lobbying is much more supported in the ICT sector than in the chemicals sector is that the interest associations in the traditional chemicals domain have strong intermediary positions that have long been established, while in the information and communications sector, a wide array of newly and often competing interest associations have emerged in the past 20 years, which are still struggling to find their place. Under these conditions, they are compelled to tolerate direct lobbying to a greater degree than the more established associations in the chemicals sector.

**Structural positions of business associations and corporations in policy networks**

In the third section, we saw that the policy networks in telecommunications, videotext and energy are interesting cases where business actors exceed the 50 percent line of the actor population, and both types of interest representation are relatively balanced (see Figure 1). In this section, I examine the three policy areas more closely, with the help of network analysis.

One of the great advantages of policy network studies is their actor-centered perspective and their structural orientation. Policy-making is explained by the structurally embedded interaction of multiple policy actors. A systematic identification of policy actors and their patterns of communication and resource exchange not only helps to map aggregate features of entire policy systems such as density, centralization and power distribution, but also enables us to identify the various structural locations of the actors (to be central or peripheral, to have intermediary or isolated positions, etc.). By attempting to estimate the relative importance of the two basic forms of political participation in the business world, we will look for further insights into the complex picture through the identification of structural positions of the various actors in the three networks. The analysis is based on network data of the respective studies.

For the sake of comparability, I restrict analysis in each case to a subset of the top 25 having the highest degree of influence reputation. They may be called the “hard core” of a policy network. In the US energy domain, the top 25 accumulate 47 percent of the total influence reputation, whereas in the more concentrated German, system the top 25 in the videotext introduction network accumulate 85 percent of the total influence, and the top 25 in
telecommunications policy network accumulate 83 percent of the total influence. The visualizations in the three following pictures depict reciprocal communications links within this policy core. The visualization method is based on an approach that tries to maximize both the accurate mapping of structural positions and the intuitive readability and understanding by the reader (Brandes et al. 1999). This technique has been implemented in the network analysis program *visone*, which is used in the following analysis (Brandes and Wagner 2003). Policy actors are positioned here in a target diagram according to their “eigenvector centrality.” This index weights the relations in which an actor is involved with the centrality of co-actors maintaining these relations (Knoke and Burt 1983, Wasserman and Faust 1994). Actors in this perspective are more central in the network the more they communicate with actors that also occupy central positions. The different types of actors are indicated by specific symbols.

Figure 2 depicts the core of the US energy policy domain with respect to reciprocal information exchange. Only confirmed communications relations are taken into account. For this reason, the only labor association (AFL-CIO) belonging to this hard core is isolated. The most central actors are the Department of Energy and the White House. Among the top 25, there are seven trade associations and four corporations. The most influential business association is EEI, which describes itself on its website as follows: “Edison Electric Institute … is the premier trade association for US shareholder-owned electric companies, and serves international affiliates and industry associates worldwide. Our US members serve more than 90 percent of the ultimate customers in the shareholder-owned segment of the industry and nearly 70 percent of all electric utility ultimate customers in the nation, and generate almost 70 percent of the electricity produced by US electric utilities” (http://www.eei.org/about_eei/index.htm).

Other central associations are the American Chamber of Commerce (ACC), the National Coal Association (NCA) and the American Petroleum Institute (API), which is the major trade association of the oil industry. National Association of Manufacturers (NAM) is the single business association in the US with features of a cross-sectoral peak association. The two most central corporations are General Motors (GM) and General Electric (GEC). Interestingly, the two oil corporations, Gulf Oil and Texaco, had relatively peripheral positions at that time.

*Figure 2: The Top 25 in the US Energy Domain Network (Communication)*
The basic message of this structural positioning in the energy domain is that the US administration is central, while business also has a very strong position. Other societal interests, such as public interest groups and trade unions, are rather peripherally located.

In Figure 3, the policy network of the German Videotext system is depicted (Schneider 1989, 1993). In the late 1970s and early 1980s, this was considered to be a large technical project of the German government that was—in the beginning—enthusiastically supported by business and industry. From a functional perspective, BTX was one of the forerunners of the Internet. Its technical sophistication at that time was compared to the landing on the moon. The graph shows quite clearly that business has a very dominant position in this network: 19 of the 25 actors represent business interests, and these actors accumulate 73 percent of total influence reputation. The most central actors, however, are the postal ministry and its special agency in this area. Among the 11 firms—computer, telecommunications and TV producers—Siemens is most centrally located. The next-most-centrally positioned firm is RAFI, a small and very innovative firm at that time, which promised to solve a serious problem in the technical development process.

The sample and configuration of actors in this picture clearly indicates that this policy process was highly exceptional, very much shaped by technical and economic problems that had to be solved by private actors.

*Figure 3: The Top 25 in the German Videotext Network (Communication)*
The third analysis refers to the network of institutional reform at the end of the 1980s in German telecommunications, where Germany undertook a first big step toward the liberalisation and privatization of its telecommunications system (Schneider and Werle 1991). A next step was taken in the mid-1990s, with the material privatization of Deutsche Telekom. The population of policy actors at that time was very much divided into those for and against liberalization. The top 25 in this policy network and their structural positions are depicted in Figure 4.

*Figure 4: The Top 25 in German Telecommunications Reform (Communication)*

This picture is a plausible representation of some general features of the German political system, which some analysts see as a typical form of party government. The most central actors are the ministry in charge of this policy matter and the governmental party, the Christian Democratic Party, at that time. The fact that its coalition partner, the Liberal Democratic Party has the same centrality position as the large opposition party, the Social Democratic
Party, sheds some light on the consensus democratic feature of the German political system (Lijphart 1999).

Next to these actors, we find Germany’s major cross-sectoral trade associations, BDI and DIHT. In the political division of labor in the German system, these are the major voices of the German industry. BDI is the peak association of industry in Germany, and DIHT represents the chambers of commerce. ZVEI is the association of the electrical industry—especially representing the traditional interests of German telecommunications industry, whereas VDMA was—at that time—the most important representative of the German computer industry in this policy domain. Atypical in this picture is the rather strong presence of individual firms. Among the most important were SEL (swallowed some time ago by the French Acatel), Siemens and IBM. Another influential firm, the computer producer Nixdorf, later was taken over by Siemens.

This strong presence of firms is explained on the one hand by the fact that because of divisions in German industry with regard to the extent of liberalization, the BDI was unable to speak with a single voice for industrial interests. Of course, the stakes in the liberalization game for some firms were exceptionally high.

Conclusions

Participation of business in politics is a multi-faceted phenomenon. An overview of 20 policy networks demonstrated that business is not only active through associational participation, but also through direct lobbying. It also has been shown that in some sectors, direct corporate participation was exceptionally strong. While the German cases of strong direct lobbying are clear exceptions pointing to specific situational factors, in the US direct lobbying generally seems to be more paramount. Although we can see some cross-national differences in the relevance of direct political action of business between the Anglo-Saxon world on the one hand and continental Europe and Japan on the other hand, it would be premature to generalize from these few observations. More systematic and encompassing empirical research is needed.

A further question is whether these observations suggest that there is a trend toward increasing direct involvement of business in politics. This question often is raised in the literature on Europeanization and globalization.

In the meantime, a number of studies have produced some evidence that direct political involvement of firms has become more important during the last two decades. Changes in the decision-making of the European Union and
the increasing role of regulatory policies at this level are important supportive factors for direct lobbying at the supranational level (Coen 1997). However, transnational developments also encourage this form of business action. In particular, market expansion through globalization is creating ever larger firms, which are less and less dependent on collective forms of political action. In addition, the interest horizon of such mega-corporations is increasingly transcending national and regional boundaries. This means that the share of interests that can be represented by national business associations tends to decline. There are many indications that in tomorrow’s policy networks, large corporations will be important actors alongside traditional forms of political action. This may undermine the influence of associational forms of business representation, but it does not make them redundant. It just broadens the variety of political actors, thus increasing differentiation and complexity in modern political life.

References for Chapter 5


Yes, should be bankers