TAKING THE STATE BACK OUT:

REFLECTIONS ON A TAUTOLOGY

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Obviously, the theoretical and empirical debates will continue. . . . Pointed, civil disagreements are the spice of scholarly life, and we would all be lost without them!

— Theda Skocpol

Social scientists have recently been de-emphasizing the role of business interests. This de-emphasis is evident in many subfields and schools of thought, but it is particularly evident in the popular "statist" approaches to political science and sociology. The statist perspective stresses the importance of governmental institutions and their role in shaping politics and policy, while it de-emphasizes the role of business interests and/or other pressure groups. According to the statist, state institutions (especially the executive branch of government) are what drive policy. The state is considered "autonomous" from societal interests.

Statism has achieved considerable influence in recent years, and negative reviews have been infrequent. Nevertheless, several scholars have criticized statism from a variety of perspectives. Gabriel Almond has questioned the originality of the statist approach, while Bruce Cumings has expressed doubts about its explanatory power. In this paper I will examine and criticize recent statist analyses of business-government rela-

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tions and will argue that such analyses seriously underestimate the role of business interests in making public policy. I will focus on the writings of Theda Skocpol, John Ikenberry, David Lake, and Stephen Krasner. We will see that all of these authorities repeatedly use essentially the same flawed reasoning in their analyses. My argument does accept that the state sometimes can act autonomously from business interests; but I also contend that the statists greatly exaggerate the degree of autonomy. I will argue that the statists’ methodology is seriously flawed in ways that undermine many of their empirical conclusions and that reduce the concept of autonomy to a tautology.

PROBLEMS OF ARGUMENTATION

The most serious problem with the statist approach to business-government relations is that statists often omit facts that contradict their theories. Their studies frequently fail to mention business-government ties or, alternatively, they understate the importance of these ties. They then argue or imply that business played no role, and the evidence, in many cases, consists of the fact that business interests are not mentioned (or not mentioned at length) in the study. Instead, the statists discuss the role of government officials and agencies; in some cases, they also discuss how ideas can influence state officials. Readers are left with the impression that these nonbusiness influences are decisive simply because they are discussed at length and that business interests are not important because they are largely omitted from discussion.

The methodology of statism thus becomes tautological. Business interests are assumed to be unimportant and are often excluded from analysis. Such exclusion is not justified by an examination of the actual role of business interests but on the a priori assumption that business plays virtually no role. The assumption predetermines the outcome: business interests cannot be found to be influential if they are not given serious attention or, at least, a reasonable percentage of the attention accorded to nonbusiness influences. As a final distortion, the statists use these nonbusiness influences as evidence against the role of business influences, further justifying the initial exclusion of business and closing the circle of tautology.⁴
We will begin with the writings of Theda Skocpol on the New Deal. Skocpol clearly plays down the political power of business. To be sure, business influences are not completely absent from her work and, if reading very carefully, one can find passages in which Skocpol concedes that business had some limited influence. But such passages are hard to find. For the most part, Skocpol either argues that business interests have no significant influence or leaves these interests out of her discussion altogether. Overall, she seems to argue that businesses play (at most) a very small or negligible role in the political process.

Skocpol did not always neglect business interests to such an extent and, in a 1980 article, she provided a somewhat balanced account. Despite flaws, this article discussed at some length business involvement in the New Deal. But this sense of balance has vanished in her more recent work. Consider a 1987 article that Skocpol coauthored on the politics of the Social Security Act. This article predictably emphasizes the role of state institutions, and stresses the importance of “policy ideas” and the “distinctive American state structure,” especially such features as federalism and “legislative log rolling.” In addition, the autonomous roles of academic experts and state officials are emphasized. This article presents considerable information on the importance of ideas and state structures, and it argues that these factors were decisive in shaping Social Security in the United States.

But Skocpol never seriously considers the possibility that business interests helped bring about the Social Security Act. She does cite information on business-government ties — but mostly in a footnote. We will look closely at this footnote. It mentions that five businessmen helped build support for the Social Security Act through their service on the administration’s Advisory Council for Economic Security. Skocpol diminishes the importance of this effort and implies that business support was insignificant. The footnote also mentions that “Of course, at this stage of the New Deal, most business leaders were feuding with the Roosevelt administration.” The first problem here is that the argumentation is vague: this footnote can be interpreted in several different ways. Vagueness is itself a flaw, and it helps preclude criticism and debate.

Despite the vagueness, the implication is that business played no significant role in the formulation of the Social Security Act; the fact that Skocpol relegates most of the discussion of business to a footnote strongly suggests a lack of importance. She implies that the five businessmen were on the fringes of the business community, not at all representative figures,
and, in any case, not major contributors to the passage of the Social Security Act.

But there is a flaw in Skocpol's discussion. These five businessmen included the president of the Standard Oil Company of New Jersey, the largest company in the United States in 1935, and the president of General Electric, the thirteenth largest company in America in the same year. Thus, some of the most powerful businessmen in the world supported the Social Security Act. Even if only these businessmen supported the Act and all others opposed it — and that seems unlikely — some undeniably important business figures did indeed support the Social Security Act. This fact is potentially damaging to Skocpol's argument, but it is mentioned only in a footnote.

Skocpol's interpretation of the Social Security Act has not gone uncontested. Three major critical studies have appeared, all of which (at least indirectly) challenge Skocpol's interpretation. The first of these critical studies, published in 1984 by Thomas Ferguson, discusses Social Security in the context of a larger analysis of the New Deal. Ferguson emphasizes conflict within the U.S. business community and the importance of these conflicts in shaping public policy. Based on extensive archival research, Ferguson's study convincingly demonstrates that a substantial bloc within the U.S. business community actively favored New Deal policies, including Social Security, and that their support was decisively important. While Ferguson does not deny the importance of unions, popular movements, and other groups, he insists that business interests also played a decisive role. Though Skocpol is not mentioned directly, this study seems implicitly to critique her statist approach.

A second critique of Skocpol, also published in 1984, is by Jill Quadagno. In her theoretically oriented analysis of the Social Security Act, Quadagno highlights the role of business interests in establishing state policy. She emphasizes that certain capitalists, especially from large companies in noncompetitive sectors of the economy, had favored pension programs even before the New Deal; some of these capitalists worked closely with the Roosevelt administration in formulating the Social Security Act. However, Quadagno also acknowledges nonbusiness factors, such as institutional structures (specifically Congress) and popular mobilization, in shaping the Social Security legislation. In 1986-87, G. William Domhoff followed with yet another analysis of Social Security. Like Quadagno, Domhoff presents a multicausal analysis of Social Security,
although it too focuses on specific business interests, which helped to formulate the Act.

To be sure, there are some important differences among these three authors. Ferguson, for example, places much greater emphasis on the role of business influences than Quadagno and Domhoff do. Quadagno’s study stands out for its apparent Marxian framework. All three studies are in agreement, however, on two points: First, they agree that business interests played a significant role in formulating the Social Security Act. Second, these studies agree that Skocpol considerably underestimates the role of business influence.

In short, the three studies reach conclusions which are at variance with those of Theda Skocpol. Skocpol has replied to her critics, with an especially detailed response to Quadagno (and much briefer responses to the other two). It will not be possible, for reasons of space, to provide a full discussion of the differences between Skocpol and her critics. But we will note Skocpol’s most important counterpoint: She implies that Ferguson, Quadagno, and Domhoff all exaggerate the role of business interests, and that these interests did not, in fact, play a major role in policy-making during the New Deal.

In a coauthored essay, Skocpol argues that “Only a handful of liberal-reformist businessmen remained in contact with New Deal leaders after mid-1934, and neither Quadagno nor anyone else has ever shown that they were representative of their ‘class fraction’ or even of their industries.” There are three problems here. First, Skocpol begs the question of policy-making. Whether a businessman is representative of his industry is less important than the degree of influence that he wields. The key question is whether business influenced the New Deal, and Skocpol evades this question. Second, it seems implausible that the business supporters of Social Security — Skocpol herself mentions several — represented themselves and no one else. It seems more likely that such figures as the presidents of Jersey-Standard or GE could, through their considerable prestige, have encouraged other businessmen to support the New Deal.

Most importantly, Skocpol’s assertion is factually inaccurate. Both Quadagno and Domhoff demonstrate considerable business involvement with the New Deal, emanating from some of the most prestigious and well-known interests in the country. Ferguson documents such business support for Roosevelt during the 1936 election:
The Bank of America and New Orleans banker Rudolph Hecht, who was just coming off a term as president of the American Bankers Association, bulwarked the "Good Neighbor League," a Roosevelt campaign vehicle. Lincoln and Edward Filene supported the president [Roosevelt] to the hilt, as did sugar refiner Ellsworth Bunker. . . . Sidney Weinberg of Goldman, Sachs, came back into the campaign and raised more money for Roosevelt than any other single person. Behind him trailed a virtual Milky Way of non-Morgan banking stars, including Averell Harriman of Brown Brothers, Harriman; James Forrestal of Dillon, Read; and probably John Milton Hancock of Lehman Brothers.

From the oil industry came a host of independents, including Sid Richardson, Clint Murchison, and Charlie Roesser, as well as Sir Henri Deterding [of Royal-Dutch Shell], James A. Moffett of Standard Oil of California, W. Alton Jones of Cities Services, Standard Oil of New Jersey's Boris Said (who helped run Democratic Youth groups), and M. L. Benedum of Benedum-Trees. Top executives of Reynolds Tobacco, American Tobacco, Coca Cola, Inten- tional Harvester, General Electric, Zenith, IBM, Sears Roebuck, ITT, United Fruit, Pan Am, and Manufacturers Trust all lent support. . . .

. . . Last, if scarcely least, . . . the Chase National Bank loaned the Democratic National Committee one hundred thousand dollars.14

Surely this list of business interests cannot be dismissed as a series of insignificant aberrations. Skocpol does not dispute these facts; she simply avoids mentioning them. Her contention that "only a handful" of businessmen supported the New Deal does not hold up.

In general, Skocpol seems to assume that business interests were unimportant. With this assumption, she leaves out inconvenient information, the absence of which then appears as "proof" that business was unimportant. This is not to say that Skocpol's statist explanation is altogether without merit, but the explanation does seem overstated. Skocpol can make her point about the significance of state institutions without ignoring the obvious: important business interests did support the New Deal.
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There is one final problem with Skocpol's analysis. She sometimes fails to address her critics adequately. Skocpol's response to Domhoff was evasively worded and only two pages long. Without ever addressing the specific points raised by Ferguson, her only response to his study was in a coauthored article in which she described Ferguson as "a writer in the peculiarly American 'Beardsian' tradition of attributing political events to behind-the-scenes business influence." To the best of my knowledge, this is the only place where Skocpol addresses Ferguson. Skocpol does not refute or even address Ferguson's specific points about the role of business in the New Deal; she simply fails to mention them.

Let us pause momentarily to place these matters in context. When Skocpol first began publishing her work in the 1970s, it was during a resurgence of intellectual interest in Marxism, and the climate appears to have influenced her work significantly. This was in fact a period of intense disagreement among Marxists. Many of the newer writings broke with the strict economic determinism that had previously characterized Marxist works. To some extent, these newer studies tended to de-emphasize the economic base. Neo-Marxists, especially Nicos Poulantzas, James O'Connor, and Fred Block, developed complex models of politics, which systematically considered the roles of state institutions, culture, and ideas, in addition to economic structures. The neo-Marxist approach generally acknowledged that state institutions can develop some degree of independence ("relative autonomy") from direct capitalist control. The welfare state, for example, was often analyzed in terms of relative state autonomy. These new approaches argued that business interests interact with the state. The two variables — state institutions and business interests — mutually influence each other, and a complex interrelationship was posited: While the economic and social structure influences the state, the state can also influence the economic and social structure. A rich literature developed on the question of the capitalist state, and it began to draw attention from mainstream social scientists.

It was in the context of these discussions that Skocpol began to develop her ideas. In essence, Skocpol took the idea of state autonomy one step further than the neo-Marxists. Whereas the neo-Marxists eschewed the role of business pressures in influencing the state, Skocpol disregarded such pressures almost completely. The statist approach may be seen as the degeneration and simplification of the neo-Marxist analysis. Skocpol was right to suggest that business influ-
ences are not the only factors that condition state policy and that institutions also matter; however, she gradually moved to the other pole, suggesting that business influences count for little or nothing. Skocpol in essence adopted an extreme position — one that will not withstand serious scrutiny.

Now let us turn to John Ikenberry's study of oil price decontrol during the Carter presidency. Ikenberry is a former student of Skocpol's and he too adopts a statist interpretation. He discusses the decision to decontrol the price of oil in the United States and to let the oil price rise, thus reducing consumption. He compares "society-centered" explanations for oil price decontrol — which emphasize the importance of oil companies and other pressure groups — with "state-centered" explanations. Ikenberry's study seems to argue for the superiority of state-centered explanations. American officials, according to Ikenberry, chose to decontrol oil prices primarily because they sought to increase competition in the industry, to augment domestic production, and to reduce oil imports. Presumably, government officials believed that oil imports weakened the United States and made it excessively dependent on unreliable foreign sources of oil. In sum, Ikenberry argues (or seems to argue) that state interests, not business interests, influenced the oil price decontrol decision.

The first problem with Ikenberry's argument is that it is very hard to interpret. His analysis suggests that state interests were more important than business pressures, but he never says this explicitly. The closest Ikenberry comes to a conclusive statement is the following sentence: "The society-centered explanation is useful to understand the persistence of [oil price] controls, but even here those interests were highly mediated by the prevailing structure of government." The problem is that it is not clear what the word "mediated" means. Does it mean "caused"? Does it mean "influenced"? Does it mean "determined"? The meaning of the word, the sentence, and indeed the entire article is unclear. As I see it, there are four possible meanings:

1. State institutions were more important than pressure groups in the policy process;

2. Pressure groups and state institutions were equally important;

3. Both pressure groups and institutions were important, but it is not possible to know which was more important;

4. Other explanations better account for the persistence of oil price controls.
4. There existed a complex interrelationship between institutions and interest groups (though the details of this interrelationship are not at all specified).

When one reads the entire article, there is the strong impression that Ikenberry is arguing for the first possibility—that state institutions were much more important than pressure groups. Even this, however, is not absolutely certain, since the conclusion is not stated explicitly. The vagueness of argumentation impedes analysis.

For simplicity, let us assume that my interpretation is correct, and that Ikenberry is arguing that business did not play a decisive role in the oil price decontrol issue. This argument raises several problems. First, Ikenberry avoids information that contradicts his thesis about state autonomy. He neglects to mention that President Carter had important ties to oil companies. Elizabeth Drew reports that Carter ran for president in 1976 with considerable support from oil interests, especially independent oil companies in Texas and Oklahoma.\(^{20}\) Carter, therefore, had an apparent incentive to decontrol oil prices, since decontrol would raise oil prices and increase profits for many companies.

Once again, these facts do not prove Ikenberry wrong. He might have noted that Carter’s relations with the oil industry were complex and that, toward the end of the presidential term, the independents were quite critical of Carter. The oil companies did not always get their way. Ikenberry could have carefully evaluated the oil industry’s influence in the Carter administration, in general and with respect to the oil price decontrol issue, and then he might have concluded that business was unimportant. The problem is that Ikenberry does not do this; instead, he neglects the evidence of business-government ties and proceeds as though the information did not exist.

Ikenberry’s analysis seems to assume that business interests played no role, and he excludes evidence of business-government ties. Indeed, Ikenberry hardly ever analyzes business interests at all. He does not identify which companies were affected by decontrol policy, how they were affected, or how they attempted to influence the government. He does not seriously analyze cleavages either between the major and independent oil companies or between the companies within these two groups. Ikenberry does not consider the role of industrial interests, which use energy and, therefore, might have been involved in the process, nor does he analyze the role of banks. He provides no information on the political
connections that these companies may have had. Instead, Ikenberry discusses business interests in the abstract. His study refers to “the domestic oil and refining industry,” “domestic refiners and marketers,” “domestic producers,” “consumers,” “oil producers,” “petroleum refiners,” “major oil producers,” and “various societal groups.” One gets the impression that Exxon and Mobil must be abstract concepts or that, perhaps, they were too minor to merit attention. The only reference to specific interests comes in a paragraph where Ikenberry notes a cleavage between the Standard Oil Company of Ohio and Marathon Oil. Ikenberry analyzes only these two relatively small oil companies; the discussion lasts exactly six sentences, and it is based on a single secondary source. I was unable to find any other mention of specific companies in the entire article. The presentation of evidence is one-sided and the conclusions are, accordingly, questionable. Ikenberry never demonstrates that business played no role in oil policy; he just assumes this.

The statisticians have also directed considerable attention to the study of American foreign economic policy and especially to trade policy. One of the most extensive studies on this subject is David Lake’s *Power, Protection, and Free Trade*. Lake’s book begins with a review of the literature on the politics of the “optimal tariff.” Arguing that under certain circumstances it is rational for a country to establish a tariff, Lake advances an elaborate model of tariff policy which predicts protectionism according to a country’s level of development and its position in the international system. Lake then tests his propositions in an empirical discussion of U.S. trade policy during the period 1887-1939. Lake makes some stimulating points. It is refreshing that he moves beyond the familiar platitudes about the wonders of free trade and the evils of protectionism which permeate most discussions of this topic.

Since a full analysis of Lake’s book would go beyond the scope of this paper, I will focus on his assumption of state autonomy. Lake assumes that the executive branch of the state is autonomous from interest group pressures and that, as the following paragraph suggests, it formulates policy in the national interest:

[This book does not] argue that the executive is entirely free from societal constraints. Presidents and prime ministers must periodically stand for election. Yet whereas the representative element of the state [i.e., the legislature] can be best understood as acting in the interests of society...
executive acts in the interests for society. The executive is responsible to all society, charged with responsibility for foreign affairs, and, as a result, specifically concerned with the constraints and opportunities of the international economic structure.\textsuperscript{24}

Again, the argumentation could be a bit clearer and the thesis could be stated more explicitly. But we can infer the meaning. Lake acknowledges that interest groups, including business, do influence Congress (and also some secondary executive agencies). But the key agencies of foreign policy — the Office of the President, the State Department, and the Defense/War Department — are insulated from lobby groups. The executive branch conducts foreign policy in the national interest, and it is not directly influenced by pressure groups.

The problem here is that these points are \textit{a priori} assumptions: they are not argued; they are only asserted. Crucially, Lake fails to explain why executive level officials make policy in the national interest. Why should officials favor the interest of the nation rather than that of some pressure group or, indeed, of the officials themselves? And if Congress is influenced by interest groups, then how is it that the State Department is insulated from them? No answers are provided. Lake assumes state autonomy, but he fails to explain why this is so. Lake's approach does not work well at the deductive level.

Also, Lake makes some questionable presuppositions about business interests. He assumes that protectionists can mobilize at a regional level and lobby the government (and sometimes they win battles in the legislative branch). However, Lake implies that free trade interests rarely organize for liberal trade because they face formidable collective-action problems.\textsuperscript{25} The logic does not really work here. Lake ignores the fact that large corporations have institutional mechanisms to facilitate collective action, including mergers, bank control, and interlocking directorates. Moreover, social connections among stockholders and managers facilitate collective action. Such connections include complicated marriage networks and shared backgrounds in elite schools, colleges, and social clubs.\textsuperscript{26} Finally, free traders often have formed organizations, including such internationalist groups as the National Foreign Trade Council\textsuperscript{27} and the Council on Foreign Relations,\textsuperscript{28} through which they can act collectively. Studies of these organizations show that internationalist/free-trade interests can indeed act collectively to further their goals. There is, in fact,
considerable evidence that free traders can and do lobby the government. Consider the following New York Times article from 1936 which described a political rally in New York during which business interests declared their support for the free trade policies of President Franklin Delano Roosevelt:

Gathered in the heart of the Wall Street District, about 200 business leaders, most of whom described themselves as Republicans, enthusiastically endorsed yesterday the foreign trade policy of the Roosevelt Administration and pledged themselves to work for the President’s re-election.

After addresses by five speakers, four of whom described themselves as Republicans, the meeting unanimously adopted a resolution praising the reciprocal trade policy established by the Roosevelt Administration under the direction of Secretary of State Cordell Hull...

Governor Landon’s attitude on the reciprocal tariff issue was criticized by every speaker. They contended that if Landon were elected and Secretary Hull’s treaties were revoked, “there would be a revolution among conservative businessmen.”

It is worth noting that Lake does not mention this article. His assumption, that free trade interests are unlikely to mobilize and exert political pressure, seems questionable.

Indeed, the most important problems of Lake’s study arise from the empirical survey of U.S. trade policy, where Lake claims to document his theoretical propositions. As with the previous studies, Lake assumes business was not involved in policy-making and neglects contrary evidence. Part of the problem is that Lake’s research materials are somewhat limited, but he even neglects some easily available evidence. For example, Ferguson’s study on business influence in the New Deal is cited in passing, but Lake ignores Ferguson’s substantial documentation of business pressures on the tariff issue.

Lake’s empirical discussion avoids business interests almost completely. His index does not include the name of a single company, and he rarely refers to direct connections between policymakers and business interests. I was able to find only two such references. At one point, Lake notes that “[Warren G.] Harding’s hotel bill at the 1920 Republican National Convention was paid by the American Protective Tariff League” — and this Lake mentions only in a footnote. In the text itself, Lake
ments that Harding’s Tariff Commission included three representatives of protectionist business interests. So, Lake does discuss specific connections between executive-branch officials and business interests, but in a book length study, this discussion is confined to only four sentences.

It would be one thing if Lake had seriously examined business interests and then concluded that they were not decisive, but he did not do this. He proceeds by avoiding any discussion of business interests or other information that might contradict his thesis of state autonomy. The reader of Lake’s book is left with the mistaken impression that business must have had very few or no connections to policymakers during the period studied. However, business interests certainly did have political connections throughout the period; the only problem is that Lake does not mention them.

Of course, the existence of business lobbies or other types of leverage does not necessarily disprove Lake’s views. Business connections by themselves do not prove business influence. Lake might have evaluated the impact of business interests, after careful analysis of archival sources and trade publications, and examined how much business really influenced policy. Then he might have concluded (depending on the evidence he found) that pressure from business was not decisive. Perhaps such an analysis would support the notion of state autonomy. The problem is that Lake did none of these things. For the most part, he cites only information that is consistent with his thesis and avoids any mention of business pressures. With Lake’s methodology (or lack of methodology), it is not possible in principle to disprove the thesis of state autonomy: the argument is a tautology.

We will now consider Stephen Krasner’s famous study of U.S. intervention in the Third World, *Defending the National Interest*. Krasner claims (even more explicitly than Lake) that some conception of the national interest motivates U.S. foreign policymakers. For the post-World War II period, Krasner argues that the national interest was seen by policymakers as synonymous with anticommunism. He further argues that anticommunist sentiment motivated virtually all recent U.S. interventions in the Third World. Krasner attempts to document these contentions through numerous case studies of U.S. foreign policy, specifically with regard to natural resources in the Third World.

Once again, we will not be able to analyze Krasner’s book in complete detail and, instead, we will focus on his discussion of business interests. Krasner, like the statists generally, diminishes the importance of
business interests in U.S. foreign policy. Krasner does acknowledge that business is sometimes involved in international relations, but he argues that it does not generally play an independent role. Governments may use business interests in order to further state interests; Krasner cites examples of how the American government sometimes encouraged corporate expansion in order to spread American influence. However, Krasner denies that business directed U.S. foreign policy or influenced it in any decisive way (except in some exceptional instances when Congress became involved in foreign affairs). He affirms that foreign policy is formulated by a state bureaucracy that is autonomous from business influences. He recounts numerous case studies of U.S. intervention to document his claims.

Krasner’s study has been widely praised. Even a radical critic of Defending the National Interest characterizes the book as “extraordinarily rich.”34 The book is, in fact, a highly important study, especially in its theoretical analysis of hegemonic stability. Furthermore, Krasner’s empirical sections are much better than those of the previously cited works. The argumentation is generally clear and explicit. And, unlike the others, Krasner does consider business interests in his analysis of U.S. intervention in the Third World; his index mentions the names of several companies.

Nevertheless, Krasner’s analysis contains significant flaws. It often assumes state insulation but does not demonstrate it. Krasner assumes, for example, that the foreign policy apparatus is autonomous from business interests and that policymakers are not influenced by business, but he does not explain why this is so. Why are policymakers so resistant to interest group pressures and so responsive to the national interest? Krasner never provides an explanation. At one point he clearly states: “What distinguishes . . . [the president and the secretary of state] is their high degree of insulation from specific societal pressures.”35 Krasner confidently asserts this, but the only evidence he provides to back up his point — some comments made by a television executive in the Los Angeles Times — does not seem persuasive.

The most serious problems crop up in Krasner’s empirical sections, where he presents his case studies. These case studies often substantially understate the extent of business influence. Let us consider the 1953 coup in Iran, in which the United States helped to overthrow the government of Mohammad Mossadegh. Krasner claims that anticommunist motivations influenced U.S. policy and that business pressures played no significant
role. Krasner neglects to mention, however, that Secretary of State John Foster Dulles and CIA Director Allen Dulles had both been partners in the law firm of Sullivan and Cromwell, which in turn was the main counsel for the Standard Oil Company of New Jersey—a beneficiary of the Iran coup. In 1954, Jersey-Standard and other companies from the Standard group gained major oil concessions from the new, U.S.-installed Iranian government. Thus two of the major government officials involved in the 1953 U.S. intervention in Iran (the two Dulles brothers) had connections to a company with potential interests in Iran. So, there were important business-government connections at the highest level. These facts do not necessarily disprove Krasner’s argument, but they certainly deserve mention. Unfortunately, Krasner does not mention these facts and suggests that business played no role.

Let us turn to a second case study where Krasner found no business role: the U.S. intervention in Guatemala in 1954. In that year, the United States helped to overthrow the government of Guatemala, after the government nationalized holdings of the United Fruit Company. Here, Krasner acknowledges that the United Fruit Company supported the overthrow, but he denies that the company had any influence over U.S. policy. American policymakers staged the coup because they feared possible communist influence in the Guatemalan government. To buttress his case, Krasner cites public statements by U.S. government officials which expressed anxiety about the possibility of communist influence in Guatemala.

Krasner may be right: it may be that American officials really were concerned about communism in Guatemala, and that this concern motivated the intervention. However, it seems at least equally plausible that the anticommunist statements were rationalizations, and that pressure from United Fruit, rather than anticommunism, was the dominant motivation. Krasner fails to consider the latter possibility.

In general, Krasner plays down the role of United Fruit in the operations but, to his credit, he does cite some contrary information. He notes that United Fruit had “previous business ties with a number of State Department officials” as well as influence in Congress. The discussion of business-government ties is confined to a single sentence. This is surely an understatement. Moreover, Krasner neglects to mention the following facts: Secretary of State John Foster Dulles had previously been a lawyer for United Fruit, during his tenure at Sullivan and Cromwell. CIA Director Allen Dulles had also been a partner in the Sullivan firm. Under Secretary
of State Walter Bedell Smith helped prepare the overthrow, and in the following year, in 1955, he became a director of United Fruit. Assistant Secretary of State for Inter-American Affairs John Moors Cabot was the brother of a former president of United Fruit. U.N. Ambassador Henry Cabot Lodge belonged to a family that held stock in United Fruit. President Eisenhower's secretary, Anne Whitman, was married to United Fruit's director of public relations. Krasner does not mention any of these things. Part of the problem is that Krasner's research was limited. More seriously, there seems to be the familiar assumption, generally present in statist studies, that business is unimportant. Even information that was easily available from public sources at the time that Krasner wrote his book—the information on the Dulles brothers, for example—is not included. Business interests are assumed not to matter and, therefore, they do not merit any discussion.

Of course, the business connections do not prove that United Fruit directed U.S. government policy in Guatemala. Perhaps government officials disregarded their business ties and focused, instead, on fighting what they perceived to be a communist threat in Latin America. The problem is that Krasner neglects information that is inconsistent with his approach.

Finally, we will examine Krasner's analysis of U.S. intervention in Chile in 1973, where the U.S. played at least some role in the overthrow of President Salvador Allende. Again, Krasner admits that there were some business-government ties. He notes that John McCone, a former CIA director, was in close contact with U.S. government officials who helped plot the intervention. Krasner points out that McCone was also a director of ITT, which was a major investor in Chile and an opponent of Allende, but he discounts the business connection:

In all of this intrigue McCone's actions are more easily explained by his former government position than by his corporate one. Despite the comforts of a corporate directorship, it would be surprising if being head of the CIA had not left a deeper mark. . . . American behavior in Chile cannot be explained in terms of economic interests.

Krasner's conclusions do not follow from the evidence. One could just as logically argue that McCone's corporate directorship — his economic self-interest — had left a deeper mark than his former government service.
Krasner just passes over this problem and asserts, without evidence, that national interests were more important.\textsuperscript{43}

Krasner's work shows a pattern of understating or ignoring business-government ties. In some cases, Krasner simply fails to mention important information about business activity or, as with the case in Chile, he interprets it in a tendentious way. I lack the expertise to evaluate some of the other case studies, but the difficulties with these three cases do raise questions about Krasner's general approach. When Krasner or the other statisticians complete their empirical discussions, we see little or no evidence that business was involved. Without such evidence of business activity, the statisticians conclude that business was not influential.

There is nothing wrong with the conclusions. It is the assumptions and argumentation that are problematic. It is fine if the statisticians can prove that business was unimportant. The problem is that they assume this to be true, and their assumptions predetermine their conclusions. The statisticians approach to business-government relations amounts to an extended exercise in tautology.

\section*{Conclusion}

The rabbi of Krakow interrupted his prayers one day with a wail to announce that he had just seen the death of the rabbi of Warsaw two hundred miles away. The Krakow congregation, though saddened, was of course much impressed with the visionary powers of their rabbi. A few days later some Jews from Krakow traveled to Warsaw and, to their surprise, saw the old rabbi there officiate in what seemed to be tolerable health. Upon their return they confided their news to the faithful and there was incipient snickering. Then a few undaunted disciples came to the defense of their rabbi; admitting that he may have been wrong on the specifics, they exclaimed: "Nevertheless what vision!"

\begin{quote}
— Albert O. Hirschman\textsuperscript{44}
\end{quote}

Theda Skocpol and her statisticians, like the rabbi of Krakow, have shown considerable vision in their restructuring of debates in the
social sciences during the past two decades. The statist approach has performed a service by forcing us to consider society at a theoretical level and to re-evaluate what is really significant in social change, both within and between countries. In the process, they have produced some valuable empirical studies, and (moving closer to the specific subject of this essay) many of their assumptions about state-society relations make sense. It is reasonable to assume that state officials can to some extent establish their own agendas, and that these agendas do not always correspond to the interests of elite pressure groups. Moreover, the multiplicity of pressure groups may enable state officials to play off various groups against each other, and, in some circumstances, these factors may give officials room to maneuver and set their own policies.

The problem is that the statist approach leaves out business pressures almost completely. The debate has become too one-sided, and the question of business pressures has been absent from most recent analyses, especially in discussions of foreign policy but also in most discussions of domestic policy. The statist claim to have refuted approaches which emphasize economic pressures on government, but as we have seen these are really pseudo-refutations based on the most straightforward fallacies.

The statist are right to point out that direct economic pressures alone cannot provide a complete account of policy-making. But it seems equally implausible to argue, as they seem to do, that economic pressures count for little or nothing. The a priori assumption of statism — that business does not influence the executive branch of government — must be dropped.

What is needed are more balanced and careful studies of policymaking and business-state interaction. Such studies must focus not only on the extent to which business influences (or does not influence) the state, but also on how the interaction is conditioned by different types of institutional arrangements, industrial structures, and contingent conditions. The business community should be examined in its full complexity; consideration should be given to conflicts among different interests and how business conflicts interact with state institutions. The complexity of the state bureaucracy, and the phenomenon of intergovernmental discord, must also be considered.

Such studies must avoid the obviously tendentious uses of evidence that we have noted above and should be based as much as possible on primary materials from multiple sources. These sources would include state and private archives, newspapers, specialized trade journals, and
interviews. This empirical evidence could then be used implicitly to "test" two (or preferably several) theories of business-state interaction by comparing the theoretical predictions against the facts of the case study.45 There have been several studies of business-state relations of the type that I propose, and they have produced results that diverge markedly from statist predictions.46 Some of these studies concern U.S. foreign policy and challenge the conventional view that the foreign policy apparatus enjoys exceptional autonomy from interest groups. My own research on American intervention in the Congo Crisis reveals that conflicts within the U.S. business community decisively influenced foreign policy in certain instances (although there were also some instances when business influence was less significant).47

Above all, I am arguing that the pendulum has swung too far in one direction, and there is now a need to bring economic interests back in. It is intuitively plausible that economic interests do play a significant role in politics; there is also considerable empirical evidence to support this position. It should not come as such a surprise that major business interests do, in some cases, influence the state.

NOTES

1 Comments were provided by numerous persons, including: Benjamin Page, Graham Wilson, Jerri-Lynn Scofield, Iythe Klausen, Thomas Ferguson, Albert Bergesen, David Wilkins, James Nolt, Diana Rix, Valentine Moghadam, Michael Sullivan, John Wahlke, Jacqueline Sharkey, Hayward Alker, Goldie Shabad, Helga Welsh, Cary Nederman, Timothy McKeown, Thomas Christiano, and Kathleen Schwartzman. Several of these persons were strongly critical of the article, but I have benefitted from their comments all the same. I am, of course, solely responsible for the contents.


3 Gabriel Almond, "The Return to the State," American Political Science Review 82, no. 3 (1988): 875-904; and Bruce Cumings, "Interest
4 I thank Diana Rix for suggesting this formulation.
8 Ibid., 408 n. 65.
9 These figures are from Thomas Ferguson, "From Normalcy to New Deal," *International Organization* 38, no. 1 (1984): 71.
10 Ibid.
15 Skocpol, "A Brief Response"; Margaret Weir and Theda Skocpol, "State Structures and the Possibilities for 'Keynesian' Responses to the Great Depression in Sweden, Britain, and the United States," in Peter B. Evans, Dietrich Rueschemeyer, and Theda Skocpol, eds., *Bringing the State Back In* (Cambridge: Cambridge University Press, 1985), 114. In an appended endnote (p. 154 n. 33), Weir and Skocpol claim that Ferguson misuses the term "Keynesian," but this is a quibble. The endnote also claims that Ferguson does not adequately explain policy-making and "seems to make strong assumptions, not empirically demonstrated in the article, about the role of the Democratic Party as such in shaping policy choices." Presumably, they fault Ferguson for allegedly failing to demonstrate that businesses were involved in policy formulation. But Ferguson does, in fact, show that business interests were involved in the formulation
of New Deal banking regulation, Social Security legislation, and trade policies.


22 Ibid., 159.


24 Ibid., 72.

25 Ibid., 71.


29 *New York Times*, 29 October 1936; Ferguson, "From Normalcy to New Deal." 91.


31 Ibid., 173 n. 63, 175-76.

32 For examples of such connections, see Philip H. Burch Jr., "The Alignment of Economic Forces Involved in Three Key Presidential Elec-
35 Krasner, Defending the National Interest, 11.
36 Ibid., 119-28.
38 Krasner, Defending the National Interest, 279-86.
39 Ibid., 282.
41 Krasner's account is flawed in another respect. He notes that the Justice Department brought an antitrust suit against United Fruit one week after the Guatemala overthrow. United Fruit capitulated to the antitrust pressure and, in 1958, it agreed to several major changes, including the divestiture of its banana sales activities. Krasner claims that the 1958 agreement "weighs against the argument that U.S. policy was guided by the interests of United Fruit." Krasner neglects to mention that United Fruit managed to avoid implementing the divestiture until 1972 — some fourteen years after the agreement was reached. See Krasner, Defending the National Interest, 282; and Kwitny, Endless Enemies, 228.
42 Krasner, Defending the National Interest, 310, 312.
45 On the methodology of theory-driven case studies, see Alexander L. George and Timothy J. McKeown, "Case Studies and Theories of Organizational Decision Making," in Lee S. Sproull and Patrick D. Larkey,
