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Introduction: Understanding Business Power and Public Policy in a Development Context

José Carlos Marques and Peter Utting

Global trends and events in recent years – growing inequality, persistent poverty, climate change, food insecurity and the financial and economic crisis of 2008–9 – have called into question the development credentials and viability of a model of liberal capitalism that has been promoted by Northern governments and international financial institutions (IFIs), as well as business elites and technocrats from both the North and South. Core features of this model generated perverse distributional and social effects, particularly for developing countries. These included a low propensity for employment generation and decent work, the casualization of labour, the privatization of basic public services, financialization and a focus on short-term profitability and shareholder returns, economic concentration and the crowding out of smaller producers and enterprises, and the unlevel playing field for trade and investment that favoured some countries and business interests, and constrained others. Most problematic from the perspective adopted in this volume, however, are the rolling back of certain state functions and capacities, the residual status accorded to social policy and the disregard for power imbalances.

The pervasiveness of this model is typically explained with reference to its solid ideological foundation, namely neoliberalism, which arose in reaction to the perceived or real limits and contradictions of Keynesianism, socialism and developmentalism. Underpinning and reinforcing such a model, however, was a configuration of social forces and institutional arrangements that saw big business interests increase their power in a context where national states and other organized interests, notably labour, were losing ground in shaping the direction of economic and social development. The rise in business power was associated with the increasing mobility of capital worldwide, the rapid expansion of foreign direct investment (FDI) and international trade, financialization, privatization, as well as the structuring of production in global value chains.

Business power assumed multiple forms. A useful categorization refers to the structural, instrumental and discursive power of business (Fuchs 2005; Sell 2009). These different dimensions mean that the design and implementation

of public policies are influenced, respectively, by 1) perceived or real threats of 'capital flight' or 'capital strikes', as well as competition among states at both national and subnational levels to create an investor-friendly environment; 2) lobbying, campaign financing, bribery, 'revolving doors', the provision of technical information and expertise, and other professional, as well as personal and family ties; and 3) cultivating a particular worldview or narrative concerning how development should be, and framing public and policy agendas and debates in ways that create blind spots related to particular issues and lines of argumentation.

While key aspects of business power and influence have been strengthened during the contemporary era of globalization and liberalization, it is also apparent that several 'varieties of neoliberalism' exist (Crouch 2010) and that numerous configurations of state–business–society relations are possible. Furthermore both states and business, like civil society, are highly heterogeneous entities with multiple interests¹ – the upshot of which may be very different types of alliances, coalitions and compromises.

This volume, and its companion volume, *Corporate Social Responsibility and Regulatory Governance: Towards Inclusive Development?* (Utting and Marques 2010), explore the complex dynamics of state–business–society relations and their implications for inclusive development, understood as patterns of growth and structural change associated with broad-based social wellbeing, equity and sustainable development. This volume addresses what constitutes a major blind spot in the mainstream literature on corporate social responsibility (CSR), namely how business interests influence public policy. If we are really to understand how business impacts inclusive development, it is necessary to analyse not only the more direct connections via the economic and social activities and performance of firms, notably in the fields of employment and CSR, but also how business interests interact with public policy. This volume examines the dynamics of business power and engagement with the public policy process in countries that have undergone the 'dual transitions' to democratic rule and economic liberalism in recent decades.² In addition to trying to open up the black box of business–state relations and understand their implications for inclusive development, it identifies various institutional arrangements and forms of collective action that can play a role in moderating business influence over public policy and crafting business responses more conducive to inclusive development.

Key questions addressed in the chapters that follow include:

- Can business–state relations be reconstituted in a manner conducive to inclusive development?
- Does the rise of big business fundamentally constrain inclusive development processes?
- Under what conditions might business support or accommodate progressive social policy?

- How should governments and regulatory institutions in developing countries respond and adapt to the increasing structural and lobbying power of business?

This introduction provides an overview of the chapters in this volume, summarizing their contributions and positioning them from both theoretical and policy perspectives. We argue that both the mainstream and ‘alter-globalization’ perspectives on neoliberal restructuring have been plagued by blind spots and misconceptions that have become particularly problematic in the current international policy environment. This is followed by a review of three streams of literature in comparative political economy and the welfare state tradition, which we propose provide a useful analytic framework for understanding how political processes have led to inclusive development in different contexts. We then summarize the individual chapters in this volume and the key contributions made by each of them. The final section reviews these contributions, using the analytic lens developed earlier, and reflects on some of the policy implications that might be drawn from the contents of this volume.

Blind spots and misconceptions

The analysis of state–business relations and the process by which public policies are crafted is crucial for understanding the nature and trajectory of contemporary development approaches and their distributional and social consequences. This section argues that both contemporary mainstream development thinking and the ‘alter-globalization’ perspective on how to deal with the failures of neoliberal restructuring have suffered from important blind spots and misconceptions.

Of particular concern is the question of business power and its influence on public policy, an issue for the most part ignored in international development circles. For example, in an inquiry into how to eliminate global poverty, Jeffrey Sachs calls on governments to reform policies and governance to facilitate aid, trade and investment, and urges the antiglobalization movement not to be overly concerned about big business, free trade and FDI (Sachs 2005). Such prescriptions give short shrift to the politics of contemporary policy processes. Situations where business tries to set the rules of the game are lamented, but few insights are offered into how the negative influence of big business on public policy might be curbed, or into the complex ways in which macroeconomic regimes and government policies are linked to actual or perceived business interests.

Similarly, the United Nations (UN), through the UN Global Compact and numerous other voluntary and partnership initiatives, has engineered a rapprochement with big business which pays scant attention to key questions of business power and influence in shaping public policy and regulatory

regimes. Global corporations are now considered key partners in efforts to promote inclusive and sustainable development. Worrysome, however, is that in the process of crafting this new relationship with business, issues of institutional capture and the facilitation and legitimization of corporate capitalism are often ignored. Critical inquiry into the role of business elites in development and governance has been sidelined in mainstream international development circles (Utting and Zammit 2006).³

These constricted, apolitical approaches and prescriptions are characteristic of the way global elites have contributed and responded to the contradictions of 'neoliberalism'. The so-called 'Washington consensus' of the 1980s, which emphasized the need to downsize certain state institutions, 'get the prices right' and provide only minimal levels of social protection, failed to generate the promised levels of investment and growth for developing countries (Rodrik and Subramanian 2009) while exacerbating poverty and inequality. The response from the mainstream development community came largely in the form of the 'post-Washington consensus', that added 'good governance' and 'poverty reduction' to the original formula. Novel regulatory and managerial arrangements associated with CSR were perceived as a means to mitigate globalization's negative consequences and 're-embed liberalism' (Ruggie 2003). Since the early 1990s multilateral organizations such as the UN and the World Bank, as well as many non-governmental organizations (NGOs), crafted a proactive response centred on CSR. Encouraged by the development community to use their competencies and capacity for innovation in ways perceived to be more directly conducive to inclusive development, and facing new types of political risk and uncertainty in developing countries, transnational corporations (TNCs) responded positively.

The CSR agenda promoted an ever-widening range of reforms and voluntary initiatives. These included the setting of social and environmental standards; development of various monitoring, reporting and verification mechanisms; consultation and engagement with different stakeholders; and assistance to local communities. In recent years a growing number of global and national corporations have taken part in the new poverty reduction agenda, including the UN's Millennium Development Goals (MDGs). TNCs, in particular, are being urged to play a more proactive role, not only through CSR but also public-private partnerships (PPPs) and inclusive business models, that aim to connect 'the poor' or local communities to global value chains and markets as consumers, producers and service providers. They are also encouraged to play an increasingly prominent role in so-called epistemic communities or knowledge networks that shape international policy.

These reform agendas had major blind spots. The post-Washington consensus basically left unchanged the problematic macroeconomic agenda of the 1980s in the expectation that, in time, such policies would create the type of business-friendly environment that would attract FDI and facilitate

export-oriented growth. The good governance agenda promoted multi-stakeholder dialogue and the participation of non-state actors in the policy process, but failed to address the gross imbalances in power relations among different ‘stakeholders’ and the problem of institutional or regulatory capture by business interests. The CSR agenda not only took for granted the rise of corporate power but also tended to place key issues off-limits. Employment generation, ‘living wages’, tax avoidance and evasion, lobbying for socially regressive policies, profit repatriation and the inequitable distribution of value within global production chains remained either off or at the very bottom of the CSR agenda. Given its focus on voluntarism, and the initial (if not ongoing) ideological suspicion of the state and trade unions, the CSR agenda largely ignored a fundamental political economy dimension of inclusive development, namely the nature of state–business relations and their implications for public policy. Little attention was paid to whether organized business interests support, accommodate or undermine government ‘social policy’, understood broadly in terms of diverse aspects of state policy – including not only traditional areas such as health, education and social security, but also those related to labour markets, taxation and small enterprise development – that impact social development and inclusive growth.⁴

If mainstream development agendas had some stark blind spots related to questions of power so too did those calling for more transformative patterns of development or ‘alter-globalization’. Three, in particular, stand out. First, critics of voluntarism or private regulation often focus on the need for mandatory regulation of business. Such harder forms of regulation may indeed be key but what Newell (2008) has referred to as ‘regulatory fetishism’ runs the risk of ignoring the politics of regulatory change, as well as such aspects as the role of communities in regulating business at the local level (Newell 2008), and possible complementarities and synergies between voluntary and legalistic approaches (Utting 2005b). Second, critical perspectives on corporate capitalism and neoliberalism often emphasize the need to strengthen countervailing forces and reconfigure the balance of power among different social actors and the state to bring about a more transformative change.⁵ Within this scenario, ‘active citizenship and effective states’ (Green 2008) play the key role in processes of institutional and policy change. If civil society can mobilize resources, access mainstream circuits of power and influence the policy process, then meaningful policy and institutional reform, it is assumed, will likely ensue. As several of the following chapters (and the companion volume) show, such dimensions of change are crucial. What this analysis often underestimates, however, is what is happening on the other side of the power equation both in terms of inertia and inbuilt resistance to progressive change within state institutions and their bureaucracies, the symbiotic relationship between government technocracies and business elites and the convergence of their interests and worldviews, as well

as how business elites themselves are organizing and mobilizing to secure or enhance their power and influence (Levy and Newell 2002; Utting 2005a).

Third, alter-globalization perspectives have often paid insufficient attention to the potentially constructive role of big business in processes of inclusive development. Mobilizing the resources and competencies of business is an important part of the development equation. Indeed, this was a key feature of the Nordic and East Asian countries that managed to reduce poverty over relatively short periods of time. As explained in the following section, such contributions occurred in particular institutional and political contexts, where not only the correlation of forces but also the role of social pacts and compromises were key. So too were economic contexts where some segments of business had an interest in certain types of social policy. It is crucial therefore to differentiate business preferences: in practice, different firms and industries, large and small, operating in diverse economic, political and cultural contexts, may have quite different positions on public policies, in general, and social policy, in particular.

In contrast to the perspectives above, a more nuanced approach is essential for crafting inclusive development trajectories. Understanding state–business relations and public policy-making processes is particularly pertinent in the international policy context that has unfolded in recent years. A combination of circumstances, including democratization and growing recognition of the unacceptable social costs of neoliberal restructuring, has prompted some governments and IFIs to elevate the status of social policy and pay more attention to social programmes and active labour market policies. Global public policy and poverty reduction discourse is increasingly addressing the idea that social protection, employment protection legislation, and unionization may not be an impediment to high employment and productivity (World Bank 2005; OECD 2006). The supposed trade-off between social protection and economic growth, that was an ideational feature of the Washington consensus, is being reconsidered.

In assessing whether such reassessments are likely to translate into significant social policy changes, it is crucial to understand the position of organized business interests and the question of whether they are likely to resist or support such changes. Contemporary development thinking and those critical of it have largely ignored the empirical evidence provided by the development experiences of countries that have successfully followed socially inclusive development paths. The following section examines some of the rich and highly insightful literature on this topic, particularly how different schools of thought within the field of comparative political economy have analysed the relationship of business to social policy. It highlights the key theoretical contributions of these literatures, which we suggest provide the required analytical lens from which to analyse contemporary development concerns. It also highlights the limitations of these literatures, which the chapters in this volume seek to address.

Competing views on business and social policy

What does the broader literature that ventures beyond CSR to address business–state relations have to say concerning business positions on social policy? The extensive literatures on comparative capitalism and the emergence of the welfare state are highly relevant and provide critical theoretical and empirical–historical foundations from which to build. Three main strands of thinking can be discerned in this literature: the power resources approach (PRA), the developmental state approach (DSA) and the varieties of capitalism (VoC) approach. This section shall provide a brief overview of each, as well as how they relate to each other, before discussing the relevance of their contributions and their limitations in answering the questions posed at the beginning of this introduction.

Class-based distributional struggles – the power resources approach (PRA)

The strand of thinking referred to as the power resources approach (PRA), or power resources theory (PRT), is a class-based perspective that emerged in the mid-1970s as a reaction to the theories that held sway at the time. Whereas the pluralist, structural-functionalist and neo-Marxist theories assumed that the distribution of power in society was relatively stable and driven by either systemic requirements or elite preferences, PRA emphasized distributive politics, particularly the power of the working class as key to understanding social reform and the creation and expansion of Western European welfare states (Korpi 1983; Stephens 1979). It provided an explanation for the observed variance in welfare states and established a strong normative position, suggesting that the benefits and risks arising from the operation of the market can only be fairly distributed within society by a means of a welfare state driven by strong labour movements and their associated political coalitions and constituencies (Esping-Andersen and Korpi 1985; O'Connor and Olsen 1998).

Effective collective action in the form of unions, strong political organization and the parliamentary system provide labour with the means to counteract capitalist interests and achieve independence from the market and employers via a process of 'decommodification'⁶ (Esping-Andersen 1990). The formation of coalitions with other groups that were either underprivileged or threatened, such as the agrarian class or the church, would increase political strength and shape social provisioning. In this view, the welfare state is not only the result of labour's political ability to mobilize against capital but the means by which labour is able to increase its power resources and maintain political leverage. Social provisioning and protection provides labour with greater and more egalitarian distribution of resources, leading to the elimination of social fragmentation and some of the barriers to concerted collective action.

Strong labour unions became a pivotal element of the postwar neo-corporatist system of governance in various countries in Western Europe (Esping-Andersen 1990). The resultant social partnerships between states, organized business groups and labour unions were characterized by 'political exchange' (Pizzorno 1978) and a sustained period of economic growth and low wage dispersion.

Re-emergence of the state – the developmental state approach (DSA)

In the mid-1980s, a state-centred perspective criticized the PRA for its excessive emphasis on labour and disregard for the role of the state. Rooted in Alexander Hamilton and Frederick List's infant industry theories,⁷ the approach to business–state relations has been alternately referred to as 'statist', 'neo-Weberian' or 'developmental state'. The resurgence of the DSA in the 1980s was driven by the empirical observations of Japan's rapid economic and social development (Woo-Cumings 1999; Johnson 1982).

At the core of this approach is the idea that some states have the capacity to act autonomously and pursue goals that might be at odds with various social classes, including the capitalist class (Evans et al. 1985). The Asian postwar context demonstrated how a mix of geopolitical circumstances and economic nationalism granted some states the autonomy to intervene in the economy in order to promote national objectives, particularly economic advancement. Militarist–bureaucratic heritages as well as the reciprocal dependence of the state and a budding domestic capitalist sector provided the institutional capacity to do so effectively.⁸ Social legitimacy was a prerequisite for holding on to power and although often corrupt, political actors also had an overriding commitment to build internationally competitive national industries (Gomez 2002).

One of the key points made by this literature is that what underlies successful instances of developmental states are corporatist structures within which highly institutionalized public–private cooperation took place (Doner and Schneider 2000).⁹ These policy networks, frequently termed 'deliberation councils', were initially hailed by the World Bank as key to the 'East Asian Miracle'.¹⁰ The statist account of East Asia highlights the need to provide economic rents to capitalists that would use it productively, and support policies and bureaucracies that would reinforce this process by disciplining unproductive rent-seekers through corporatist structures (Amsden 2001; Khan and Jomo 2000). Strong bureaucracies and deliberation councils did not eliminate rent-seeking and corruption. Rather, these ensured capital accumulation and developmental processes proceeded despite it. In the East Asian context, large-scale cronyism and corruption existed alongside economic development and the selective rent allocation process that spurred industrialization (Khan 2001).

This form of joint policy-making led to the instrumental use of social policy, an overlooked and poorly understood aspect of the developmental state in

East Asia. Social policy effectively provided both the legitimacy required for the economic project and enhanced the capital accumulation process itself (Mkandawire 2004). With regard to the former, expansion of social policy often coincided with a challenge to governments' legitimacy.¹¹ Concerning the latter, two specific elements stand out. First, an active social policy enabled the 'learning-by-doing' pattern of industrialization successfully pursued by East Asian firms. Second, social policies regarding pensions resulted in the creation of large state-directed investment funds that were used as leverage over capitalists (Amsden 2001). In sum, progressive social policies enabled dynamism in productivity and industrial progress, both directly through labour education, training and health initiatives and incentives, and indirectly as a means of ensuring more cooperative labour–management relations and a stable business environment.¹²

Firm-centred perspective – the varieties of capitalism (VoC)

In the late 1990s both the PRA and DSA explanations of progressive welfare reform were challenged by approaches based on neocorporatist lines of thinking that emphasized the role of companies as employers and the associated institutional complementarity of competitive systems of production (Hall and Soskice 2001; Hollingsworth and Boyer 1999; Mares 2003).¹³ This literature, generally concedes that labour movements and states, particularly sociodemocratic governments, influence social policy but points to the salience of the firm and its social relations. It argues that the positive role employers played in the formation of welfare states was disregarded, particularly the important role played by cross-class alliances between employers and employees from the same sector (Swenson 1991).

Following a tradition of comparing different systems of capitalist production, Hall and Soskice's (2001) comparison of LMEs (liberal market economies) and CMEs (coordinated market economies)¹⁴ argues that: 1) there is no ideal institutional arrangement for organizing economic activity and therefore the market should not be promoted as the basis for modern economic and social organization; and 2) social policy preferences on the part of employers will be determined by employee skill requirements for successful competition in different types of product markets. Together, these two points imply that social welfare can be perceived as an institutional complement to national production systems.

VoC's explanatory power lies in its ability to establish links between product market strategies, workforce skills and the divergence in welfare systems. Its main argument is that the welfare state in CMEs can be understood as a means of insuring employees against labour market risks inherent in developing the specialized skills firms require. The more specific an employee's skills are to the operations/processes of a particular firm, the less 'portable' those skills become within the marketplace, and therefore, the more dependent the employee becomes on that specific employer (Hall

and Soskice 2001). Referring to ‘welfare production regimes’ as ‘the set of product market strategies, employee skill trajectories, and social, political, economic institutions that support them’,¹⁵ Estevez-Abe et al. (2001: 180) argue that product-market competitiveness in CMEs requires access to a workforce with a mix of general, industry-specific and firm-specific skills. Whereas workers with general skills are not dependent on specific employers, workers investing in a narrow (and therefore not easily transferable) skillset are in effect restricting their employability options and increasing their risk exposure.

From this perspective, social welfare is the insurance required to lower employees’ risks and provide firms with the skills required to compete in international markets. Not providing social guarantees would mean exposing themselves to the potential underprovision of the skills required for competitiveness. In this view the welfare state is not perceived as the result of capitalists’ collective weakness in the face of strong labour, but rather of their ability to coordinate and overcome the collective action problem in pursuit of their own self-interest. As such, it provides an understanding of how welfare policies can be reconceptualized as an integral component of product-market competition and suggests a possible basis for understanding employer interests in social policies and influence in policy-making processes in developing countries.

Insights and limitations

While these three strands of thinking on welfare states and business–state relations place different weights on the roles of different actors in shaping social policy, they can be understood as complementary perspectives, which, when viewed holistically, provide an effective vantage point from which to contemplate inclusive development trajectories. Together these theories point to the fact that policy outcomes are a function of actors’ policy preferences and the channels, mechanisms or institutions by which these are aggregated and mediated within policy-making structures. Three main analytic facets emerge: 1) the relative structural power and influence of different actors; 2) the collective action institutions that aggregate and mediate interests; and 3) the conditions under which these institutions engender a synergistic relationship between economic competitiveness and social policy.

These theories call attention to how the balance of power in society moderates the relationship between business and social policy. PRA suggests that capitalists have acquiesced to demands for expanded social policies when the working classes and their coalitions gained political strength, and the unions that represented them acquired negotiating power. The DSA proposes that states with the bureaucratic capacity and political autonomy to impose conditions upon capitalists have emphasized strong instrumental social policies and promoted economic development, in part as a means of legitimating

their power. VoC, for its part, acknowledges the role of unions and the state but emphasizes the power dynamics within the business sector and firms' abilities to overcome divisions and conflicts over policy preferences.

All three theories direct our attention to the organizational aspects of how power is embedded and mediated. According to PRA, the expansion of social programmes was the result of social movements not only influencing policy-makers but directly engaging the political process on an institutional level by forming political coalitions and parties that are elected to power and unions capable of calling for and enforcing strikes. Conversely, the VoC approach and DSA emphasize the role of powerful business associations, capable of facilitating and/or coercing compromises and sanctioning members that defect from agreements. The three theories converge in how they highlight the various deliberative institutions that permit actors to share information, negotiate and resolve issues relating to economic production and distributional concerns. PRA, DSA and VoC describe, in varied ways, how ongoing institutionalized interaction between the state and business, or between the state, business and unions, increases trust, resolves conflicts and mediates power. These negotiating structures, referred to as 'social pacts', 'deliberation councils' and 'neocorporatist institutions' in these literatures highlight the need for encompassing structures that represent broad segments of society.

These varied streams of thinking on welfare states also explain how such actor interactions produced production regimes that have simultaneously promoted economic growth and expanded social policies in a mutually reinforcing manner. VoC, in particular, focuses upon the institutional complementarity underpinning different political economies and the important role social policy can play in business product market strategies within CMEs. The DSA highlights how East Asian states used social policies in an instrumental fashion to promote economic growth. The PRA also suggests that the neocorporatist institutions resulting from business accommodation of labour power resulted in both economic growth and expanded social policies. Overall, these theories provide a strong argument for a more nuanced understanding of the structural reasons for employers' social policy preferences.

Despite their significant contribution to our understanding of the relationship between systems of political and economic governance, and social welfare, these literatures display certain shortcomings when applied to the contemporary developing country context. To some degree, they are each bound by time and space, meaning that they best explain a specific type of regime during a particular time period in history. 'Spatial' limitations include the fact that the unit of analysis of each of these literatures is at the regime or nation level, with attention focused on the advanced industrialized countries or the so-called 'late industrializers'.¹⁶ The VoC perspective tends to focus on the OECD countries and suffers from a number of limitations when applied to developing countries. As it deals with ideal types, its explanatory power does not transfer well to economies where institutions are not well

defined, undergoing rapid change, or of a hybrid nature. Furthermore, VoC's conceptualization is largely unconcerned with the origins of institutions, a point of importance to developing countries. Similarly, PRA's roots lie in the analysis of class-based partisan politics in Northern Europe's social democratic countries. Although it has been extended to countries where labour is weak, such as the United States, or to where labour unions are not dominant actors in the governing coalitions, such as European Christian democratic countries, its explanatory power is best suited to advanced capitalist societies.

In a similar vein, DSA has centred on East Asian developmental states, a narrow band of countries that began their development trajectory under unusual geopolitical and institutional circumstances. The confluence of factors that strongly shaped the nature of these states differs greatly from the circumstances most developing countries have encountered in recent decades. This developing–developed divide has seemingly determined whether issues relating to the detrimental effects of rent-seeking were addressed or sidestepped. While business–state research on developing countries examines the relationship between industrial policy and corruption, it gives short shrift to the role of social and labour policy in the development context. Similarly, the PRA and the VoC perspectives examine the welfare state but circumvent concerns relating to rent-seeking and political capture by special interest groups.

Regarding the ‘temporal’ limitations of these literatures, all three perspectives exhibit an inability to adequately model the dynamic nature of contemporary political economy scenarios. Their emphases upon the institutional structures of the postwar boom lead, in different degrees, to path-dependent explanations, ill-suited to considering the situation of today's developing countries affected by economic liberalization, democratization and the rise of new modes of policy-making and governance. Particularly pertinent with regard to the latter are the rise of ‘technocratic governance’, the premium placed on ‘expert’ knowledge and ‘epistemic communities’ (Haas 1992), as well as the emphasis on CSR and PPPs.

The three perspectives outlined above pay limited attention to business beyond national borders, TNCs operating in an international context, and the pressures exerted by financial capital. Whereas capital can now cross borders and access vast labour markets, labour unions are mostly confined to the national level, and have been undermined as a result of widespread casualization and informalization of labour. This has diminished their ability for collective action and power. As a result, the balance of power relations has generally shifted in the direction of business. In a global economy the labour-infused version of PRA may no longer be as relevant as it once was. Revising and updating PRA requires an understanding of what are the new power resources. Similarly, the neoliberal emphasis on rolling back the state or fostering the ‘competition state’ has constrained the scope for resurrecting new developmental states, the focus of the DSA literature.

What the chapters say

The 11 chapters that make up this volume begin to address the spatial and temporal limitations mentioned in the previous section. They do so by examining the dynamics of business–state relations and their implications for inclusive development in less developed economies. These chapters pay particular attention to political economy contexts characterized by weak labour movements, and curtailed state power and policy space. New modes of public and voluntary private regulation, as well as the rise of technocratic governance and systems of electoral competition where the differences between right and left have become more opaque, are also considered. As such, they provide a clearer understanding of how various business actors engage with social policy, an essential input into current policy concerns with moving beyond both past and current variants of the Washington consensus.

Chapter 1 by **José Carlos Marques** provides a historical and comparative perspective to understand the relationship of business to social policy. Drawing together insights from various streams of literature on the political economies of the United States, Northern Europe and East Asia, he examines the political, economic and institutional conditions under which business has contributed to progressive social policies and the promotion of more inclusive patterns of development. His analysis suggests that progressive social policies are prevalent when business has low structural power relative to other social actors; industrial production is heavily dependent on a highly skilled labour force; social pressures affect a large cross-section of the business community; and collaborative institutions, including encompassing business associations, facilitate social dialogue and policy-making.

Proposing that lightly regulated markets with minimalist social policies are inappropriate for developing country economies, **Kevin Farnsworth** argues in Chapter 2 that intergovernmental organizations and governments tend to selectively promote ‘taken-for-granted’ views of business, rather than responding to a broad range of business preferences and needs. Such preferences vary considerably, depending not only on types of firms and industries but also the institutional environment in which business operates. Furthermore, in relation to social policy, he notes that business actors often do not engage effectively in the policy process, given issues of complexity and uncertainty. Despite these conditions, the structural power of business is immensely important in shaping both fiscal and social policy. Key actors in such outcomes are intergovernmental organizations, international business associations and ministries of trade and industry, all of which promote generic assumptions about what ‘business’ needs and/or wants. The structural power of business is associated then not only with the perceived potential for investment strikes or capital flight, but the pressures states are under to compete for new investment in the context of globalization.

As a result, governments respond selectively to the structural pressures of certain types of firms and investors, thereby locking themselves into a social policy agenda that can harm the welfare of individuals, economic development and the interests of the business community as a whole.

Turning to the specific case of India, in Chapter 3 **Kanta Murali** outlines the evolution of business–government relations in the era of economic reforms in India, and the subsequent impact on public policy, particularly labour policy. Liberalization has resulted in competition for private capital among state governments, offering ‘investor-friendly environments’, and has provided a major impetus for collective action by business. As a result, the ability of the private sector to articulate common interests, and its channels of access to government, have increased significantly. Although the business reform lobby has been driven by competitiveness concerns, it has had mixed results, with few legislative changes and a trend of *de facto* reform in some areas, such as labour market flexibility that is optimal neither for labour nor for business. Murali proposes two factors that constrain the influence of business on labour policy liberalization: India’s vibrant democracy, and the difficulty of policy reform posed by India’s constantly shifting coalition politics at the national level. In effect, although the Indian state and political system struggle to respond to the needs of the masses, democratic politics provides an effective obstacle to the introduction of potentially harmful social policies.

The following two chapters examine the role of business actors in trade negotiations. In Chapter 4 **Benedicte Bull** explores how Chilean business has influenced, or attempted to influence, the way in which trade agreements regulate environmental conduct and respect for labour rights. Although trade negotiations have often been portrayed as a ‘two-level’ game in which governments have to bargain with domestic groups and foreign trading partners simultaneously, she argues that such a distinction fails to recognize the considerable symbiosis of technocratic and business opinion, and the fact that the state has delegated some regulatory authority to business actors. Active cooperation and participation on the part of the business community has provided Chilean negotiators with significant technical expertise (via revolving doors, feasibility studies, coordination of business input, provision of data and analysis, and so on), mitigating the antagonistic relationship that existed between the government and business after the return of democracy in 1990, as well as reducing domestic opposition to trade agreements. Against this backdrop, Bull affirms that the prominence of environmental and labour issues in trade negotiation and business association agendas varies significantly. She suggests that this variability is explained by the fact that norms and standards from trading partners and Northern consumers have been the most important factors behind the introduction of social and environmental concerns in discussions.

In Chapter 5 **Gloria Carrión** examines how business actors in Nicaragua, a small and low-income country, sought to influence the negotiations around the Dominican Republic–Central American Free Trade Agreement (DR–CAFTA). To understand the influence of business, however, the chapter also takes a closer look at the role of civil society actors and the state in the policy-making process. Asymmetrical power relations operated at two levels, both at the inter-state (United States versus Nicaragua) and national levels. Organized business interests heavily shaped the Nicaraguan government's negotiating position, as exemplified by the ample access to government negotiators granted to certain business associations and representatives with the financial resources and technical knowledge that technocrats needed. Meanwhile, civil society actors that were either opposed to the agreement or sought to secure safeguards related to labour and environmental issues and the situation of small producers remained divided and weak, and, as a result, were not influential. The chapter highlights the implications of DR–CAFTA for inclusive development, noting that a national alliance of business interests and technocrats enjoyed a degree of negotiating space on issues related to market access but could not confront the structural power of the United States and transnational capital. This ensured that any enhanced market access would come at the cost of more stringent commitments related to intellectual property rights and foreign investment. As a result, Nicaragua's policy space was further constrained.

In Chapter 6 **Bart Slob and Francis Weyzig** focus on the issue of lobbying. They provide an overview and assessment of the literature and debates on corporate lobbying and assert that the political strategies of firms can be grouped into two main types: information-oriented and pressure-oriented. Whereas information-oriented lobbying focuses on the provision of technical knowledge and support via research reports, data, analysis and opinions, pressure-oriented lobbying involves influencing policy-makers via advocacy campaigns, linking policy decisions to investment decisions and pushing for self-regulation. Referring to the rise of CSR discourse, they call attention to the fact that ethical aspects of corporate lobbying and efforts to systematically align corporate lobbying with CSR principles are lacking. Reporting systems that provide guidelines for companies on how to report about lobbying strategies and activities are seldom applied, comprehensive information on corporate lobbying strategies and activities is rarely provided to stakeholders, and companies often disregard the lobbying positions of the business associations of which they are members. Through an examination of specific cases, they argue that, from a development perspective, the current lack of coherent policies and disclosure is particularly worrying. Some of the most important lobbying channels and effects of lobbying, notably in developing countries, remain unaddressed by academics and policy-makers. Because of the difficulties of regulating lobbying through law and

public policy, transparency, disclosure and aligning company CSR policy and lobbying practices constitute an important complementary approach. Lobbying must be included in CSR policies, and companies should have the obligation to report on all lobbying channels and positions.

The issue of political corruption following Peru's dual economic and political transitions is the focus of Chapter 7 by **Francisco Durand**. Drawing on data concerning the investigation by congressional committees of tax exoneration practices during and following President Fujimori's regime, he examines the changing nature of state capture. This evolved from a more extreme mode, during the authoritarian Fujimori administration, to a more moderate mode, in the post-Fujimori democratic and liberal context – a situation he refers to as 'stronger corporations operating within weaker states'. Corporations, the most powerful economic actors in the new liberalized democracy, obtained privileged access to, and undue influence over, the most important branches of the state apparatus. Specific conditions, such as revolving doors and control over the appointment process in key branches, allowed the concentration of economic power to persist, despite newly invigorated democratic institutions and a resurgent civil society. Calls for the elimination of corporate privileges made it more difficult, but not impossible, for both national and international corporations to defend economic rents, in the form of tax exonerations that amounted to billions of dollars and a significant share of the country's GDP.

State capture was a particularly acute problem in the former Soviet republics following the collapse of communism. In Chapter 8, an analysis of the rise of business associations in post-socialist Russia, **David O'Brien** depicts a situation where economic liberalization within a newly emergent democracy led to co-optation and capture of the state. The disproportionate voice of big business and its influence within the embryonic business associations operating across the countries of the former Soviet Union aggravated already deteriorating social circumstances and dismal government social policies. However, against this backdrop, O'Brien highlights how the implementation of a state-led national management training programme for young entrepreneurs provided unexpected impetus for the formation of local business associations that established links to local government officials as a means of influencing policy, including social concerns.

The black box of how business interests influence policy is opened up further in Chapter 9 dealing with Brazil. **Wagner Pralon Mancuso** examines the collective political strategies adopted by Brazilian industrial entrepreneurs in their campaign for reducing what is known as the 'Brazil cost' – factors perceived by the business community to be limiting the international competitiveness of domestic companies. These include excessive and poor-quality economic regulation; 'inadequate' labour legislation; a tax system that overburdens production; the high cost of financing productive activity; insufficient material infrastructure; and deficient social infrastructure. Mancuso describes

how the National Confederation of Industry (Confederação Nacional da Indústria/CNI), Brazil's peak business association, has operated as a 'political entrepreneur', mobilizing the business community. The lobby group formed by the CNI in the mid-1990s has consistently exerted pressure on legislative decision-making processes and achieved a high degree of political success. Mancuso's research finds that the level of 'success' is particularly high in relation to legislative proposals emanating from the executive branch of the state, suggesting a symbiotic relationship between technocracy and business. He also suggests that Brazil's corporatist tradition is being replaced by forms of business-state relations normally associated with pluralist systems, such as those in the United States. This is particularly worrisome considering the absence of regulation of lobbying activities in Brazil.

The issue of PPPs is the focus of the final two chapters. In Chapter 10 **Martin Kaggwa's** investigation into the South African automotive industry provides sector-level insight into the nuances of institutional capture within a newly democratic and liberalizing state. He portrays a partnership between government, industry and labour where power relations and benefits were skewed in favour of business, and the partnership's social objectives were marginalized despite government efforts to address and prioritize them. Two key mechanisms that explain this bias relate to the considerable space that business actors and technocrats had been given in policy formulation and review when the government adopted a more neoliberal development strategy in the mid-1990s, and, more specifically, the resources that business could bring to the table in terms of information, analysis and expertise. In policy design, implementation, monitoring and review, business enjoyed greater access to knowledge, compared to both government and labour. The framing of industry performance appraisal came to centre very much on economic and financial aspects rather than social dimensions related to employment, empowerment and CSR. Government and labour also lacked the capacity to assess the partnership model and to propose alternatives. The resultant policy framework enabled local industry to successfully integrate into the global automotive value chain but resulted in poor social outcomes.

In Chapter 11 **Paola Perez-Aleman** provides insight into how standard-setting and TNC-NGO partnerships could, under specific conditions that include an important role for the state, foster the inclusion of the poorest small producers and micro-enterprises. She presents a case study on the specialty coffee global supply chain, in which small-scale producers in Mexico and Central America have an important presence due to their control over the limited areas where such beans can be harvested. Examining the evolution from standard-setting to implementation of the Starbucks and Conservation International (CI) alliance, she suggests that the elaboration and implementation of new standards through TNC-NGO partnerships reveal possible routes for fostering inclusive development. Active assistance

approaches at the level of small-scale producers seem particularly important in building their capacity to meet standards and creating conditions that support development and sustainable business. Perez-Aleman points out how the Starbucks–CI alliance provides insight into how the state, a broadly representative private sector and NGOs have the potential to create policies that link social and economic development. While norms and principles can coordinate relations between actors, the standards emerging from partnerships can inform policy-making and government regulation. Sustainable improvement in the social and economic conditions of poor producers, however, requires supporting their collective organization, as a means to establish links with NGOs and governments, gain access to resources, and develop the ability to upgrade their products.

Key themes and findings

The three main themes that emerge from the analysis and related findings contained in the various chapters strongly parallel the analytic lens developed earlier. The first theme, social policy and competitiveness, concerns the relationship between business interests and social policy, particularly the implications for social policy of the changes occurring in business–state relations in contexts of globalization and liberalization. The second theme, power and influence, covers some suggested reasons why business engagement in social policy processes in some countries has been, and remains, quite restricted. The third theme, collective action, identifies structural, political and institutional conditions under which business interests might favour progressive social policies, and how regressive influences may be countered through subaltern collective action and the state’s involvement and active provision of incentives.

Social policy and competitiveness

When examining business–state relations from the perspective of inclusive development, it is crucial to understand the relationship between business competitiveness and social policy. Whereas the CSR literature has largely ignored the link between the two, the neoliberal-era Washington consensus prescribed a residualist and targeted approach to social policy. Such an approach is clearly evident in the reforms many countries have undertaken in recent decades. Restraints on social spending, privatization or commercialization of basic public services, changes in tax regimes that favoured corporations and trade, deregulation or flexibilization of labour markets, and so forth, were all painted with the broad brush of being ‘business-friendly’. Within such a frame it is generally assumed that there is a trade-off between business interests and progressive social policy. Several chapters in this volume however, highlight historical and contemporary empirical evidence that supports a different view – the considerable variation in business preferences

towards social policy, as well as the importance of context in shaping the relationship.

Drawing a distinction between foreign TNCs, large domestic firms, small and medium enterprises (SMEs), and the industries in which they operate, this volume highlights the need to consider the variation and organization of private sector interests as an object of government policy. A main argument is that the suitability of minimal social policies for developing countries, and sweeping generalizations that assume business is inherently hostile to progressive social policy, are highly questionable. The reality or perception that the field of social policy is complex, that outcomes are uncertain and that some aspects of social policy are irrelevant for business may result in passive responses, rather than hostility, on the part of business.¹⁷ However, various aspects of social policy can be conducive to both the short- and long-term interests of both business and society. This is particularly evident in relation to human capital formation, a healthy workforce, and social cohesion and stability. Globalization's effects upon business social policy preferences may also be much more nuanced than conventionally recognized. For example, in relation to trade agreements and related labour and environmental regulations, business may behave more as rule-takers rather than rule-makers in an effort to reduce barriers to market access.

An important insight emerging from the analysis in this volume is that inclusive development requires innovative policies that address and enable both increased competitiveness and rises in social welfare. This requires greater understanding of the complex relationship between fiscal, trade, labour and social policies rather than the marginalization of social policy and segregation of various policy-making spheres. The analysis by many of the contributors suggests the need for a programmatic approach that produces greater policy coherence across policy areas. However, the contemporary development context in many developing and transition countries continues to be dominated by policy approaches that aim primarily to enhance competitiveness in a manner that accommodates specific business interests and stifles the design and implementation of socioeconomic policies more amenable to broader segments of business and society. The next section examines this issue in greater detail.

Business power and influence

The second main theme addressed in this volume concerns the various mechanisms by which business influences public policy. The rise of large domestic corporations and TNCs has major implications for public policy in terms of lobbying and 'institutional capture', particularly where states and civil societies are incapable of constituting countervailing forces. Lobbying practices that frequently urge governments to adopt policies and laws that are socially and environmentally regressive often contradict CSR discourse. Several chapters consider the evolving nature of state-business relations – the manner

in which business interests shape the fiscal, trade, labour market and social policies that determine national development trajectories.

The chapters concerned with Brazil, Chile, India, Nicaragua, Peru, Russia and South Africa examine how some business interests exercise considerable 'instrumental power' as a means of shaping policy in their favour. A variety of methods, including corruption and lobbying by both companies and business associations, are covered. Various cases in this volume, however, demonstrate that influence is often exercised via less overt channels, resulting from the reciprocal dependency between business and government and the shared interests of political and business elites. Stretched government bureaucracies often welcome and encourage business provision of technical expertise and its direct input into trade negotiations, in some cases even delegating trade negotiation and regulatory authority to the business sector. The rise of technocracies committed to free-market ideology and an overriding emphasis on FDI also facilitate corporate influence. Specific mechanisms, such as 'revolving doors',¹⁸ further bind the interests of the two sectors together and reinforce patterns of business–state interaction that determine what type of expert knowledge is used and how it is transmitted to policy-makers. This can result in an exclusionary policy-making process that marginalizes social policy.

Also clearly evident in the case studies in this volume is how ideology and investment decisions reflect a form of 'structural power' associated with business interests that indirectly influences national policy priorities. It can restrict the policy options governments allow themselves and may therefore be equally influential in shaping policy as actual business voices or instrumental power, which attempts to influence government policy directly. Following conventional economic prescriptions on how to create 'investor-friendly' business environments as a means of attracting FDI, governments often accept broad generalizations concerning business needs based on the structural power of specific business actors. Such assumptions may distort fiscal, industrial and social policy in ways that benefit particular sectors of business to the detriment of the wider business community.

The chapters in this volume highlight how the structural conditions required to engender a scenario whereby some segments of business endorse progressive social policy directions are seemingly weak. In their absence, a more active state is essential to promoting the institutional reforms required for inclusive development in contexts of democratization and economic liberalization. Such reforms, relating to social protection, redistribution and regulation, require fostering various forms of collective action, including those involving organized business interests.

Collective action

A key analytical thread that runs throughout the book relates to the questions of which forms of collective action enhance inclusive development

and how the state can promote these. Whereas neoliberal prescriptions frowned upon most forms of collective action, particularly labour unions, as 'market-distorting', various chapters in this book highlight the crucial role of collective action in various guises and at multiple levels: the local SME level, the level of business organizations, and the institutions of representative democracy. They also suggest that preventing state capture and successfully crafting innovative policies that benefit both business and society requires sustained collective action involving civil society organizations engaged in contestation, bargaining and advocacy¹⁹ and a more active role for government than what has often been advocated in mainstream development circles in recent decades.

Pressures on global corporations that arise through collective action associated with subaltern groups and through the institutions of representative democracy are likely to increase. This is due not only to the ongoing – indeed, sharpening – contradictions between corporate capitalism and social and sustainable development, but also because the TNC is becoming an overt political actor. Large corporations are playing a more explicit role in global governance and are taking up various tasks of social protection, provisioning, inspection and standard-setting hitherto assumed by states. Indeed, in remote areas of the world, often where indigenous peoples reside, oil and mining companies may become *de facto* governments. Corporations therefore become legitimate targets of contestation that will likely respond through some form of co-optation or compromise (Crouch 2009). The growing 'corporate accountability movement', comprising myriad civil society groups and organizations, often with the support of particular mainstream political actors and institutions, is attempting to introduce various checks on business power and change corporate behaviour.

The state, however, clearly has a role to play in expanding business–state relations beyond narrow groups. While states are inevitably contradictory in their social and distributive orientation, a key role relates to enhancing collective needs. Catering to FDI or to a narrow band of domestic interests has been demonstrated to be a poor way of ensuring economic development and clearly does not promote inclusive development. Institutional innovation may require crafting broad coalitions with interests in promoting social policies. Economic and social concerns may be simultaneously addressed by strengthening the organizational capacity of business segments that support inclusive social policies and promoting deliberative institutions that generate the expertise required to craft innovative policies, facilitate interest representation and bargaining, and lead to social pacts. Although the specific form may well be different for each country, the function is the same. It is up to the state to foster the conditions required for these coalitions to emerge and develop the capacity to provide a countervailing force to narrow interests. This may require the development of forums for dialogue and deliberation on policies and contentious issues, or the provision of incentives to

some business sectors, either because there is little business justification, too much risk involved in supporting more expansive social policies, or because of the collective-action problem. In other cases this may entail active state assistance and the provision of resources to smaller, disadvantaged groups and capacity-building measures for effective local participation.

Every developing and transition country is building from a different institutional and historical base. In some places, large corporations and business associations already play a significant role. Several chapters in this volume suggest that governments must seek to actively engage business associations and ensure that their ability to articulate common preferences is complemented by an ability to mediate differing interests and consider broader social needs. Under certain conditions ‘encompassing’ business associations, representing diverse sectors of business, can ensure that the voice of the business community is not only that of a narrow segment of corporate elites. Their ability to integrate and articulate the views and interests of diverse sectors is essential. The inclusion of SMEs, whose workforce often comprises the poorest and largest segments of society, may be essential to the promotion of more inclusive social policy. Business associations can also be harnessed in order to stimulate the state’s capacity for co-regulation. Institutionalized dialogue between the state and encompassing associations usually provides a basis for understanding the competitive needs of different business sectors, sharing information and expectations, and establishing joint goals.

The research also shows how democratic processes and civil society can moderate institutional capture by business interests where the state is unwilling or unable to operate in this manner. Parliamentary oversight and other institutions of representative democracy can mitigate institutional capture or the deregulatory effects associated with the growing structural power of business, and ensure that the interests of weaker groups in society are defended or, at the very least, not further eroded.

Conclusion – prospects for inclusive development

Neoliberal-era policies related to economic liberalization, financialization, privatization, public sector reform and the associated rise of business power have had profound implications for social wellbeing, equity and democratic governance in developing countries. Mainstream development theory and policy in recent decades has been characterized by the promotion of a strategy that advocates the need to contain ‘rigidities’ such as business associations, labour unions, interventionist states and redistributionary welfare mechanisms – precisely the institutions many countries have relied upon for inclusive development. It has also advocated a set of macroeconomic policies that prioritized attracting FDI, export-orientation and economic stabilization that benefited a narrow subset of business, often at the cost of small and medium enterprises, and sustained growth. Such trade-offs and

growing recognition of the relationship between such policy and institutional reforms and major social problems of un/underemployment, food insecurity, persistent poverty and growing inequality have called into question the stability and legitimacy of such a model of capitalism, even before the recent economic crisis.²⁰

This volume considers what can be done to enhance the contribution of business to social development in contexts where the structural power of business has increased, where the rise of global value chains challenges or weakens the institutional environment regulating corporations, and where CSR and PPPs exhibit serious constraints on an effective approach to both business regulation and social development. Various case studies of countries that underwent the dual transitions of economic and political reforms during the height of the neoliberal era provide insights into the effects of neoliberal policies and the contemporary explanatory power of existing theory.

The PRA, DSA and VoC literatures reviewed above have to different degrees pointed to the mutually reinforcing nature of economic and social policy and the need to reconsider the definition, design and potential of social policy. They suggest that business competitiveness can occur in the context of diverse combinations of social policies and institutions. They also reveal the heterogeneity of business interests and how various groups or sectors of business may not necessarily be against progressive social policies. Various chapters in this volume confirm such views, but also suggest that in the context of developing and transitional economies, both instrumental and structural dimensions of business power, allied with technocracy, have skewed social policies towards generic prescriptions, thereby favouring a narrow business subgroup and reducing the potential for institutional and policy reforms capable of generating both widespread economic and social benefits. Furthermore, global trends associated with the casualization of labour, subcontracting, the intensification of international competition, and the disembedding of elites through FDI and globalization may also affect business preferences related to social policy in a regressive sense.

It remains to be seen if future historians will recognize this current period of global crisis as the end of a neoliberal experiment that poorly served many countries and a return to earlier development models and institutions. The need to 'bring the state back in', for greater 'policy space' and to shift the emphasis from corporate self-regulation to binding forms of business regulation seems to have moved on from theoretical argument to a stark necessity. Whether or not we will see the reassertion of developmental states is an open question, not least from a normative perspective, given ongoing authoritarian tendencies in countries like China and Vietnam.²¹ In the current crisis context, the structural, instrumental and discursive power of TNCs, finance capital and international business associations may be somewhat weakened but there are signs that business interests have played a key role in 're-regulation' and the design of interventionist approaches.

At the time of writing, it is not clear whether this will result in a return to 'business-as-usual' or greater space for industrial policy, domestic-oriented production, public investment, social spending and countercyclical policies more generally. It also remains to be seen whether technocracies will significantly change their spots both in terms of their worldviews, their leaning towards certain types of business and investment, and the type of knowledge and 'experts' with which they choose to interact.

Regarding the role of the state, the challenge for many developing countries is how to increase state capacity following decades of downsizing and ongoing international pressures for fiscal constraint. This volume suggests that state action alone is necessary but insufficient for inclusive development – countervailing forces associated with civil society as well as a coalition of forces anchored in a clear and meaningful social pact between the state and business, and civil society, is required. This book, and its companion volume on CSR, emphasize the need to reconfigure social forces to bring about more transformative development agendas. However, social pressures 'from below' are often fragmented and lack the strength historically associated with the labour movement. Civil society activism is certainly alive but not particularly well in terms of how NGOs relate to both social movements and political parties, power imbalances within NGO networks, and a more comprehensive understanding of development and the politics of transformative change. As examined in the companion volume, however, certain developments associated with transnational or 'multi-scalar' activism suggest that activism is adapting in innovative and more effective ways to the realities of globalization and business power.

The recent re-emergence of buzzwords such as policy space, countercyclical policies, state capacity, re-regulation, food security and a global jobs pact suggest that at the ideational and normative level, the international development community has a better sense of what needs to be done. It is also the case that the fracturing of neoliberal hegemony opens up the space for so-called counter-hegemonic thinking. What is far less clear is whether we are seeing the emergence of a new politics that can translate alternative ideas into action.

Notes

1. The typology of Haggard et al. (1997), for example, refers to business as 'capital', business as 'sector', business as 'firm', business as 'association', and business as 'network'.
2. This volume pays particular attention to the dimensions of structural and instrumental power noted above. Aspects that relate to discursive power are addressed in more depth in the companion volume, where we examine, among other aspects, the effectiveness of CSR as a means of legitimizing contemporary forms of corporate capitalism.

3. Within the UN system there are some notable exceptions, including, for example, work carried out at the United Nations University–World Institute for Development Economics Research (UNU–WIDER) on the role of business elites, at the United Nations Research Institute for Social Development (UNRISD) on corporate accountability, and at the International Labour Organization (ILO) on labour rights and industrial relations.
4. UNRISD defines ‘transformative social policy’ as state intervention that aims to improve social welfare, social institutions and social relations. It involves overarching concerns with redistribution, production, reproduction and protection, and works in tandem with economic policy in pursuit of national social and economic goals. An important feature of transformative social policy is also the establishment and enforcement of standards and regulations that shape the role of non-state actors and markets in social provisioning and protection (UNRISD 2006).
5. See de Sousa Santos and Rodríguez-Garavito (2005); Martens (2007); Richter (2001); Klein (2000); Korten (1995); Reich (2007); Utting (2008).
6. ‘De-commodification occurs when a service is rendered as a matter of right, and when a person can maintain a livelihood without reliance on the market’ (Esping-Andersen 1990: 21–2).
7. The infant industry argument states that the theories of comparative advantage are not conducive to long-term development of countries with a low industrial base, due to their focus on the static efficiency in the allocation of resources (Sheffadin 2000: 2). As a result, the state should protect infant industries in order to promote industrialization rather than engage in unrestricted international trade (Chang 2002).
8. Evans (1995); Wade (1990); Amsden (1989).
9. There were of course differences in public–private cooperation. Some argue that Japan’s form of corporatism differed from that of Taiwan and the Republic of Korea in the sense that it was more in line with democratic institutions and, as such, exhibited a form of corporatism that more closely resembled the neocorporatist institutions of Western Europe (Onis 1991).
10. However, subsequent to the Asian economic crises of the late 1990s, such close business–state relationships were relabelled ‘crony capitalism’ and demonized for contravening good governance principles. See World Bank (1993); Singh (1998); Woo (2007); Campos (1996).
11. For an overview of the Korean case, see Yi and Lee (2005).
12. Mkandawire (2007); Onis (1991); Chang (2004). In the case of the Republic of Korea, social programmes, such as Industrial Accident Insurance, National Health Insurance and the National Pension Programme, were available only to industrial labour (Kwon 2005).
13. Our focus is on VoC because of its focus on national-level institutions. The literature on social systems of production (SSP) addresses multiple levels, including the regional and local.
14. Germany and the United States are used as ideal types.
15. Estevez-Abe et al. (2001) identify four product-market strategies based upon the skill profile each requires: 1) Fordist mass production involving standardized tasks, mass production and requiring semi-skilled workers; 2) diversified mass production (DMP), a variation on mass production involving a varied range or products in large volumes, requiring highly firm-specific skills; 3) high quality product niche market strategy involving ‘highly craft-intensive workshops’ and requiring highly trained workers; and 4) a hybrid variant of the latter referred to

as 'diversified quality production', involving high-quality product lines and large production volumes and requiring craft and firm-specific skills.

16. Notable exceptions include Huber (2003) and Haggard and Kaufman (2008).
17. Business may adopt a neutral position vis-à-vis social policy or ignore it completely. Referring to Latin America, Schneider (2007) suggests that this position has arisen not only in contexts where low-skilled industries predominate. The difficulties of engaging with social policy processes, which tend to be protracted, and the cost-benefit implications of social policies, which are not always obvious, need to be considered.
18. A situation whereby conflicts of interest arise because of the appointment of civil servants or government officials previously employed in the private sector, and with potentially strong links to business interests, and vice versa.
19. This aspect is dealt with in more depth in our companion volume (Utting and Marques 2010).
20. Gill (2003); Beneria and Bisnath (2004); Bernstein and Pauly (2007); Held and Koenig-Archibugi (2003); United Nations (1995).
21. In the context of Latin America, some point to the re-emergence of the 'new Latin American developmental welfare state' (Riesco and Draibe 2007).

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