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With the end of the Cold War, the titanic struggle between capitalism and communism no longer preoccupied politicians, the public, and social scientists. Instead, the world entered an era of “competing capitals” where the United States, Germany, and Japan played the leading roles. Important international frictions in this new era hinged heavily on economic relationships within and between these nations. During the 1980s, the rapid growth and economic successes of Germany and Japan provoked great consternation in the U.S., which suffered from ballooning trade deficits with both of these competitors. The spectacular economic resurrections of Germany and Japan from the ashes of World War II seemed to originate, at least in part, from relationships among state, industry, labor, and market that differed qualitatively from those in the U.S. Although neither nation developed the bureaucratically centralized command economy of the failed Soviet Union, both Germany and Japan exhibited stronger governmental roles and greater coordination of the business and labor sectors than occurred in the U.S. The ultimate resolution of this increasing international economic friction will depend, importantly, on how Germany, Japan, and the U.S. manage their economies and on how their respective national governments intervene in business-labor relations.

Numerous scholarly studies have uncovered substantial divergences among these three countries’ politics, civil societies, and state-society interactions that strongly affect their productivity and growth trajectories. The U.S. long prided itself on being a noninterventionist state, contending that “leaving things to the market” would produce optimal economic outcomes. However, America’s declining international competitiveness casts this laissez-faire ideology into doubt. In comparison, Germany and Japan each developed markedly more intimate forms of state-society coordination in economic policy-making, although they evolved along divergent paths. For instance, Germany emphasized the “codetermination” of industry governance through union participation on company boards of directors. Japan, on the other hand, emphasized a national-level coordination of policy-making involving the government and a highly integrated business community, while a variety of informal and semi-formal consultation mechanisms developed among business, labor, and government. Despite the apparent importance of national institutional differences for understanding the fates of these nations in the
emerging era of competitive capitalisms, and their potency as paradigms for developing nations, they have not been subjected to systematic comparisons.

Our research provides the first comparative analyses of these nations to examine empirical evidence about their state–civil society relationships. The multidisciplinary field of political economy abounds with competing theoretical explanations of the social organization and exercise of political and economic power in capitalist democracies. Over the past century, numerous analysts have contributed to alternative theoretical accounts of how power is created, concentrated, dispersed, or destroyed. The four major explanatory models are the class, elite, pluralist, and corporatist models. Each explanation postulates a different locus of power in society, degree and purpose of state economic intervention, and relative political advantage for the business and labor sectors in the political process. Each theory tends to lump all industrialized capitalist democracies together, treating their differences as minor variations on the favored theme. But because every theorist argues for the universal superiority of his or her preferred paradigm, the result is a babel of theoretical voices.

When we began our search for a useful framework to describe and explain policy-making in the U.S., Germany, and Japan, the available theoretical models offered helpful starting points. The class, elite, pluralist, and corporatist accounts posed provocative questions even though they provided no fully satisfying answers regarding the uniformity or the differentiation of power processes across these three powerful nations. As a group, these alternative explanations performed limited service by identifying each nation’s important political and economic features. They oriented us to significant questions about how public policies, especially those in the economic arena, are made and implemented. However, these theoretical perspectives were premised on untenable assumptions about, and employed inadequate methods to disclose, the core social-structure differences among the three societies. Therefore, the available models finally proved unproductive in guiding our three-nation comparative investigation.

As an alternative, we adapted an organizational state perspective that was inductively synthesized from an earlier analysis of U.S. energy and health policymaking (Laumann and Knoke, 1986, 1987, 1989; see Knoke and Burleigh, 1989, and Knoke, 1986, 1990b, 1992a, 1992b, for elaborations). The application of this approach in the U.S. produced several insightful results about that political system. We regard the organizational state as an analytic framework that is useful for making comparisons among nations. We seek to assess how well this generic approach enables us to gain new insight into the social structures and collective actions of national policy-making systems. Because the organizational state has previously been applied only to the U.S., we are most confident in its ability to explain the policy processes of that country. However, we surmise that this perspective is demonstrably applicable to most advanced industrial capitalist democracies. For this project, we have chosen two other nations, Germany and Japan, whose radically divergent histories and institutional systems maximize the potential contrasts with the U.S. In applying the organizational state perspective to these
three countries, we wish to see how far the substantive results from the earlier U.S. study could be generalized to these potentially divergent cases. Nothing in our empirical methods precludes the possibility that we might find substantive outcomes quite different from those observed in the earlier project. As will be seen in the chapters that follow, the organizational state approach reveals new aspects of policy-making in each nation.

The remainder of this chapter develops the core conceptual features of the general organizational state perspective. Because its distinctive vocabularies may be unfamiliar to analysts working within other theoretical traditions, we ask the reader’s forbearance as we elaborate its elements in great detail. This effort will pay off in the succeeding chapters as we examine labor policy-making in the three nations. The organizational state approach is an orienting analytic framework. Its conceptual components argue that modern state-society relationships have increasingly become blurred, merging into a mélange of interorganizational influence and power relations. In this aspect, the organizational state stands on a plane with other political economy theories whose explanations are subject to rigorous empirical examination. Moreover, in its methodological and sensitizing aspects, the organizational state perspective provides a distinctive conceptual bridge linking the abstract macro-structures of institutional power, which previous theories sought to characterize, to the concrete micro-structural relations of informal power and influence occurring among organizations in specific societies. Its central methodology involves quantitatively measuring networks of information exchange and political support that connect a nation’s politically active organizations. By explicitly connecting macro-levels and micro-levels, the organizational state perspective leads to investigations of these dual structures that are more rigorously empirical than analyses previously generated by alternative theoretical paradigms.

Interorganizational networks enable us to describe and analyze interactions among all the significant policy actors, from legislative parties and government ministries to business associations, labor unions, professional societies, and public interest groups. The organizational state framework provides the conceptual basis to describe macro-structures of decision making, so that operational explanations about collective decisions can be tested. It is satisfactory for describing decision-making systems that contain both public and private actors whose boundaries have not been arbitrarily restricted by institutional rules imposed by researchers (as is the case when political scientists study decision-making institutions). As an empirical system, the organizational state lacks full support of legal regulations. Its effective appearance reflects both the formal and informal decision-making power flowing through state and society. Therefore, its analysis relies heavily on the understandings that the system’s participants acquire about their own situations. This procedure enables us to uncover meso-structural aspects of power built by the participants’ social relationships, especially the detailed communication and support interactions between individual organizations. Previous macro-theoretical models only alluded to such elusive but important aspects of the
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political economy. By applying the organizational state approach, we can discern and measure differences in the interorganizational policy-making networks among the three nations. In other words, we can accurately capture the policy-relevant practices, processes, and performances of the major competing capitalisms.

Of course, the web of relevant relationships among all the politically active organizations in any advanced industrial society is extremely large, dense, varied, and complex. This immensity is impossible to measure in its totality. Accordingly, we limit our empirical inquiry to one economic policy domain with critical impact on the productivity and economic competitiveness of the U.S., Germany, and Japan – labor policy. And we concentrate on basic political relationships among organizations, such as policy communication, coalitions, political support, and mutual nominations for power and influence. We argue that the possession and exchange of information and of resources like public support substantially shape effective power distribution in the policy-making process.

We investigated government policies that directly or indirectly affected the condition of the labor forces in each nation. Among the varieties of public policy, labor policy most directly affects the fate of the labor force, as well as being central to the concerns of management and capital ownership. We examined major labor policy proposals ranging from shop-floor practices concerning health and safety, worker retraining programs, unemployment compensation standards, and fair employment laws to large-scale corporate restructuring and broad economic regulations affecting labor conditions. Choosing this policy domain gave us a direct window on essential mechanisms of economic policy-making within the three major industrial capitalist democracies.

As a context for and prelude to outlining the organizational state framework, the next section considers how various theorists have conceptualized the uneasy relationships between national states and their civil societies. A major implication is that rigid boundaries between these two forms of social organization are increasingly impossible to draw. Hence, any investigation of national policy-making must encompass all relevant political actors.

THE STATE AND CIVIL SOCIETY

Since the Enlightenment, social theorists have posited the state as distinct from its civil society – the private spheres of economic, cultural, and social organization. They have stridently disagreed about appropriate state–civil society relations. In Europe, the fragmented, hierarchical, and autonomous systems of feudal patrimonialism gave way to centralized political institutions that tried to subordinate many private spheres to a larger “public interest” (Poggi, 1978: 117–22). Indeed, state formation can be viewed as a progressive surrender of private autonomy in exchange for public citizenship rights defined and enforced by the centralizing state (King, 1986: 51). But the historical origins and legal bases of sovereignty – kings or people, in Reinhard Bendix’s (1978) telling phrase – remains the subject of considerable dispute. In Georg Hegel’s intricate idealism, the state could refer either
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to the whole social existence of a people or to just the highest political unity of *das Volk* (Dyson 1980: 21). Standing Hegel on his head, Karl Marx asserted that the state is a mere superstructure resting on the real foundation of economic structures (Marx, 1978: 4). Thus, the state ultimately reflects the underlying condition of social relations within the civil society, in particular its class-ridden conflicts (Giddens, 1985: 20). Similarly, in Emile Durkheim’s functionalism the state was entirely a product of its society, an “organ of social thought” ultimately responsible for translating social activities into moral purposes and protecting individual rights (Horowitz, 1982). Liberal philosophers, such as John Locke and John Stuart Mill, advocated a greatly restrained state to safeguard individual liberty within private spheres that were to remain inaccessible to capricious governments. As a remedy to predatory mercantilism, Adam Smith’s (1776) model of a market economy likewise proscribed state intervention in the invisible-hand economy. Alexis de Tocqueville’s (1945 [reprint]) cogent analyses of American civic and political associations inquired into democratic mechanisms sufficient for a populace to govern itself. The modern debate about state–civil society relations continues this theme, turning on state managers’ autonomy and discretion and on how far they should penetrate into and subordinate other social formations (Lindblom, 1977; Hollingsworth, Schmitter, and Streeck, 1994). Is the state merely an arena within which societal forces struggle, or does it reserve the power to shape and channel that struggle?

In Japan and many other non-Western countries, the relationship between the state and civil society was less distinct (Johnson, 1982) than it was in Europe or the U.S. First, the modern Japanese state developed not within the context of a capitalist civil society but in order to defend the society and polity against Western imperialistic encroachment. Second, Japanese state institutions were imported from the West. The oligarchic elite that guided the Meiji Restoration of 1868 imported numerous institutions to Japan, such as the constitutional monarchy; legislative democracy; and the nation’s military, police, administrative, and educational systems. As a result, these “public” institutions were, at the behest of the state, more-or-less exact transplants of their Western counterparts. As in many developing and late-industrializing countries, the Japanese public sector consisted of imported, quasi-Western institutions that did not develop indigenously and had an uneasy relationship with civil society. Third, in addition to this modernization or political development path, traditional Japanese concepts of public and private spheres made less of a distinction between the two spheres than did Western concepts. In Japan there was a “shared feeling that all the people are performing some of the public functions” (p. 15). Despite the imported administrative institutions, the traditional fusion of the public and private spheres still justified informal negotiations in politics. This tendency grew strong in the Japan of the 1980s as the power of the state declined vis-à-vis that of the civil society.

All three national examples, then, give us warrant to look for “a blurring of public and private spheres” (Wilensky and Turner, 1987: 10; Cawson, 1986: 35; Lehman, 1988: 818). One formulation of this trend sees a growing similarity of
contemporary organizational forms in state and society due to a pervasive rationalizing of ends–means relations and imperatives of efficiency that pervade all spheres of social life:

...[I]nstitutionalism suggests that the interpenetration of environments with organizing (and its actors and technical functions) is especially great with those features of the social environments that are themselves highly rationalized, that is, with elements of what was traditionally called “civil society.” Formal organization is not only interdependent with, but interpenetrated with, the various elements of rationalized society: modern actors with their “interests,” legitimated functions and their functionaries, and agents of the modern collectivity such as state elites, and legal and professional theorists and practitioners. (Jepperson and Meyer, 1991: 205)

A precise boundary between state and civil society is rendered indistinct due to highly complex patterns of mutual penetration (Block, 1987: 21; Streeck, 1983: 265–6). Continuously evolving interactions redefine the meaning of public and private spheres. As groups and organizations compete for access to and influence over public policy officials, the state managers in turn try to institutionalize interest group “responsibility” for disciplining their members’ political behavior. The degree and form of state–civil society permeation varies greatly across nations. An extreme example occurs in consociational societies, such as Belgium or Canada, where subcultures are so antagonistic that civil strife is avoided only because “the group actors are often in fact a part of the state” (Scholten, 1987: 27). Even in less socially polarized nations, a steady devolution of nominally public authority into quasi-governmental organizations (Barker, 1982) blurs the boundaries:

The boundaries between “state” and “civil society” are never fixed, but constantly changing. Public and private are not natural divisions, but socially and historically constructed ones. One of the ways in which the state expands its reach is to re-draw the public/private boundaries, and reconstitute the definition of the private, so as to make it legitimate for the state to intervene in areas which had hitherto been considered inviolable. (Hall, 1984: 21)

As organized interests become increasingly integrated into the policy-making process and acquire greater sophistication in obtaining and using political resources, new governing structures arise. These formations are neither state nor society in an earlier sense, but hybrid structures that carry out their functions. Thus, the state’s legally constituted governing bodies are permeated by diffuse sets of policy networks – advisory and quasi-official relations that connect state managers to organized interest associations (Mann, 1986: 1; Dunleavy, 1982: 205).

Policy networks link heterogeneous communities of policy actors into intricate webs of common benefit-seeking actions (Heclo, 1978; Katzenstein, 1978; Wilks and Wright, 1987). The implications of these networks for public policy outcomes are as ambiguous as the state-society boundaries themselves. Earlier images of business lobbyists conspiring with government officials in closed “iron triangles” have been replaced by images of open networks whose diffuse participants may be less predictable, more intransigent, and biased toward consensual collective agreements (Jordan, 1981). On the other hand, “it is conceivable that where decision-making networks are more complex, whose external interests more
intrusively invade government, and where agreements have to be forged to carry out policy decisions, the results may have broader support and will ultimately prove to be less contentious” (Rockman, 1989: 185). An important objective in our project is to determine how networks among nominally public and private actors shape the national state’s policy-making processes in the U.S., Germany, and Japan.

COMPONENTS OF THE ORGANIZATIONAL STATE

Given the necessity to include both state and civil society social formations in any investigation of public policy-making, we now present the major components of the organizational state perspective. Although these conceptual components originated in the U.S. energy and health research project mentioned earlier (see Lau mann and Knoke, 1987: 380–7), they were subsequently elaborated as a general paradigm of contemporary policy-making. As already noted, we use this perspective to guide our empirical analyses of the American, German, and Japanese labor policy domains, assessing how well it accounts for similarities and differences among the three nations. The summary statements in this section encapsulate the core analytic assumptions, principles, and relationships of the framework. Following this overview, we turn to a detailed exposition of the key concepts whose empirical investigation engages our efforts in the remainder of this book.

In every modern polity the distinction between state and civil society has become blurred. By definition, government actors possess various kinds of formal authority to make legally binding decisions. But so-called private-sector organizations also possess various kinds of formal and informal rights and powers to participate in decision making. Because policy-making results from complex interactions among governmental and nongovernmental actors, the organizational state concept encompasses both kinds of actors within its boundaries.

The central actors in the organizational state are formal organizations, not individual persons. Elite individuals participate only as agents of collectivities. Both governmental and nongovernmental organizations are rationally motivated to participate. They pursue the interests of the organization and its main constituents, seeking in those terms to gain advantages or to minimize losses. Corporations pursue broader markets and greater profits, unions fight for higher wages and better working conditions, politicians promote ideologies and covet votes for reelection, bureaucrats seek to enforce their agencies’ mandates or enhance their budgets, social movements hope to improve the conditions of the oppressed. No organization acts solely and entirely on behalf of a generalized “public interest,” although some may do so more than others.

The primary function of the organizational state is to produce collectively binding decisions in specific policy events. These decisions may take the form of legislative acts, regulatory decrees, court rulings, or strong bureaucratic leadership. In common, such decisions reinforce or alter the rules of the game that all participants must follow, at least until new decisions change the rules.
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Governmental organizations are generally not neutral arbiters in policy fights. Although bureaucratic agencies are charged with following mandates given by political decision makers, the political parties in the legislature and commanding the bureaus are responsive to the constituencies that funded them and elected them to office. The extent to which governments actively participate as partisans supporting one side or another varies with the particular events. Hence, governmental actors resemble other participants whose involvements depend on the degree to which their interests are at stake in the outcome of a policy decision.

The organizational state does not have a unified ideology. Clashing beliefs about the role of the state, free enterprise, the public good, and technical expertise are advocated by organizations claiming legitimacy to participate and influence policy outcomes. Many policy decisions carry heavy ideological freight as symbolic expressions of their proponents’ values. Which political vision dominates a system at a given moment is the result of opposing forces marshalled on behalf of each policy position.

The scope of policy-making is narrow. Most policy events occur within specialized spheres, or domains, having restricted access. These policy domains develop fairly stable power structures dominated by a core of peak associations and governmental actors. Access to central positions requires information (both technical expertise and political knowledge) and resources (both material and symbolic). The social organization of a policy domain is structured by its networks of information and resource exchanges that confer advantages on some actors and disadvantages on others. These structures can be represented by spatial or other relational configurations that locate some actors toward the center or at the top of the social space and others toward the peripheral regions.

The main sources of political change in policy domains are social-demographic shifts and, increasingly, the international economic system. Most challengers have difficulty entering the highly restricted domains unless they acquire sufficient political clout, especially connections to powerful organizations in the information and resource exchange networks.

An actor’s influence over policy decisions varies over time with the intensity of its own efforts and of those of other participants attempting to shape event outcomes. Actors realize their policy interests primarily through interorganizational alliances. Policy cohesion is always problematic, as the cost of sustaining alliances is high. Coalitions must be continually reconstituted with new members, because attention and resources are limited and organizations must ration their use. Alliances shift from event to event, because the substantive contents of interest to potential participants vary.

Both governmental and private-sector organizations pool their resources, coordinate their influence efforts, and negotiate with the authorities to gain advantages on events of interest. These actions lead to the formation of coalitions with other actors having the same policy preferences concerning single events. Strategic behavior across sequences of policy events may require participants to logroll, trading off their support on events of lesser interest in return for help on events of
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higher concern. A logic of political exchange leads in our version to an exchange of access to political deciders, where actors realize their interests better than they can without exchange. The consequences of making collective decisions feed back into the structure of a policy domain, socially reconstructing the interorganizational field on which succeeding policy battles must be fought.

The following subsections elaborate these basic elements of the organizational state, developing the technical vocabulary and research expectations necessary for designing a testable project on the three national labor policy domains.

Policy domains

The basic unit of analysis in the organizational state is the policy domain, a complex social organization in which collectively binding decisions are made, implemented, and evaluated with regard to specific topics. It is “identified by a substantively defined criterion of mutual relevance or common orientation among a set of consequential actors concerned with formulating, advocating, and selecting courses of action (i.e., policy options) that are intended to resolve the delimited substantive problems in question” (Knoke and Laumann, 1982: 256). In short, a policy domain is an input-throughput-output-feedback process by which the governance of delimited societal structures takes place. A policy domain consists only of actors having common interests in certain types of public policies (but not identical preferences) who must take one another into account in their efforts to influence those policy decisions. Every domain encompasses a diversity of controversial policy matters and numerous claimant groups and public authorities, each seeking in varying degrees to influence the ultimate decisions about matters of importance to them and to their constituencies. Burstein (1991) argued that each policy domain also develops a logically coherent substantive or functional basis for framing its policies and that its participants usually construct a common culture about how society does and should work.

Complex industrial societies with highly differentiated social, political, and economic structures give rise to numerous relatively autonomous policy domains. Every distinctive domain is organized around some central substantive concerns, or set of societal problems and their proposed solutions, with which the domain’s participants must deal on a continuing basis. Thus, by the late 20th century, liberal democratic polities had created such narrow policy domains as natural resource development, environmental protection, energy production, surface transportation, and space exploration. Commonly, new domains are formally recognized by creating cabinet ministries, departments, and special administrative units to deal with their conditions. Such institutions publicly acknowledge domain participants, legitimize their concerns, and establish formal procedures through which policy solutions can be attempted. Each newly emerged ministry stakes out a policy turf from which it tries to exclude all intruders who might thwart its aims. The historical formation of U.S. cabinet-level departments indicates that they resulted largely from political entrepreneurs’ initiatives, stimulated by the appearance of
new problems, to carve out distinct niches within which they hoped to gain special advantages unavailable in existing domains. A recent example was the creation of the U.S. Department of Education as a separate cabinet post from the previous Department of Health, Education, and Welfare. It was clearly a reward to organized teachers’ unions for their support of Jimmy Carter’s successful 1976 presidential campaign (Bell, 1988). A similar political deal elevated Veterans Affairs to cabinet rank, but interagency rivalries denied President Bush’s “drug czar” an equivalent status. We can find similar occurrences in Japan and in Germany. For example, the Japanese Environmental Agency (Kankyōcho) was established as an administrative response to pollution in 1971, when the level of pollution and the antipollution movement reached a peak. This formative action, which legitimized public opinion against pollution, obviously formalized the environmental policy domain in Japan. Although the question of how executive-branch agencies are created is fascinating, our analytic framework is not concerned with this particular dynamic. It concentrates instead on processes occurring after a policy domain has clearly emerged.

Moreover, we argue that a policy domain’s boundaries are not synonymous with formal state ministries. Historical patterns of institutionalization and sheer, obstinate reality conspire to produce societal problems not conveniently confined within even the most rationally crafted governance plans. Typically, many formal government organizations overlap across several domains, whereas other domains’ problems are parceled out among diverse and competing institutions. For example, occupational safety and health is simultaneously a medical, labor, and social welfare concern, and vocational training is both an educational and a labor matter. Multipurpose nongovernmental actors also divide their attention among several domains and view their interconnections from unique standpoints. Determining where the boundaries of a particular policy domain fall—which components lie inside which domain—is often problematic. Policy domains are not legally recognized entities whose membership criteria are clear-cut and enforced by a central authority (Laumann, Marsden and Prensky, 1983; Pappi, 1984). Rather, all domain boundaries are more or less fuzzy and porous, allowing various participants, problems, and policy proposals to enter and leave in disorderly fashion. Indeed, identifying a policy domain is primarily a social construction whose meanings result from its participants’ collective symbolization and negotiations (Laumann and Knoke, 1987: 93). Hence, we should expect to find a gradient from greater to lesser intensity of involvement, where participation shades off rather rapidly with the actors’ social distances from a domain’s core concerns.

At its most abstract conceptual level, the internal structure of a policy domain is constructed from four basic components: policy actors, policy interests, power relations, and collective actions (Knoke, 1992a). Table 1.1 gives several examples of these elements. The configurations of these components at any time provide policy analysts with comprehensive maps, or multidimensional snapshots, of the domain’s social structures and activities. A given combination of the four elements locates specific sets of policy actors holding diverse substantive policy interests.