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Policy-Making for Canadian Business — John Wanna

William Coleman, *Business and Politics: a Study of Collection Action*, Kingston, McGill-Queen's University Press, 1988, 336pp.

Grace Skogstad, *The Politics of Agricultural Policy-Making in Canada*, Toronto: University of Toronto Press, 1987, 229pp.

Interest representation is often presented as the basis of modern political systems. In policy analysis especially, interest politics are considered to be the main driving force of the policy-making process. Yet the substance of these claims is frequently accepted without rigorous empirical investigation. Many of the previous generation of pluralist writers identified representative interest groups and found policies which seemed to satisfy or be adapted to their demands. Specific interest groups existed and certain policies appeared commensurate to their interests; therefore the groups shaped policy development. Little work was undertaken to establish what effect those interest organisations actually had, how they influenced policy choices, and how the state took into account the demands of particular groups. The principal lines of debate focused on which interests were represented and what policies they advocated, rather than on how they were represented and how policy-making processes operated.

As a consequence, the effect of particular interest groups on policy-making may have been exaggerated. Certainly a second generation of neo-pluralist and neo-marxist empirical researchers have called into question many of the assumed links between the identification of interests and the apparent policy outcomes. Such writers have narrowed their attention to structurally privileged interests with high public status and representational monopolies over the membership base. In more eclectic explanations, interest group influence is filtered through the historical and institutional context, the cultural pattern of policy-making and the role of key state activists. The real impact of interest representation has become more open to contention and the subject of much contemporary research.

Both these Canadian studies address the question of how interest groups affect policy-making processes for industry. Both studies are centrally concerned with how business shapes politics, and how business transmits its interests into public and private policy processes. Both express caution over attributing too much policy influence to representative associations of business. While both explore the framework of government-business collaboration, both argue for greater accountability over industry policy and business decision-making. Moreover, in contrast to some conventional views, these studies argue that the institutional arrangements of government in Canada have not exacerbated fragmentation of policy-making processes.

Grace Skogstad examines within one industry the complex nature of government assistance aimed at enhancing competitiveness and market access. For Canada as for other major primary producers, agricultural protectionism remains a key international political issue, continually affected by trade fluctuations, market accessibility and self-regarding policy actions by producer nations. Largely as a result of government policies many nations and sub-national units throughout the world have become more self-reliant and generated agricultural surpluses for external markets. Government policies to promote industry growth in agriculture in turn have confronted those governments with intractable problems of access to external markets, trading subsidies, trading balances and the management of surpluses. As a major agricultural producer Canada has been both a perpetrator and victim of economic strategies of protectionism.

The internal politics of agricultural subsidies and protectionism is at the heart of Skogstad's recent study. Her account of agricultural policy-making documents the imperatives of politics over economics in provincial economic development. Despite attempts to abolish protectionism, Skogstad is pessimistic, concluding that:

[p]rovincial protectionism is unlikely to go away, given the uneven and competitive character of Canada's agricultural economy, the disparities in provincial treasuries, and the political pressures on governments facing the need to continually reaffirm their mandate to govern (p.171).

Three policy issues provide the basis for her jurisdictional analysis, each involving different provincial-federal arrangements: price subsidies under policies for the stabilisation of agricultural commodities, state-sponsored marketing cartelisation policies for dairy and poultry producers, and rail freight subsidies to grain producers in the western and central prairie provinces. While each policy issue is explored as a case of responsive intervention from activist governments, Skogstad acknowledges that Canada adopted a 'low-keyed' approach relative to other agricultural nations, with a 'comparative dearth of comprehensive programs' (p.48). Hence, despite the provincial governments possessing little autonomy from their respective commodity sectors, they only reluctantly provided sectoral assistance and regulatory protection in Skogstad's view. Moreover, there is an implicit message in her book that external factors, such as major world depressions and trade exclusion by traditional markets (US and UK), provided the policy trigger for government protection rather than interest representation.

Skogstad takes as her main theme the division of authority over policy fields between the two levels of governments. Each policy case study involves a different set of jurisdictional responsibilities: shared responsibility, divided, and central autonomy. Her intention is to demonstrate that the principal determinant of agricultural policy outcomes remains the 'constitutional and institutional arrangements of Canadian federalism' (p.10). Such arrangements are qualified by provincial industry structures and pre-existing policy legacies. However, although policy-making responded to issue politicisation, Skogstad, unlike Cairns, found

little evidence of governments competing to encroach upon the policy areas of others. Instead, the division of responsibilities provided agricultural interest groups with two points of access to government. This had strategic importance, but the capacity of agricultural groups to shape policy was often limited because of their provincial base and because they have been unable to put forward a unified position (p.150).

As an institutionalist approach Skogstad's study provides insights into the policy practices of Canada's federal system of government. It provides a jurisdictional hypothesis to account for Canada's belated government activism. Her argument is essentially non-pluralist in explaining how the formal political system responds to contingency problems in provincial agricultural production and marketing. Indeed, her evaluation of the three policy issues leads her to the view that the 'salience and influence of agricultural interests' in Canada has enervated over time (p.158).

In contrast to Skogstad's single-industry focus, William Coleman's detailed study of collective action explores business politics across five industry sectors: agriculture, construction, resources, finance and manufacturing. Comparing these sectors Coleman dismisses claims that the political nature of Canada has produced a relatively decentralised and divergent set of business interests. Along with Skogstad, he provides evidence that Canadian federalism has not created an inexorable fragmentation among interest associations. On the contrary, the more influential Canadian business associations were predominantly unitary in structure, and were no more fragmented than in comparable countries (p.248). While Coleman identified industry structure as the major influence on the degree of fragmentation, he does not explore the proposition that Canadian business adopted more centralised unitary structures as a way of compensating for the constitutional arrangements.

Yet, when coming to assess the applicability of small European state corporatist models for Canada, Coleman appears to retract his argument. Notwithstanding the fact that business has established unitary associations, the parliamentary and constitutional character of Canada, he insists, prevents business from developing 'encompassing' peak organisations able 'to adopt broader and longer-term views (p.261). In this way, corporatist means of economic management are frustrated in Canada, Coleman argues, because:

[p]olicy options are constrained by institutional arrangements. Particular structural arrangements are suitable for some kinds of policies and unsuitable for others. As they stand, Canadian political institutions favour company-led growth rather than state direction, horizontal economic policies rather than sectoral planning, and autonomy of the firm rather than concertation among business, labour, and government. If political leaders are to look to implementing different kinds of policies, particularly those inspired by the smaller European states, then they should consider whether the institutional context is appropriate (p.269).

Yet federalism, jurisdictional arrangements, parliamentary representation and meso-level policy formation, are each part of the institutional context referred to

by Coleman. In the latter part of the book, these political factors rather than the characteristics of industry structures are now suggested as the main reasons for the lack of national unity among business and the relative absence of centralised, concentrated and expert interest groups. In one theoretical context Canadian political institutions do not cause greater fragmentation among business: in another they do.

Inside the policy-making process, Coleman argues that Canadian business associations have increased in policy-making significance. Continuing the themes of his earlier published work, he suggests that a reassessment of the role of business associations is needed because of the enhanced involvement of such bodies in formal political processes. Somewhat counter to Skogstad's analysis, Coleman's study finds that business groups have undergone a transition from the role of policy takers to policy makers and, accordingly, have increased their importance to their respective business sectors. This transition has been achieved through a more active participation in policy formation and agenda setting.

Moreover, Coleman has claimed that capital-state relations are characterised by a more institutionalised relationship than is generally perceived. This institutionalised relationship provides a complementary political avenue for business beyond the elite-instrumentalist convergence of interests based on capitalist access to state decision-makers. Thus, business associations routinely channel sectoral conflicts to the state, but generally involve only the middle and upper levels of departments and state agencies. This in turn leads to capital-state relations taking two apparent forms: first, influence-dependence through patterns of direct access, personal dealings and influence; or, second, other structural patterns of political relations tapping into state power but reliant on associational involvement (including pressure pluralism, clientelism, and industry-level corporatism).

Coleman's analysis suggests that business relies greatly on interest associations for its institutionalised relationship with government, and its involvement in policy-making processes. Yet it is puzzling that he cites with apparent approval the work of Offe (1981, 1985) and Offe and Wiesenthal (1980) on the relative insignificance of business associations for capital. Coleman indeed seems to regard his own study as consistent with Offe's hypothesis, when in fact the weight of his empirical analysis calls into question Offe's arguments on the structural limitations imposed on the collective associations of business.

In the early 1980s Offe suggested that interest group organisation among sectors of business does not significantly augment their power nor increase their decisive capacity. He argued that in the representation of interests the role of organisation was very different for business interests than for labour interests. This led Offe to the view that separate 'logics' operated for business and labour associations. Because of their structural position in the economy, business interests did not require collective organisation to exercise economic and political power. Hence, collective action was far less important to business, with business associations playing a marginal role in the real politics of business.

In part Offe's analysis is dependent on a teleological view of interest intermediation where representative organisations of business are judged according to whether they have progressively reached levels of development sufficient to satisfy their integration in corporatist public policy formation. Schmitter and Streeck (1982) have taken up this point in suggesting that business associations move from 'early' stages of organisational development toward the status of 'private governments mediating between the state and the market'. Such status is derived from state recognition and the accreditation of 'privileged' business associations which have achieved stability and a 'relative autonomy' from their membership base. Whereas Offe has viewed with some scepticism the capacity of business associations to participate in policy development (in his terms corporatist political structures), Schmitter and Streeck have pointed to the increasing institutionalised involvement of business associations in the decision-making process, approaching a form of 'interest government'. Coleman's own work appears to confirm this institutionalisation of collective business action. His empirical work on business associations active policy participation with various state agencies makes Offe's argument less persuasive.

Similarly, Moran has also shown that in Britain the financial interests of the politically important 'City' of London initially refused 'forms of interest representation involving bureaucratic organisation', and instead relied on 'traditional' networking and personal and informal contacts (Moran, 1983). Bureaucratic interest representation was eschewed because of the external power of the banks and because they opted for self-regulation over financial markets. However, from the late 1960s the 'City' became more organised as it sought regular participation in state policy making and within the European Economic Community. The banks eventual adoption of formal means of interest representation indicated that the 'City' felt itself less able to bring its effective power to bear without organisation. Such empirical developments appear contrary to Offe's assertion that capital retains its power 'even if it is not organised as an interest group'. It also highlights the need for business input in the initiation or modification of policy changes, rather than their ability to withdraw from or obstruct certain economic relations. This again is very much the approach taken by Coleman.

Despite some theoretical problems, Coleman's *Business and Politics*, is an impressive study into the nature and role of business interest groups in Canada. His work also suggests a critique of Offe's argument with respect to interest representation. Studies such as this (as well as Skogstad's policy studies) are valuable additions to our understanding of how business politics transmits its interests into public policy processes. Although similar detailed studies exist for comparative countries (notably West Germany and Britain), there is no real comparison to this work as yet in Australia.

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