

Corporate power and its potential impacts on green policy

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A look at political influence

The free market and neo-liberal economist Milton Friedman once declared that the “*only social responsibility of business is to increase profits*” (Gelles, D. and Yaffe-Bellany, D, 2019). This mantra of ‘greed is good’ led to intense privatisation in the 1980s and theorised many of the responses to the 2008 financial crash. Over this period, regulatory and economic policies were increasingly designed to reduce the control that the government had on businesses and the markets in which they operate.

In recent years, corporate power has led to strong lobby groups that protect corporate interests in several policy areas, most notably economic and environmental policy. The close relationship that corporations have with the government moves democratic power away from the voting public to the corporate sector thus maintaining their interests. This article will first define corporate power/influence before covering the methods that multi-national corporations (MNCs) use to influence political decision making and drivers behind these methods.

Corporate power in the UK will be analysed as well as the differences in approaches that MNCs take compared to small and medium enterprises (SMEs) and public voice groups. We will also look at the effects that corporate power has had in sustainability policy and what can be done to counter this.

The study and depth of understanding of corporate power and its influence have their roots in several academic fields. These range from criminology to social policy. Trying to provide one definition that clearly outlines the political influence that corporations have is difficult but not impossible.

Criminologists try to frame the behaviour of corporations as crimes. This is often challenging as the close relations between governments and corporations often means that harmful acts are not labelled as crimes. The notion of what constitutes a criminal act is re-phrased to include acts that are harmful to a wider public. Tombs and Whyte (2009) follow this direction describing corporate power as actions that are “*committed within the context of profit-making and which victimises workers, consumers and the general public*” (2009: 139). It is clear from this definition that Tombs and Whyte focus on the

direct actions of the corporations. These actions being the policies and behaviour taking by a corporation that can lead straight to harmful consequences (i.e. without a middleman (see government). Examples of this can be pollution and production of harmful products (cigarettes for example). While this definition is important and can be useful in looking at the corporate behaviour that governments may be lenient towards, it may demonstrate the after-effects of corporate influence on political decision making rather than a measurement of the influence that corporation have. This side of corporate power can be classed as 'indirect' as corporations go through the government to get favourable outcomes for themselves (the political decisions resulting from this corporate influence can be considered harmful to third parties, thus being indirect). In this context looking at corporate power as a crime can be restricted. Lobbying and political backing are not illegal, but it is where most of the corporate power is exercised. Later work by Tombs (2016) emphasises the attitudes of modern governments to support corporation from policies:

“Corporations are wholly artificial entities whose very existence is provided for, and maintained, through the state via legal institutions and instruments, which in turn are based upon material and ideological supports. Certainly, it is the case that maintaining the conditions of existence of contemporary corporations, even, or perhaps especially, in ‘free’ markets, requires an enormous amount of state activity. The logical corollary of this claim is that just as states create and sustain markets, so too can and do they create and sustain criminogenic markets, that is, markets that are conducive to, or facilitate, the production of harms and crimes” (Tombs, 2016: Abstract)

Here, Tombs describes in more detail the methods that governments use to facilitate corporate behaviour and potential corporate harms. However, although it is indicated that governments give corporations the ideal conditions to operate, there is no description of how these conditions were developed or the decision-making process behind them. It is unlikely that governments created these conditions on their own behalf (the exception being the neoliberal revolution of the late 1970s, where changes were deemed to be necessary after the collapse of Keynesian theories) but instead were pressured into such policies by corporations themselves.

Perhaps it is clearer to define corporate activity with governments as 'influence' (they have 'the power to influence'). Thus, giving more direction at the activity of corporations within the political decision-making process and the indirect harms that this may lead to. Defining this 'influence' is an area in which the literature often strays away from any 'corporate crimes' that must be criminalised by the state itself, while the legal activity of lobbying and funding often leaves the political power of corporation undefined. Hillman, Keim and Schuler (2004) describe the political

activities that corporations carry out in an *“attempt to shape government policy in ways favourable to the firm”* (2004: Abstract). This provides a basic definition of the influence that corporations have in political decisions.

While considering the methods that the private sector use to exert this pressure, we can define corporate influence for sustainable policy implementation as:

The methods, such as lobbying, political and think-tank funding, the ‘revolving door’ and other government relations, which allow corporations to exert pressure on governments and government officials to shape and promote policy and laws that facilitate ‘doing business’ and profit-making (i.e. the corporations’ main motives).

For green policymaking this is usually in the reduction and disempowerment of sustainable and environmental regulations, thus stopping any restrictions that may be placed on corporate activity in the pursuit of profit.

The main avenue of influence for many corporations is through lobbying. The degree of success that corporations can lobby depends on several factors: the strength of the campaign, support/opposition from other groups, and the preference of the policymakers (ibid.). Lobbying usually alludes to formal and informal meetings between those in parliament and Whitehall; the higher and closer an individual is to the cabinet and PM, the more influence they are likely to have and the greater chance they have to influence policy at the early stages (Baggot, 1995; Rowbottom, 2010). Most of the lobbying takes place at corporate events which allow corporations to ‘wine and dine’ an influential member of government (ibid.). The monetary resources to put on such events gives corporations and businesses a clear upper hand in comparison to the resources that public interest groups attain (Ibid.). Scandals such as ‘cash for questions’ (asking questions of private interests behalf) (Watts, 2007) and ‘cash for access’ (ex-ministers now lobbying government) (Coxall, 2001) have shown the irresponsibility of MPs to directly favour private interests for personal benefit. Crouch (2011) explains how the neo-liberal shift in politics has allowed for greater ease of access for business ideas into policy discussions to the extent where the government may even go to the business for advice, thus making the active need to ‘lobby’ non-existent. (ibid; Mikler, 2019; Crane et al, 2008; Crouch, 2011; Moran, 2009). These groups can be described as ‘insider groups’ as they have the most access, afforded to them through structural power, and so can yield the most agency (Baggott, 1995). This directly counters the equality of access that pluralists describe. Most government officials will argue that they do act in the public interest and any outside contact with groups is to gain knowledge on issues that they are not experts on (Rowbottom, 2010). Although a line has to be drawn when this access is being used to exert influence and

corrupt practices are taking place. Coxall (2001) extends these fears by describing Britain as a “post-parliamentary democracy” (2001:86) power has become increasingly centralised and influenced by outside interests who try to directly amend bills or create a favourable discourse around an issue.

Another method of corporate influence is known as the revolving door. This refers to the movement of individuals between the private and public sectors. This interconnectivity between the sectors shows just how ingrained businesses are in politics; Wiks-Heeg (2015) finds that 46 of the top 50 publicly listed corporations in the UK have an MP as either a director or a shareholder. This demonstrates that the largest corporations have a direct line of contact to the most powerful decision-makers in the country. From a theoretical standpoint, although backed by what has just been described, it can be conceptualised that the globalised economy has facilitated the agency power of corporations and granted them easier access to discussions, which has then further strengthened their relationship with the government – a positive feedback mechanism. Structural and agency power work hand in hand. Wilks (2015) highlights that the revolving door can undermine trust in the democratic system as ex-government officials put personal interest before public interest. Mikler (2018) argues similarly: interconnectedness occurs when the goals of corporations also become the goals of the state. However, it is inconceivable that the left will fully commit to a democratic process that puts profits before the public interest, instead, there will likely be a disengagement from politics as people realise that the public’s interest is no longer being upheld. This argument is backed by Crane et al (2008) who explains that political disenfranchisement stems from the opaqueness of corporate interests in politics. This will only strengthen the corporate hold of politics, as public interest and opposition wither away. In the UK, the government’s Advisory Committee on Business Appointments (ACoBA) is responsible for the revolving door and have come under intense scrutiny due to the lack of authority that they hold in regulating against this (TI, 2015). In fact, ACoBA has never advised an ex-government official not to make an appointment even when there is a clear conflict of interest (Brooks and Hughes, 2016). This demonstrates the lack of a negative, controlling feedback mechanism. The key influence of the revolving door could be seen just after the 2008 financial crash; those senior people in the financial industry would regularly work for the regulators that would act leniently when monitoring the expansion of risky loans and mortgages. This ultimately led to the financial crash as many people failed to repay loans. The impact of this was a recession and stringent austerity measures. In the years since the financial industry has recovered after being bailed out by the government while the austerity measures have led to increasing amounts of inequality in the UK. In many cases, the same people who were on the committee to

assess the crisis and develop solutions were the same ones who led the major financial institutions into debt (Dinan and Miller, 2009).

Further conflicts of interest may occur through the financing of political parties. Fransworth (2004) notes that corporations can make donations to political parties in order to “steer their policies or gain access to politicians” (2004:12). Lord (2000, paraphrased in Crane et al, 2008) agrees with this; they state that political party funding “establishes corporations as officially accepted players in political participation” (2008:66). The Conservative party lists on its website that donations of more than £50,000 a year grants access to “key members of the Conservative party” (Conservative Party, 2019). Baggott (1995) emphasises the financial resources that corporations have allows them such close links with the government; with the case of the Conservative Party financial resources grants unprecedented access. This can be tied back to the debate outlined by the Marxists and Elitists who point to the similar social standing of capital and the ruling class that facilitates influence on policy. Those who fund the Conservative party are more likely to be from high society (of private schools and privilege), which will further consolidate the influence and solidarity that those in the highest classes have. It is this cultural capital that limits the influence that other classes can have on politics and, ultimately, class mobility. Rowbottom (2010) describes political donations as a key attributor for policy influence, especially as it is likely to drive out how much the party is responsive to the public. Conversely, Culpepper (2011) tones down the influence of political donations merely citing it as an “additional factor” (2011:191), instead outlining the importance of “lobbying and expert knowledge” (ibid.). Other than parties, corporations can also fund think tanks and influence media. Think tanks are organisations, external from the government who push for policy change and suggest alternative ideological routes that governments could take. Grant (1995) notes that think tanks do not engage in conventional lobbying (meetings, the revolving door or party funding), instead, they try “to change the intellectual climate of opinions” (1995:9). Smith (2000) argues that think tanks not only target the ideologies of government but also the general public, often through the framing of political issues to suit a certain perspective (Transparency International, 2015). The role of think tanks can be greatly enhanced when they coincide as an end destination for the revolving door.

The above has covered the extremes that MNCs go to influence policy. On the other end of the spectrum are small companies and public interest groups. To compare the potential influence that other groups may have, the policy process must be analysed.

The UK is often described as traditionally pluralist, where all interests have equal access. However, critics of this (Marxist and Elitists) suggest that access is skewed to

those with economic and capital interests in the country. Traditionally, pluralists believed that the policy process should disperse power equally throughout society to encourage public participation. Baggott (1995) suggests the principle of pluralism is for the *“government to share power with the people’s chosen representatives”* (1995:33). These representatives are described as pressure groups. These are groups that operate for the public interest by trying to *“influence the policy process at any stage, whether it be at the agenda-setting or implementation”* (Hill and Varone, 2017:26). However, this perspective was criticised as it relied upon several conditions that needed to be met such as limited barriers to entry to form groups, and easy access to political discussions (Baggot, 1995). Critics from Marxist and Elitist points of view argued that these conditions were not realistic, and some groups could exert more power and influence on policy than others. Dahl, a neo-pluralist, re-classified the pluralist perspective; admitting that not all groups have the same power but that *“countervailing forces”* (Hudson and Lowe, 2009:116) would balance this out by allowing excluded interest groups to circumvent the normal influence channels, as such any imbalance of power towards a single group/class would be impossible (Ibid.). Dahl does not describe the logistics of how this may come about. The theory also does not hold up when considering the modern power structures of global corporations, thus creating a large gap in the pluralist theory and will be discussed (Coxall, 2001). This theory has been described as too simplistic because it only looks at, what Lukes describes as the first face of power. This is where A (pressure group) can get B (the government) to do something (Lukes, 2004). Pluralism, therefore, only looks at overt power in the policy process and does not consider covert power.

Covert power relates to Lukes’s second face which describes the use of power as ‘non-decision’ (Hudson and Lowe, 2009:116). Essentially, this means that power is used to keep issues off the agenda. Hudson and Lowe (2009) described that this power is likely to be used by elites to manipulate the policy process to their ends. Looking at this face of power relates to alternative views of the policy process, notably Marxism and Corporatism. Marxists argue that the state is *“an instrument for class domination”* (Hill and Varone, 2017:39). Marxism directly confronts pluralism by arguing that the capitalist elite and the ruling class are closely intertwined through mutual contacts and social standing. Thus, arguing that the capitalists dominate the policy process and have the greatest access to government. It became clear that during the 1900s business interests were capable of *“accessing policymaking... (through avenues) that were not open to other groups”* (Farnsworth, 2007:99). Even Dahl admits that *“business is a privileged interest in capitalist democracies”* (ibid.). This links back to the discussion on structural power. Some Marxists, such as Miliband, point to the success that the capitalist elite has had through pressure groups. This is reminiscent of (neo) pluralist theories

around democratic representation but points to the unequal nature through which power is skewed to the capitalist class. On the other hand, there are Marxists like Gramsci (1971), who emphasise the structural power that the capitalist and elite classes have in modern democracies. The monopoly that the elites have in decision making can be argued to cover the third face of Lukes's faces of power. Gramsci (1971) describes this as ideological hegemony which helps those in power to shape social values and beliefs.

From the above, those with substantial economic resources can shift a pluralist system to one that limits access to those with economic importance. This is linked back to the methods of influence which give MNCs the upper hand in negotiations, especially when compared to smaller companies, who rely upon close community relations, and public interest groups who are unlikely to be financed to the same degree. It can be inferred that the theory suggests that most political influence rests with the MNCs who will use it to push for further profits without consequence.

It can be inferred that the need to make a profit, a goal that is paramount in a capitalist society (especially one as liberal as the UK), is a 'driver' behind the amount of lobbying, which is a driver of maintaining capital accumulation. Of course, this suggestion can be critiqued, although that is beyond the scope of this piece. These 'drivers' and the changes in them, will then have 'impacts' on the wider environment. In this case, on the regulations and policy surrounding sustainability.

Evidence from the USA shows that major polluters have spent in excess of \$2 billion dollars since the turn of the century to halt climate change legislation passing through congress (The Independent, 2019). This is shown to be around ten times the amount spent by public interest groups supporting the legislation. Additionally, the five biggest oil and gas companies (BP, Shell, Chevron, ExxonMobil, Total) have spent over €250 million in lobbying the EU since 2010 over climate policies. The same companies are members of the 20 biggest polluters who are responsible for over a third of greenhouse gas pollution (Laville, 2019).

The lack of transparency means that little information is known about the amount of money spent in lobbying the British Government on these areas. This is one problem with research in this area as influence is often exerted covertly to avoid public scrutiny. To improve the accountability of MNCs, pressure must be placed on them to release their lobbying activities. On a regional level, local companies must respect the community in which they operate. This ties them to an automatic level of accountability and social transparency. Through pressure from the public and smaller companies' legislation could be brought forward that uncovers the lobbying of major companies. In theory, this scrutiny may allow for sustainable and environmental

policies to be implemented. How quickly this change can happen, though, is a different question.

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