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Review of *Quiet Politics and Business Power: Corporate Control in Europe and Japan* by Pepper D. Culpepper.
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Pepper D. Culpepper's latest book *Quiet Politics and Business Power* alerts the reader to its controversial content before it is even opened. Tellingly, the book's front cover bears the image of the painting *Conspiracy,* foreshadowing the author's main thesis. Culpepper argues that when an issue is less politically salient, business interests have great power to achieve exactly what they want. This argument is founded on the assumption that politicians are vote maximizers. When an issue is not resonant with the electorate, politicians will not invest energy taking on political struggle. Culpepper argues that under these circumstances business has exceptional power resources. Primarily, this power is derived from managerial expertise; politicians, according to Culpepper, are not well informed and would rather defer to managers on certain issues than invest the energy educating themselves. Not coincidentally, the issues which politicians and voters care the least about tend to be the most complicated. This complexity is to the advantage of business, which is given relative free reign over these policy areas. Culpepper focuses on a specific policy area for most of the book - hostile takeover protections - and examines the influence of managerial preferences cross-nationally.

Culpepper presents his theory in opposition to the existing literature, in particular theories of partisanship and coalitional theories. Other authors (Gourevich and Shinn 2005; Coifi and Hopner 2006) have attributed corporate governance to either the preferences of political parties or to coalitions of interest groups who push for specific policies in legislatures. Both of these theories suffer from the same flaw according to Culpepper; that is, they focus on formal institutions and traditional political processes and eschew informal institutions which have a

primary role on issues of low salience. As a result of these flaws, neither theory stands up to the empirical scrutiny of Culpepper's case studies regarding hostile takeovers.

Culpepper employs a mixed methodology with an interesting use of empirical data to establish the basis of his theoretical discussion and his case studies. He uses the sum of newspaper coverage as a proxy for saliency. The author graphed fluctuations in coverage over time to measure public concern, which the media theoretically mirrors. While this method is not unique to Culpepper's book, it is certainly uncommon and intriguing. It demonstrates the author's commitment to empirical rigor, as this reader did not require statistical evidence to accept Culpepper's assertion that hostile takeover protection is not a topic which rouses the electorate. In addition to these quantitative measures of saliency, Culpepper provides four cases which span traditional and unique cases under circumstances of high and low saliency. The inclusion of the Netherlands contradicts the traditional connection made between concentrated ownership and takeover protections. The study of Japan shows how managers shape policy in low saliency. However, once corporate governance became salient - business no longer had political deference on its side. In the case of Germany, managers preferred takeover protection because they could not reap the benefits of restructuring due to labor market restrictions, and due to the low saliency of the issue, they maintained this protection. In France, managers favored less protections because they felt French business would be able to reap the benefits due to its more open labor market, so they pushed for changes in takeover protection. This action drastically changed the model of corporate governance in France, where managers are now more focused on short-term profitability.

Despite the insights of Culpepper's theory, he over-attributes causality to business's power resources to the point of being deterministic. Businesses, particularly their managers, are not only the primary actors for Culpepper, but in cases of low-saliency, they are the sole actors. However, this perspective neglects the important role of other social agents' power resources. Culpepper ignores that business preferences are circumscribed by the power and influence of the working class. While managers may have extra influence, business interests are shaped by their institutional setting that varies due to other social structures. Culpepper recognizes that managers are more likely to support takeover protections due to institutions like work councils. Despite this recognition, Culpepper misses the influence of Social Democratic parties and unions in creating these institutions. Although one degree removed from the informal processes Culpepper is interested in, working class power resources clearly shape the interests of managers; one cannot separate the informal from the formal society in which one is embedded.

A major part of Culpepper's thesis is that politicians will defer to managerial preferences. The underlying assumptions about politicians' behavior warrant criticism. Culpepper discusses availability heuristics, a psychological concept that refers to the tendency to judge based on recently-gained information. The application of availability heuristics in Culpepper's book is that voters will consider all managers more harshly in light of a recent scandal. While not all CEOs are corrupt, the voter's mind is primed to think of CEOs as corrupt when hearing about malfeasance. These types of heuristics are useful for understanding behavior, but Culpepper takes too narrow an understanding of the heuristic. Ideology serves as a heuristic for both politicians and voters. Culpepper argues that scandals damage business's reputation and under these circumstances politicians do not show them the same deference. However, not all

politicians show the same propensity for deference to business. Culpepper argues that deference and trust is the source of business power, yet Social Democratic ideology holds business at arm's length. There are two possible conclusions to be drawn from these points. First, either all political parties show deference to business, and center-left political parties have their allegiance tied solely to their working class constituency. This conclusion is more radical than I think Culpepper aims to be; I do not think his intent is to argue that every party's ideology is serving business. The second conclusion is that business must have some other source of power to coerce parties whose ideology is not in line with business interests. Culpepper asks the reader why politicians would "challenge business on how to run business if the public does not vote on the basis of these issues" (Culpepper 2011, 189). However the opposite question must also be asked: why don't politicians go against business?

Culpepper correctly dismisses campaign finance as a solution to the question I pose. Countries with restrictive election financing are not less susceptible to business power. Campaign donations cannot be the source of business's power resources (Ibid, 179). Culpepper rejects the only plausible answer to this question. The state and the politicians who operate within the government are structurally dependent upon business for macroeconomic performance. The state requires business performance for employment and economic development. These social functions are delegated to business which creates a symbiotic relationship between the two entities. This relationship presents business with the tool of coercion with which it may wield against the government. The threat of disinvestment is brought up by Lindblom, but Culpepper attempts to refute this point in his final chapter (Lindblom 1977). Culpepper notes that this structural power to disinvest is always available to business, so it

cannot explain change. The fact of the matter is that while this structural power is constant, its relation to other social forces is variable. Center-left parties fear going against business because of disinvestment, but there are other threats to politicians' electoral survival. When popular pressure is applied to politicians, they are forced to risk disinvestment to gain constituency support. More drastically, if a revolution is forming, politicians are likely to give concessions to the masses at the expense of business. These competing forces can be considered formations of saliency. As an issue becomes salient to the public, politicians come under threat, and this can outweigh business's coercive power to disinvest. In fact this correction is fully compatible with the theory that Culpepper presents, so its exclusion is puzzling.

These critiques add up in such a way that while Culpepper's argument is valid for his discussion of takeover protections, the external application of his theory is debatable. His precision and focus on the topic of hostile takeovers limits the conclusions which can be drawn on the larger topic of corporate governance. Managers appear to be unified on the narrow issue of takeover protection. Managers within a nation have objective interests that unify them on this topic, due to a common set of incentives. However, business and managers are not monolithic on all issues like Culpepper suggests. If one expands the scope of discussion to all low-saliency issues, Culpepper's theory begins to break down. Sectoral differences between finance, agriculture, and manufacturing give managers very different sets of interests, which put them in conflict with one another.

Overall, Culpepper provides a useful critique to the ascendant Varieties of Capitalism literature by focusing on the oft too ignored informal institutions. Furthermore, the simple binary typology provided by Hall and Soskice does not prove useful in categorizing variation among

industrialized nations regarding takeover protections (Hall and Soskice 2001). Moreover, Culpepper's structuralist argument, focusing on managers as a group, does not prove deterministic, as so often is the case with structuralism. Business's power resources are circumscribed by saliency, which keeps agency in the model. Culpepper leaves freedom for action; business power is not absolute, it can be removed by increasing saliency, which removes the deference found so often in quiet politics. While writing a book which claims business is given free rein over low saliency issues, Culpepper manages to leave room for optimism.

References

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