The United States, Germany, and Japan – the world’s three most powerful and successful free market societies – differ strikingly in how their governments relate to their economies. *Comparing Policy Networks* reports the results of collaborative research by three teams investigating the social organization and policy-making processes of national labor policy domains in the United States, Germany, and Japan during the 1980s.

Through data collected from interviews with more than 350 key labor policy organizations, including labor unions, business associations, professional societies, public interest groups, advisory boards, governmental agencies and ministries, political parties, and legislative committees, the researchers uncovered fundamental business-labor cleavages underlying the labor policy domains in all three societies. These patterns were revealed in both the contemporary policy debates and the historical development of each national domain.

Labor legislation fights were structured by action sets, or coalitions of organizations, that shared preferences on specific policy events and worked together to affect their outcomes. An irreconcilable labor-business antagonism seemed most evident in the U.S., whereas a more accommodating stance was apparent in Germany and in Japan. Each domain’s power structure reflected a distinctive national variation on the organizational theme: Japan had a single corporatist center comprised of the government and Liberal Democratic Party that dominated all players; Germany’s pluralistic twin centers coalesced around the party partners of the conservative government; and the U.S. was polarized between party and class organizations, reflecting its divided federal government in the Reagan era.
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Preface

The United States, Germany, and Japan – the world’s three most powerful and successful free market societies – differ strikingly in how their governments relate to their economies, running the gamut from low to high market intervention. Each nation varies in the basic institutions that shape its social, political, and economic structures and processes, in the balance of power among contending groups, and in the rules of its political games. In a fractious world whose leading nations fret about who buys cars from whom, such seemingly minor distinctions assume vast significance. A nation’s economic health and that of its citizens turns on such mundane matters. And all national governments, especially that of Japan, take increasingly enlarged stances toward directing growth and trade strategies.

In this struggle, a key public arena is labor policy, which modulates the condition of the working populace. Numerous government policies – ranging from restructuring the entire economy, to imposing taxes, to regulating wages and working conditions, to designing welfare “safety nets” to catch workers when they lose their jobs – comprise the labor policy domain. Following Otto Bismarck’s late-19th-century creation of worker protection and welfare laws for Imperial Germany, national governments have embraced, with greater or lesser enthusiasm, an expanding responsibility for mediating the relationships between employers and employees. These policies greatly affect the productivity and health of the entire economy, including the growth and export rates so evident among international competitors.

Dual crises of fiscal austerity and retrenchment, originating in the rapid oil price rises of the 1970s, struck all three nations hard in the 1980s. Each country elected conservative politicians preaching the gospel of reduced government expenditures to achieve fiscal restraint. These politicians embarked on unique programs, implementing labor policies that revealed the distinctive tenor of each nation’s approach. In the U.S., the Reagan Administration on the one hand launched a program of tax-rate reductions, union bashing, and welfare slashing. On the other hand, it paradoxically fostered vastly increased spending on high-tech military industries that caused public spending and debt to mushroom. During this decade, U.S. labor policy stagnated under a national government deadlocked between a Republican executive and a Democratic legislature. By contrast, Japan’s Liberal
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Democratic Party (LDP) government successfully reduced public expenditures by privatizing some major government-owned industries, thereby changing the legal status of those industries' massive labor unions, as well as altering their political positions within the party arrangement and the labor movement. Japan created programs for assisting depressed regions and industries and for retraining workers for new jobs by business-labor cooperation. In addition, Japan made considerable efforts to remodel the labor legal framework to create new laws for adjusting labor to the transformed environment, despite having a "conservative" LDP cabinet. Germany's Christian Democratic Union (CDU) government, faced with similar fiscal austerity problems, also successfully entrenched its public budget. Like Japan, it did not eliminate programs vital to its national economy. Germany continued to invest heavily in worker education and retraining and to maintain essential welfare safety nets despite continuing high unemployment. These contrasting policy choices reflected not so much the different problems confronting each government as they did the distinct reactions of American, German, and Japanese decision-making institutions to comparable problems. The key question is, then, what aspects of those institutions led to these large differences in policy response, when the objective problems were very similar?

These evident divergences in economic performances and in policy responses raise the question "why?" and invite deeper investigation. In this book, we contend that the different labor policies of the U.S., Germany, and Japan result from institutional differences deeply embedded in the very fabric of state and civil society. We reached this conclusion after rigorous empirical research on the political influence relationships among the most powerful organizations occupying the central positions in the three national labor policy-making networks. Many previous investigators dug into the institutional particularities of one or the other country and often unearthed interesting findings. Some sought to compare several nations in these respects. But few possessed the detailed data, methodology, and explanatory framework necessary for nuanced examination and comparison of those policy networks in operation. Our advantage lay in applying an organizational state perspective to explain German, Japanese, and U.S. labor policy domains in the 1980s.

Chapter 1 presents the organizational state perspective, which designates the core political organizations and their relationships, indicates the relevant network and event concepts, and specifies analytic methods for explaining social organization and policy processes. The labor histories and policy-making institutions of the three nations are recapitulated in Chapter 2, which concludes with a discussion of the purposes and advantages of comparative analysis. The data collection procedures are briefly discussed in Chapter 3.

Chapter 4 begins the empirical analyses by comparing the policy issue interests of the core organizations as a necessary precursor to their policy influence actions. In Chapter 5, we investigate the network structures for exchanging valuable policy information and political support and how organizations' locations in these networks contribute to their reputations and their participation in policy events.
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Chapter 6 shows how political collaboration arises from organizations’ shared issue interests, network connections, and policy event preferences, creating opposing circles of policy advocates and coalitions that struggle for leverage over the outcomes of national labor legislation decisions. Chapter 7 carries this process further by examining political exchanges among public authorities and interest groups, testing a series of models to determine which ones best account for the organizational power and legislative outcomes in the three nations’ labor domains. The power structure analyses of Chapter 8 reveal how intimately the informal policy network relations are intertwined with the formal institutions of each nation to produce characteristic power configurations between government and opposition parties and interest groups. Finally, Chapter 9 assesses what the organizational state perspective teaches us about national policy-making, what alternative theoretical interpretations we might make from our investigation, and what might be some future directions from comparative research on national policy systems.

This book describes labor policy-making in the three countries, paying special attention to the structure of policy domain networks. These descriptions are grounded in network data that were collected by rigorous measurement techniques that were duplicated in each nation. From time to time, our results deviate from the rich pictures painted by field researchers using exclusively qualitative data. We do not aim to reconcile all our results with the abundance of descriptive models of policy-making in Japan, Germany, or the U.S. Rather, we claim that good primary data, especially of the network type, constitute a solid basis for depicting power structures and for explaining policy outcomes. Now let the games begin.
Support for research in the United States was provided to the first author by a grant from the National Science Foundation (SES-8615909), by grants-in-aid from the University of Minnesota, by a Fulbright Senior Research Fellowship, and by a fellowship at the Center for Advanced Study in the Behavioral Sciences (supported by NSF grant SES-9022192). The German data collection was supported by a grant to the second author from the Volkswagen Stiftung. The Japanese data collection was supported by grants to the third author from the Japan – U.S. Educational Commission (JUSEC) Fellowship, U.S. Department of Education Fulbright-Hayes Fellowship (Prog. 84.019, App. P019A80047), and the National Science Foundation (NSF/INT-8821714). Earlier versions of various analyses were presented at several meetings, conferences, and colloquia, including those organized by the International Institute of Sociology (1993); the European Conference on Social Network Analysis (1989, 1991, and 1993); the Association for Asian Studies (1992); the American Sociological Association (1989 and 1990); the International Sunbelt Social Network Conference (1989 and 1991); the American Political Science Association (1986); the International Sociological Association (1994); the Max-Planck-Institut für Gesellschaftsforschung in Cologne’s Workshops on Policy Networks (1989) and on Games in Hierarchies and Networks (1991); the Theory Boundaries and Units Conference in Enfield, New Hampshire (1991); the Cornell University Organizations Research Group (1991); the Stanford Center for Organizational Research (1993); the Reischauer Institute of Harvard University (1993); Mercator University (1994); University of Bremen (1994); the Harvard – MIT Center for European Studies (1993); the Center for Advanced Study in the Behavioral Sciences (1993); and the Citizenship and Social Policy Thematic Group at Duke University (1994). Comments from the audiences at these sessions were greatly appreciated, and we particularly acknowledge suggestions by Philip Anderson, Richard Braungart, Paul Burstein, John Freeman, Joseph Galaskiewicz, Mauro Guillen, Thomas Janoski, Peter Kappelhoff, Gerald Marwell, Gwen Moore, Robert Nelson, Charles Manski, Bernd Marin, Renate Mayntz, W. Richard Scott, Fritz Scharpf, Frans Stokman, Jan Van den Bos, J. Allen Whitt, William Julius Wilson, and several anonymous reviewers. We especially thank our research assistants for their diligent work during the many years of this project:
Acknowledgements

Suzanne Bisson, Frank Burleigh, Denise Floe, Yoshito Ishio, Naomi Kaufman, Thomas König, Willi Schnorpfel, and Nancy Wisely. The third author wishes especially to thank Ezra Vogel, Shinya Hoshino, Yoshiaki Kobayashi, and Toru Shinoda for their help and cooperation with the data collection in Japan.