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**Structural power and political science in the post-crisis era**

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**Abstract:** This essay highlights productive ways in which scholars have reanimated the concept of structural power to explain puzzles in international and comparative politics. Past comparative scholarship stressed the dependence of the state on holders of capital, but it struggled to reconcile this supposed dependence with the frequent losses of business in political battles. International relation (IR) scholars were attentive to the power of large states, but mainstream IR neglected the ways in which the structure of global capitalism makes large companies international political players in their own right. To promote a unified conversation between international and comparative political economy, structural power is best conceptualized as a set of mutual dependencies between business and the state. A new generation of structural power research is more attentive to how the structure of capitalism creates opportunities for some companies (but not others) vis-à-vis the state, and the ways in which that structure creates leverage for some states (but not others) to play off companies against each other. Future research is likely to put agents – both states and large firms – in the foreground as political actors, rather than showing how the structure of capitalism advantages all business actors in the same way against non-business actors.

1 **Why structural power now?**

In the 1970s, the structural power of business was the subject of vibrant debate in the social sciences. That discussion raged within Marxist circles, among theorists such as Nicos Poulantzas, Fred Block, and Ralph Miliband, but it also received a boost from the conversion of the erstwhile pluralist Charles Lindblom, whose *Politics and Markets* adopted a form of structural power described as the privileged position of business within capitalism. Politicians had to secure investment, and investment was largely at the discretion of private capital holders.

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Regardless of who won elections in the capitalist democracies, the holders of capital could sabotage government policy simply by sitting on their money, rather than investing it.¹

Yet structural power fell out of intellectual fashion in the 1980s, even as many of the tools government had once used to limit the power of capital were discarded under successive waves of deregulation. Scholars who looked carefully could find no privileged position of business: business was characterized as an interest group like any other, which won some conflicts and lost others.² Even when business was unified, so too were its opponents, and in these confrontations business groups often lost the political debate.³

Beyond this empirical problem – how could business be structurally powerful if it lost in politics so frequently? – there was also a sociology-of-knowledge effect. As political scientists became ever more concerned with institutional variation and its effects on political economy, a clunky variable like structural power seemed to lack any variation at all, as it was built into the structure of all capitalist countries. Structural power became as suspect in political science as conspiracy theories, with which it appeared to share problems of falsifiability.

With occasional exceptions, structural power languished for two decades in the less fashionable circles in contemporary political science.⁴ And then came the financial crisis of 2008, which simultaneously shook the foundations of international finance and challenged the economic and political models political science had used to understand policymaking and power. Since the crisis, structural power as an object of scholarly inquiry has enjoyed something of a renaissance.

There are numerous reasons for this renewal of interest, but two stand out: the problem of “too big to fail” and the curious post-crisis strength of the supposedly captured American state in relations with large financial institutions, both domestically and internationally.

The idea that some banks were too big to fail without dragging the rest of the real economy down with them – thus creating an implicit taxpayer-provided insurance for those banks – has been a touchstone of domestic and international regulatory reform efforts since the crisis. That banks were in fact too big to fail highlights, as only cataclysmic real-word events can, both the poverty of political science models based on lobbying influence alone and the wealth of other advantages that banks enjoy in domestic political systems. Scholars of the

¹ Przeworski and Wallerstein (1988).
² Vogel (1987).
³ Smith (2000).
⁴ Those exceptions include Winters (1996) and Hacker and Pierson (2002).
American political economy, looking at the lobbying arsenals of US financial institutions and the money spent on electoral campaigns, inferred that money spent for political influence is in fact the source of political influence,⁵ even as lobbying studies showed no clear correlation between money spent and outcomes achieved.⁶

Moreover, being too big to fail is a structural characteristic, and it was one shared by countries other than the US; in many of those countries, money flows somewhat less freely into politics than in the US. Yet, when examined in international comparison, the strongest big American banks, for all their lobbying muscle, got hammered by the structure of their bailout in a way that banks in Germany and the UK did not.⁷ Clearly the role of money in American politics does not adequately explain the successes of banks, nor their failures. Does structural power perhaps provide important purchase here?

A second, empirically jarring result of the crisis is that the American state has proved a potent force for both domestic political change and international attempts to restrain powerful banks. By ramping up criminal investigations and regulatory oversight against large domestic banks, as well as demanding policy change from non-American banks that want to do business in the US market, the actions of American regulators have demonstrated that globalized markets and captured states are not the whole story of the contemporary American political economy. To be sure, the activity of American policy in foreign jurisdictions has not always pleased other states, as in the case of a US court ruling that undermined the ability of Argentina to stick to an earlier debt restructuring.⁸ Yet these activities call for scholars to think about the structural power of states in the international system even as they think about that of financial institutions in domestic contexts.

This essay highlights some of the productive ways in which scholars are using structural power to explain important puzzles in contemporary social science. The first section lays out challenges facing structural power research, challenges that effectively derailed previous attempts to place structural power at the center of analysis in political economy. The second section develops a working definition of structural power that stresses the notion of reciprocal dependence between state and business. The subsequent sections illustrate the way in which contemporary empirical research, featured in this special issue, has tried to confront these enduring challenges. A final section concludes.

⁵ Hacker and Pierson (2010); McCarty et al. (2013).
⁶ Baumgartner et al. (2009).
⁷ Culpepper and Reinke (2014).
2 Challenges to structural power analysis

Before enumerating the advantages of structural power, it is worth revisiting some of the charges that critics have leveled against it. Two objections deserve explicit consideration. The first revolves around the question of how it is that structurally powerful business organizations lose many political battles. The second considers whether it is possible, or even conceptually desirable, to distinguish the structural elements of business power from the more instrumental capacities of lobbying and advocacy through which companies pursue their interests in the political arena.

David Vogel trenchantly stated the first objection in an influential article from 1987 in which he described business as being an interest group like any other.9 There were two essential components of Vogel’s critique: first, that business is not especially successful in keeping items off the political agenda, even when it strongly opposes them; and second, that business power waxes and wanes with time and the political preferences of the majority. Controlling the agenda is fundamental to debates about power.10 The problem for Vogel is that all groups engage in agenda-setting, with varying degrees of success. Just because alternatives to capitalism have not been a prominent part of American political discourse does not necessarily mean that business is diabolically suppressing an agenda item that would otherwise be discussed and open to majority vote.

This poses a problem for structural power theorists, because many of the claims on which structural power has had the most to say – such as those about the threat of firms to exit a country if tax rates rise too high – are often about the issue of whether the implicit threat to leave poses an unobservable limitation on policy possibilities.11 This may well be true, but it is hard to falsify with the techniques currently available to political scientists. Structural power theorists should not ignore agenda-setting. But the further away one moves from direct political consequences of business exercise of influence, the more difficult it becomes to identify clearly the causal effect of structural power. Given existing standards of evidence in the discipline, agenda-setting is most likely to be demonstrated by showing empirically how the potential for business action closed off expressly contemplated policy possibilities, of which there is an observable record.12 It is only in this more modest role of observable agenda-setting that the first Vogel critique can be parried.

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10 Bachrach and Baratz (1962).
12 Fairfield (2015a).
A related problem is that the structure of capitalism in democracy does not appear to co-vary in any obvious way with the success of business interest groups in politics. The fact that business wins some and loses some was a core element of Vogel’s contention that business was simply an interest group like any other. Mark Smith’s work provided powerful empirical support to Vogel’s claim, showing that even when members of the US. Chamber of Commerce were broadly united on an issue, that united position of business did not always prevail.¹³ The problem here is that structural power implies a mechanism of causation that runs through the privileged position of business in capitalist societies. But even if business has advantages that flow from this structural position, this does not imply either that business wins all the time or that business has exactly the same structural advantages in all capitalist systems. Structural power refers to a set of advantages, not a pair of loaded dice that always turn up the right way.

To avoid the confusion that the language of structural power has created, theories based on structural power must try to show how variation in structural power meaningfully, though not deterministically, leads to variation in political outcomes. One reason for the success of Jacob Hacker and Paul Pierson’s contribution on the development of American social policy lies in the way that it correlates variation in the exit options of American business with its ability to keep American governments from providing social services.¹⁴ So long as businesses could easily move from New Jersey to Delaware, they were able to credibly threaten exit. The institutional change of nationalization of social policy during the Great Depression undercut this aspect of business structural power, paving the way for the development of New Deal policies. Whether the variation is temporal within one national case, or whether it is sectoral or cross-national, structural power research is most effective when it tests its claims using clear specifications of structural power that vary across empirical cases.

An additional challenge in attributing outcomes to structural power is to show that structural power is distinct from the preferences of the electorate. Governments may try to pass policies that are congruent with the interests of business not because these governments defer to structural power, but because the preferences of their constituents are satisfied by such policy change. Structural power may well be operative under such favorable political circumstances, but empirically it is difficult to disentangle the effects of business power from public opinion in such settings. It is more compelling to highlight how structural power allows business interests to achieve policy outcomes that are either electorally costly to a government or unpopular with public opinion. In other words,

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¹³ Smith (2000).
¹⁴ Hacker and Pierson (2002).
these empirical constellations constitute harder tests for hypotheses based on structural power.\textsuperscript{15} As a pragmatic matter of research design bang for the buck, accounts of structural power do best when they show the ways in which the structural power of business leads to outcomes that run in visible contrast to public opinion or governmental preference.

Within the business power literature itself, structural power has conventionally been contrasted with what has come to be called instrumental power: those non-core functions of the firm on which business relies to attain a political edge, such as campaign donations and the use of lobbying, either directly as a firm or collectively, through business associations.\textsuperscript{16} Structural power results from the fact that firms and capital holders control the investment decisions on which the economy depends for growth.\textsuperscript{17} Even if these two dimensions of business power are conceptually clear, they are however extremely difficult to disentangle in practice: if a political decision is made not to raise tax rates, is that because of the likely potential disinvestment effects (structural power) or instead because a business lobbyist made a particularly persuasive case about its likely effect on investment (instrumental power)? Any attempt to build on the theory of structural power must wrestle with the problem of the frequently observationally equivalent effects of instrumental and structural power.

Conceptually, some scholars have challenged the very utility of the distinction between structural power and instrumental power. Hindmoor and McGeechan noted that the bank bailouts that resulted from the crisis of 2008 were certainly due to the structural position of banks’ being too big to fail.\textsuperscript{18} Yet, they argued, that structural position was itself a product of earlier lobbying activity by banks – instrumental power – in deregulating the sector. Structural power is for them, therefore, a product of instrumental power, not independent of it. Stephen Bell has argued in a different vein that structural power depends on the perceptions of policymakers and of the public, which may depend in turn on the instrumental political action undertaken by business.\textsuperscript{19} While these scholars underline the empirical difficulty of doing research on structural power, they do not articulate a way around the challenge, nor do they successfully make the case for abandoning the distinction altogether.

The difference between structural and instrumental power has important consequences for how politics actually works. If instrumental power and the

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\textsuperscript{15} Bennett and Checkel (2014).
\textsuperscript{16} Culpepper (2011).
\textsuperscript{17} Block (1980); Przeworski and Wallerstein (1988).
\textsuperscript{18} Hindmoor and McGeechan (2013).
\textsuperscript{19} Bell (2012).
role of money in politics is a primary source of disproportionate business influence on lawmaking, then policies aimed at remedying this disproportion would take aim at the role of spending money for lobbying and access to policymakers. But if that difference has roots not in instrumental power, but instead in the structural position of enterprises or capital holders in the economy, then a policy aimed at lessening any disproportionate influence would target instead national rules for the size of companies in a sector and ways for legal jurisdictions to limit exit options, as Farrell and Newman discuss in their contribution to this issue.20

Any attempt to identify the role of structural power in action must wrestle with the problems reviewed here. First, demonstrating structural influence is difficult to show when the preferences of business correlate with the preferences of governments and/or public opinion, unless it is phrased as conspiracy theory. Empirical instantiation of structural power is most likely to be found therefore where it pushes against substantial opposition in government or in public opinion. Second, theories of structural power should specify the sources of variation in structural power and show how that variation helps account differences in outcomes. And finally, demonstrating the effect of structural power as a causal variable usually involves distinguishing it conceptually from instrumental power and developing a strategy to operationalize this conceptual distinction in empirical research.

3 Structural power as reciprocal dependence

Conventional definitions of structural power in political science underline the fact that capitalism requires private investment, and that governments in capitalist democracies are therefore dependent on creating the conditions under which holders of capital will be willing to invest.21 Thus, the structural power of capital involves the dependence of the state on private investors. In the open economy, this notion of structural power is often rephrased, with disinvestment taking the form of exit from the domestic economy, presumably to invest in countries with a more propitious regulatory or fiscal environment.22 Whether in the closed or open economy formulations, however, the constant of structural power is that it is perceived as a one-way street: capital holders exercise power over politicians

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21 Lindblom (1977); Block (1980); Przeworski and Wallerstein (1988).
running the state by virtue of the fact that the latter depend for their success on the former.

This unidirectional conception of structural power is one reason that the debates in international political economy (IPE) have been so divorced from those in comparative political economy (CPE). In IPE, structural power is a trait of states that occupy a powerful structural position in the international system. Thus, for Susan Strange, structural power was a capacity mainly inherent in a few large states – above all the US – to exercise influence over other state and non-state actors, by virtue of their role at the center of the international system.23 While Strange’s conception allows for structural power to be held by non-state actors, the central thrust of structural power in IPE scholarship is to focus on the role played by the US, because its sits at the center of the web of international trading and financial links and institutions.24 For mainstream IPE, structural power is something that a few lucky states exercise over others, not something of which they themselves are objects.25

It is difficult to spell out a definition of structural power that encompasses what both CPE and IPE scholars are talking about, because of the differences in the structures about which they are writing. For CPE scholars, the structure in question is that of the capitalist economy; for IR scholars, it is the anarchic international system, with balances of power that lie both in economics and in non-economic sources of force projection. However, firms and states both play in the international economy. Leaving aside the security features of the international system, there is scope between IPE and CPE to have a productive conversation about the way in which domestic and international market actors and states interact.

Rather than focusing exclusively on structural power as a resource held by private capital holders over the state, as in past CPE work, it will be more productive for scholars of CPE and IPE to conceptualize structural power as a set of mutual dependencies between holders of capital and the administratively superordinate authority – most often, but not always, a state. While structural power theorists have written at great length about the ways in which the state is dependent on holders of capital, they have focused much less on the ways in which large holders of capital depend on finding a regulatory environment in which they can generate a return from their capital.26

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24 Helleiner (2014); Kirshner (2014).
One important recent example of the dependency of national economies on the size of the financial sector is the size of bank bailout packages: *ceteris paribus*, the bigger the financial sector of a country, the larger the size its bailout as a proportion of GDP (Reinke 2014). These banks were often too big to fail, at least without catastrophic consequence for their economies. Yet it is also true that the American market is a large and lucrative one for many banks. The fact that the largest players in the American banking market make most of their profit in the US means that these banks are dependent on regulatory goodwill of American authorities. They are, in other words, dependent on the American state, just as the American state is dependent on them.\(^{27}\) The structure of the capitalist system is one in which each depends on the other. Studying structural power means being attentive to the political implications of both elements of this mutual dependency.

What this means in practice is that accounts of structural power can be especially penetrating when they highlight the way in which features of the reciprocal structural relationship influence the action of both states and businesses. In recent years we have seen this mutual vulnerability influence policies in important ways. Beyond the case of the bank bailouts, we can also observe this dynamic at work in the case of Swiss banking secrecy laws, analyzed by Patrick Emmenegger in this issue, in which the American government used its ability to threaten the indictment of Swiss banks to end this longstanding Swiss practice, one that had proved immune to previous international pressures.\(^{28}\)

The story told by Emmenegger is not exclusively a story of American financial power, however. The US wanted to threaten these banks without actually causing the substantial damage to the economy that a formal criminal indictment would have created. The US government stands at the center of the web of global finance, but if it tears down several large players, it risks significantly damaging itself. As Emmenegger argues, the play of structural power is neither the stuff of conspiracies nor of unobservable winks and nods, but instead of carefully calibrated, empirically observable shows of force through which a state coerces compliance from large financial institutions, while trying not to shoot itself in the foot. His account shows how one state can discipline firms, and the way he employs structural power is especially credible because the story is embedded in both the power and the vulnerability of states that want to pressure large financial institutions. One way for future scholarship to be clearer about the limits of structural power is to keep one eye on this mutual interdependence that underlies it.

\(^{27}\) Culpepper and Reinke (2014).

4 Distinguishing structural and instrumental power

If business is merely a group with well-resourced advocacy organizations, or even a set of super-rich individuals such as the Koch brothers in the US, then structural power is not necessary to understand their influence in politics. The variable of interest is resources, and these individuals and organizations have access to especially abundant resources. While business associations may be able to call on fewer members than mass advocacy organizations such as the AARP or the NRA, the deep pocketbooks of their members mean they still face these mass organizations with no resource disadvantage, and often a sizeable disparity of economic means in their favor. This may or may not be a problem for American democracy, depending on one’s priors about the meaning of the political equality of citizens. But it is certainly a problem for those working on the importance of structural power, whose theoretical concern is with the economic weight of Koch Industries in the American economy and how that position influences American environmental policies, rather than the spending of the Koch brothers themselves, which is simply their instrumental power.

Scholars currently working on the problem of how structural power influences politics have approached this problem in various ways. The first is to set up a research design in which case selection creates variation in the expected outcomes, depending on whether or not instrumental or structural power is more decisive for the outcome to be explained. This is the strategy pursued in Culpepper and Reinke’s comparison of bank bailout strategies across the US, the UK, France and Germany. In all cases, the instrumental power of large banks was substantial, but where that power was highest – in the US and in France – was also where large banks possessed relatively lower structural power. Culpepper and Reinke were able to show that the outcome of interest, a collective banking solution that forced strong banks to share the upside risks of bailouts with taxpayers, was observed only in the cases with lower structural power of financial institutions. Their process-tracing evidence, moreover, showed how structural power was in evidence, while instrumental power was not.

This is an effective strategy, but it is one that was made possible by being able to look at cross-national variation during a relatively unusual event, the 2008 financial crisis. In many other empirical instances, particularly when scholars are looking within a single country case, the strategy of taking contrasting outcome predictions of instrumental and structural power is not feasible. In this case, one

29 Culpepper and Reinke (2014).
can follow Hall’s strategy of systematic process analysis by specifying in detail how the observable implications of the process will differ depending on whether instrumental or structural power is at play.\textsuperscript{30} This is the strategy adopted by Tasha Fairfield in her book on tax policy in Latin America.\textsuperscript{31} She establishes clear criteria of policymaker perceptions of the risk of disinvestment to evaluate empirically the role played by structural power in agenda-setting stage from 1991 to 2010; she finds its importance to be limited in comparison with instrumental power. Her study of Chile’s 2014 reform for this special issue, however, shows how structural and instrumental power mutually reinforced the efforts of employers to win concessions in congress.\textsuperscript{32}

Yet, as Fairfield shows, business is often most effective where structural and instrumental power are both strong. Such a finding can establish the exercise of business power in politics, but it has difficulty apportioning causal weight between instrumental and structural aspects of power. This dilemma has led some to dismiss the role of structural power as simply a signal, which the holders of structural power have to amplify via their engagement in costly instrumental political action.\textsuperscript{33}

Rather than trying to distinguish the effect of structural from instrumental power, some scholars have found it more fruitful to see how the two work together, even while maintaining the conceptual distinction between them. Kevin Young, in his contribution to this issue, uses the case of American financial regulation to consider the challenges of assessing structural power arguments focused on specific industries or firms.\textsuperscript{34} His first analytical move is to push for conceptual clarity by distinguishing structural prominence – which refers descriptively to positional or magnitude features of a firm or a sector that give it a prominent place within an economy – and the potential to alter the behavior of other actors in the system by dint of that structural prominence. Using data on both agenda-setting and preference attainment before the US. Securities and Exchange Commission (SEC), Young’s results suggest a nuanced story: more prominent firms do seem to be favored in the agenda-setting stage, which is consistent with a structural power argument. However, in terms of preference attainment, there is little evidence that structurally powerful firms get more of what they want, particularly when they are critical of the status quo. It seems to be the case that those firms that do best in terms of preference attainment are both structurally prominent and

\textsuperscript{30} Hall (2003).
\textsuperscript{31} Fairfield (2015a).
\textsuperscript{32} Fairfield (2015b).
\textsuperscript{33} Hacker and Pierson (2002).
\textsuperscript{34} Young (2015).
actively engaged in the exercise of instrumental power, suggesting the promise of further exploration of how structural and instrumental power reinforce each other.

5 States, finance and structural power

The reciprocal dependence between states and firms entailed in structural power calls for a closer dialogue between those working in comparative and international political economy. IPE scholars have written with great fluency about the way in which the international status of the dollar as a reserve currency has reinforced the power of the US in the international system. For these scholars, the principal interest of the structural power that inheres in the American position as the center of the dollar system is the ability of the US to get what it wants from other states. But, as Susan Strange has noted especially acutely, the resources of US structural power also allow the US in certain circumstances to push back against the loss of control over large financial institutions that many domestic jurisdictions have experienced with the march of financial globalization.\footnote{Strange (1996).}

Exhibit A of this mutual dependence appears in Patrick Emmenegger’s study in this issue of the demise of Swiss banking secrecy.\footnote{Emmenegger (2015).} The Swiss state, in support of its large banking sector, had long vaunted the right of secrecy of its large banks, to the consternation of international policymakers attempting to cooperate in the fight against tax evasion. As Emmenegger shows, these Swiss banks were themselves dependent on continued access to the dollar-based financial system. This dependence allowed the US government to bring pressure to bear on the Swiss banks – and thereby on the Swiss government – through the threat of criminal indictment of the banks, which ultimately led to the sharp curtailment of the renowned Swiss practice of banking secrecy.

Emmenegger’s analysis shows that the long arm of US law, sustained \textit{inter alia} by the dependence of international large banks on US dollar-clearing, can also be used to extend the reach of US regulation even to small banks that have no real business presence in the US. Thus the US was able to indict, and force the collapse of, the small Swiss bank WEGELIN, whose co-owner was a prominent advocate of maintaining Swiss banking secrecy. This crisp operationalization of structural power allows Emmenegger to show the dynamics of radical change in domestic politics by tracing the ways in which mutual dependence permits the US state to pressure financial institutions to change their ways.
William Winecoff adopts a different metric – network centrality – to assess how the financial crisis has affected the structural power of the US. Winecoff depicts the structure of the global banking network, using ties based on the amount of assets national banking sectors hold in each other. Winecoff’s precise definition of structure does not focus on the exercise of structural power, but it provides evidence of a continued American centrality to the international financial network that may well help account for the reinforced international regulatory activism of the US government post-crisis. Winecoff’s network analysis shows that the crisis actually reinforced the central position of the US, and to a lesser extent the position of the UK, in the international financial network.

The promise of Winecoff’s network analysis, and indeed of network analysis generally for the study of structural power, is that it offers precise and measurable concepts of structure and centrality. To the extent that these measures line up closely with what we mean when we talk about the structural power of business, or of states against business, this is a welcome advance. A substantial analytical challenge remains, as the lineaments of structural power may not be fully represented by network position alone. Network theorists have developed measures of centrality and prestige that Winecoff deploys to promising effect. An important next step in the research program is to connect changes in structural power with political outcomes over time and across countries, such that we can begin to assess the correlation of changes in structural power with a variety of potentially observable implications.

6 Structural power and the forums of politics

Structural power ties states and business in relationships of mutual dependency. For both parties, this dependency creates vulnerabilities. It is these vulnerabilities that have been the subject of most of the work on structural power. Yet the international capitalist system is not a sclerotic network in which the structural location of firms and the relationship of states to those firms are determined solely by resource endowments, which are slow to change. The rules that define the system are instead a subject of ongoing political struggle.

In the literature on the globalization of finance, the predominant view has been that the mobility of capital constrains states from being able to make the policies they prefer. This literature has possibly undervalued the resources of

38 Winters (1996); Garrett (1998); Mosley (2000).
state strength, as noted in research by Emmenegger, Culpepper and Reinke, and Young.\(^{39}\) It may also have imputed to international companies the concerns of political economists, who spend their days thinking about power and who can control whom. Firm managers are concerned with this problem much less than they are about how to make money. They are of course concerned about their possible vulnerability to state regulators, but only insofar as it affects their future profitability. It is perfectly imaginable that companies are willing to accept a loss of regulatory control for access to lucrative markets. When the rules of the game are up for negotiation, regulators and firms battle to exercise control. But while regulators are almost always concerned about being able to exercise state power, this may be a relatively less important consideration for firm managers and owners.

This asymmetry is of interest because firms and regulators engage in this game in a variety of policy domains in the contemporary international economy. The capacity to leave a political jurisdiction – the exit option – is at the root of the potential for globalization to increase the structural power of business vis-à-vis states. Yet as Henry Farrell and Abraham Newman show in their contribution to this issue, states and international organizations can push back by making exit from a given jurisdiction more difficult, thereby decreasing the structural power of business.\(^{40}\) Farrell and Newman call this power to shape exit options “structuring power,” and they explore the play of structuring power in debates over privacy regulation and accounting standards in both the US and the European Union.

Farrell and Newman’s focus on structuring power emphasizes that the conflict of national regulatory systems creates the possibility for distributional struggles between firms that have more or less to gain from being governed by different sets of rules, as it does between regulators who want to prevent exit and firms that want to elude regulatory oversight. Thus the contest over structuring power is between firms themselves, which battle over whose rules they would rather play by, as well as between firms and particular states trying to extend their jurisdiction over the economic activity of those firms. One of the exciting insights of this article for the research frontier on structural power is to think creatively about the sorts of variations in exit options that are affecting large firms with an international presence.

The question of what firms want and how those preferences influence international politics is at the heart of the article by Rawi Abdelal.\(^{41}\) Abdelal’s

\(^{39}\) Emmenegger (2015); Culpepper and Reinke (2014); and Young (2012).

\(^{40}\) Farrell and Newman (2015).

\(^{41}\) Abdelal (2015).
empirical study of gas markets that tie European countries and Russia shows that the border between the commercial policy of firms and geopolitical battles is much more porous than the contemporary literature on international relations would have us believe. Abdelal argues that many of the most important choices about the construction of gas pipelines – gas pipelines freighted with geopolitical consequences for the major European countries – were the result of the decades-long relationship between Gazprom and a handful of European energy companies. How those companies interpreted the conflict between Ukraine and Russia over gas supply, and not how mass publics or government leaders interpreted them, were the driving factors behind European political moves about gas supply, even if these moves were investment decisions made by private companies, not lawmakers in parliament. Abdelal’s view of structure and the power of firms reminds us that the incentives and mutual histories of firms and their managers are fundamental to the way in which large companies exercise influence over political outcomes.

7 Conclusion

Crises and their aftermaths provide fertile ground for political scientists to evaluate their own tools in light of the changes in the real world they are trying to explain. The recent global financial crisis and the ongoing bank and sovereign debt crisis associated with it in the Eurozone have led many scholars to reach back into the toolbox of structural power to help understand some puzzling developments. The articles in this special issue demonstrate that this is a broad research frontier. A synthetic look at them raises several questions of general interest, for scholars interested in employing the analysis of structural power as for skeptics wondering whether this corpse from debates between Marxists and pluralists would best be left undisturbed.

What emerges most clearly from this review is that structural power has a labeling problem, if not a toxic brand name recognition. The structural power of business refers to the ways in which large companies and capital holders – in practice very often the same thing – gain influence over politics without necessarily trying to, because of the way they are built into the process of economic growth. This is the sense in which its advantages are structural. But the adjective “structural” has biased conversations about structural power such that the focus on agency in structural power explanations has almost vanished. The claim

that structural power is at work implies neither a deterministic outcome nor that the exercise of structural power must happen automatically and apolitically. If structural power is to prove a useful addition to contemporary theories of politics, those who would use it need to be attentive to this labeling problem and the issues that get smuggled in by using the adjective “structural.”

The articles brought together in this issue suggest at least three lines of inquiry that can help clarify the meaning of “structure” in structural power analysis. First, several of the articles in this issue break with the dominant understanding of an earlier generation of literature that had a class-theoretic focus – which is to say, that structural power was part of the advantages of the entire class of capitalists. The contributions of Emmenegger, Farrell and Newman, and Young all deal in interesting ways with potential or real cleavages in the business community. Structural power concerns the relationship between states and firms, but it is something that can be used by one company or set of companies against the interests of others, as against the state. In other words, a new generation of structural power research is likely to be much more attentive to how the structure of capitalism creates opportunities for some companies (but not others) vis-à-vis the state, at the same time that it creates leverage for some states (but not others) to use in order to play off companies against each another. Future structural power research is more likely to put agents in the foreground as political actors taking advantage of the resources provided by structural power, rather than to show how the structure of capitalism advantages all business actors in the same mechanistic way against non-business actors.

A second issue for future research involves the knotty question of how to understand the way in which structural business power works together with that power which is not structural – instrumental power, in the infelicitous conceptual language inherited from past debates. Disentangling the two remains difficult. One issue to watch is whether the most mileage is to be gained by trying to distinguish the separate effects of instrumental and structural power, as in the work by Culpepper and Reinke, or instead to explore them as they work together, as in the analyses by Fairfield and Young in this special issue. Which sort of analysis will prove most fruitful remains an open question.

A third and final issue that emerges from these articles, especially that by Winecoff but also that by Young, is the possible future role of network analysis in exploring the claims of structural power empirically. Network analysis may offer advantages in specifying precisely and transparently what the structure in structural power means, and how different sorts of position in that structure may

43 Culpepper and Reinke (2014).
confer discrete advantages on certain actors. What remains to be seen is how well the different sorts of ties established between nodes in network analysis correspond to the theorized ties by which companies and capital holders occupy the privileged position elaborated by Lindblom. If those ties and structures can indeed be shown to correspond closely to the character of capitalist structure—which is a big “if”—then network analysis represents an important area for the structural power agenda to advance empirically.

Structural power analysis has also suffered from the lack of dialogue between the fields of international and comparative political economy. While subfields are often resistant to sustained dialogue, this separation has been particularly costly because scholars in both fields have tended to focus only on one side of the coin. For CPE scholars, that one-sided account has stressed the way in which the privileged position of business stacks the deck in favor of business-friendly outcomes, leaving underemphasized the simultaneous and related power of regulators to pressure firms because those firms are dependent for their future income on access to certain markets. For IPE scholars, the unilateral temptation has been to stress the dominant position of the US with respect to other countries and their banks, without any heed to the way in which the American government must be deeply sensitive to the effects of its policies on international holders of capital, including its own giant banks. Conceptualizing structural power as a set of reciprocal dependencies among states and the large firms operating within their regulatory jurisdiction represents one way to develop a more balanced notion of how structural power operates in the global capitalist economy.

These considerations about the reciprocal character of structural dependence are of a general character, but they have special resonance for discussions of the most important countries in the international system, and above all the US. Nowhere is the distinction between CPE and IPE more glaring than in the contrasting portrayals of the American political economy: the former depicts that system as hopelessly captured by the lobbies of large businesses and the super-rich people who lead them, while the latter sees the American state as a continued island of power in the international system, one that is able to pursue rogue banks across international borders without regard to the finer points of international law. There is a significant degree of truth in both pictures. Understanding how they can simultaneously coexist is a task that should be on the agenda of anyone interested in understanding the character and limits of structural power in contemporary political economy.

References


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