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The Oxford Handbook of
**BUSINESS AND
GOVERNMENT**

THE OXFORD HANDBOOK OF

BUSINESS AND GOVERNMENT

Edited by

DAVID COEN

WYN GRANT

and

GRAHAM WILSON



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BUSINESS AND GOVERNMENT

PREFACE

Business is one of the major power centers in modern society. The state seeks to check and channel that power so as to serve broader public policy objectives. However, if the way in which business is governed is ineffective or over burdensome, it may become more difficult to achieve desired goals such as economic growth or higher levels of employment. In a period of international economic crisis, the study of how business and government relate to each other in different countries is of more central importance than ever.

These relationships have been studied from a number of different disciplinary perspectives—business studies, economics, law, and political science—and all of these are represented in this Handbook. The first part of the book provides an introduction to the ways in which five different disciplines have approached the study of business and government. The second part, on the firm and the state, looks at how these entities interact in different settings, emphasizing such phenomena as the global firm and varieties of capitalism. The third part examines how business interacts with government in different parts of the world, including the United States, the EU, China, Japan, and South America. The fourth part reviews changing patterns of market governance through a unifying theme of the role of regulation. Business–government relations can play out in divergent ways in different policy and the fifth part examines the contrasts between different key arenas such as competition policy, trade policy, training policy, and environmental policy. The volume provides an authoritative overview with chapters by leading authorities on the current state of knowledge of business–government relations, but also points to ways in which this work might be developed in the future, for example, through a political theory of the firm.

In preparing this volume, we owe our greatest debt to the contributors. They have all been superbly professional in delivering drafts and final chapters. We could not have asked for a more cooperative group of scholars and colleagues. We also owe a huge debt to David Musson and Mathew Derbyshire at Oxford University Press for their support and patience in waiting for the final version to arrive. Finally, David would like to thank the Fulbright Foundation and the Center for Business and Government at the Kennedy School Harvard University for their support and providing a home in the final days of editing with Graham in Boston.

The final editing of this volume, like its subject, was a truly global event with meetings in Boston, Brussels, and London and email exchanges from Australian airports. Somehow in all this international exchange we managed to coordinate

thirty-seven leading business government scholars as well as, somewhat harder, the three of us. Events in “the real” world as the book was nearing completion served to remind us of both the unpredictability of politics and the importance of the topic. If anyone in 2006 when we started this project had predicted that President George W. Bush would have ordered major US banks to sell stock to the government they would have been thought insane. On the other hand, the real problems that people were experiencing around the world reminded us of the importance of this topic for the futures of our children Adam, Alexandria, Sophia, Rosalind, and Amelia and we dedicate this book to them and our wives Gina, Maggie, and Natasha.

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OVERVIEW

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THE relationship between business and government is undeniably important: both are major forces in our lives. They are locked inextricably in a relationship with each other, but the nature of that relationship varies over time and between countries, firms, and sectors of the economy. At a fundamental level, the exercise of power by business has implications for democracy. Some would see it as a threat to democracy, while others would regard a successful free market economy as a precondition for the existence of democracy.

That is an important literature, but our concern here is also with the efficacy of the relationship between business and government. If it does not work well, desired economic goals such as growth and employment will not be secured. It also makes it difficult to tackle global public bads such as climate change. If business is constrained too much by poorly designed and executed government interventions, the tax base that funds merit goods such as public health services and education will be undermined.

Markets are not naturally occurring phenomena; they need to be embedded in a structure of laws and rules. Without such a framework, markets cannot function and deliver net welfare gains. Governments are therefore impelled to make interventions in markets, although their extent and nature varies over time in response to prevalent ideological frameworks and the state of the economy. The quality of government interventions in markets conditions their long-term success in developing such benefits. Equally, sometimes the state has to intervene to save markets from themselves and to guarantee their continued existence, as in the crisis of 2008. Particularly

in response to such crises, but also at other times, governments, depending in part on their partisan composition and long-term national perspectives on the legitimacy and desirability of intervention, may intervene to try to restructure their national economies. The reproduction of such interventions at an EU level has been advocated and even attempted, but with relatively limited impact.

Business is a key political actor. It dwarfs other interest groups in terms of resources and political displacement. It touches most areas of public policy. Business helps to shape policy agendas, formulation, and implementation. The driver of this involvement is that the costs of doing nothing can be considerable. It may result in legislation or regulation that has substantial intended or unintended consequences for business and competitiveness. For its part government has to become involved with business because left unchecked it can inflict substantial costs on society in terms of various forms of market failure, for example, anti-competitive behavior that prevents the benefits of competition being realized and negative externalities such as pollution. Following Polanyi's argument that labor cannot be treated as a commodity without having a dehumanizing effect, there also needs to be a framework of employment protection for workers and provision for health and safety at work. If training is simply left to employers, the result is likely to be an undersupply of the skills needed to maintain an economy's international competitiveness. A much broader issue than making the market work effectively is the use of government taxation and spending to redistribute income. The existence of a much skewed redistribution, as in Brazil, can affect a nation's ability to function effectively economically, socially, and even politically. There is also a moral case derived from Rawlsian notions of justice, among other arguments, for redistribution.

The study of business-government relations has grown from a low base point. The subject area is still undersupplied with theory. Early Marxist accounts of business power were often crude "reading off" that ignored the subtleties in Marx's own work. Later work became more aware of the existence of "fractions of capital," permitting a more nuanced account from a Marxist perspective, but still failed to capture the range and variability of business political activity. Simplistic business accounts of business as one pressure group among many were challenged by Lindblom's account of the structural power of business. The corporatist debate stimulated considerable empirical research on intermediate structures such as trade associations, but deflected attention from the growing phenomenon of political action on their own behalf by large firms. It is in this area of micropolitical activity, exploring the motivations of firms and the extent and or organization of their political activity, that the greatest theoretical deficit exists and one that this volume seeks to remedy.

A number of disciplines have contributed to the study of business-government relations and they are all represented in this volume. Political science has been interested in how business organizes to operate politically and the opportunity structures it encounters. Historical institutionalism and its emphasis on path dependency has been a substantial influence, notably through the Varieties of Capitalism debate which seeks to identify distinctive national patterns of interaction that are shaped by the historical form that the state had adopted. How much these