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Red and White and Blue All Over: The Political Development of IBM

David Hart

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David M. Hart[1]
Associate Professor of Public Policy
Harvard University
Kennedy School of Government
79 JFK Street
Cambridge, MA 02138
Tel:(617) 496-4007 Fax:(617) 496-0063
david_hart@harvard.edu

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Corporate Investments in Public Policy

Business -- or more precisely, businesses -- matter in American politics. One does not have to hold to a Marxist, elitist, or structural power theory to accept this fact; even the most ardent pluralists ought to agree. Consider what firms can bring to the policy process and electoral politics. They can bring lobbying savvy; some 80% of the interest organizations in Washington D.C. are businesses or industry associations. They can bring expertise and information; corporate representatives often sit on advisory committees and testify in hearings. They can bring constituency pressure; their own managers, employees, and shareholders may be joined by those of their suppliers and customers, not to mention affected citizens of host communities. And, of course, they can bring funding to candidates; about 40% of political action committee (PAC) contributions in recent election cycles came from corporate PACs.[2]

Businesses can bring all of these instruments of influence to bear on policy-makers, and sometimes they do. The fate of President Clinton's voluminously analyzed health care reform package of 1993-94 exemplifies the exercise of corporate political power.[3] Yet, not every national issue attracts such attention from the business community, nor do all the members of that community commit resources to "issue management" commensurate to their size. Engagement in the Washington scene is, by and large, a discretionary expenditure. Moreover, firms differ in their styles of engagement, even if one holds constant the scale of their expenditure on policy-related activities. Some corporations tend to mount aggressive "outsider" campaigns, employing such tactics as advocacy advertising and grassroots mobilization, for instance, while others are more inclined to take an "inside" approach, investing in expertise and seeking compromise.

This paper aims to advance our understanding of the determinants of corporate public policy investment strategies, that is, their scale and style. I focus on the dedication of time and money by a company to the creation of durable capabilities that *may* provide payoffs in the future -- hence, the term "investments" -- through the enactment or obstruction of policy change. These payoffs arise because public policy can influence the conditions of economic activity and thus the profitability of a firm. As the metaphor suggests, the achievement of such payoffs from corporate investments in public policy is uncertain, and the investments entail risks. An array of factors beyond the investor's control influence whether the preferred policy outcomes emerge and whether they redound to the investor's benefit as expected. Indeed, even in retrospect the relationship between a public policy investment and its payoff is often debatable, due to the complexity of the policy process and the business environment. Despite these uncertainties, corporate executives make public policy investment decisions, allocating resources to the instruments of influence in Washington (and elsewhere) and determining how those resources will be employed.

I pursue this agenda through an historical case study of IBM. As the next section of the paper argues, there are strong theoretical and empirical reasons to conduct small *n* studies of corporate public policy investments, particularly over long periods of time. IBM is an interesting and valuable case because of the unique opportunities and resources the company has had at its disposal. It was and remains the biggest firm (as measured by sales) in the most dynamic industry of the late twentieth century. IBM's interests, even under the most narrow and myopic construction of them (which has not always been the construction the firm adopted), impinge not only on the achievement of prosperity but other values as well, such as national security and privacy. The Washington community is inclined, therefore, to listen when IBM speaks. At the same time, IBM has been forced to adapt as the world -- both politically and economically -- has changed around it in recent decades. The empirical sections of the paper focus on the factors that facilitated and constrained its adaptation, with particular emphasis on the period from the Federal antitrust suit of 1969 through the corporate crisis and recovery of the 1990s. On several dimensions, IBM is an outlier among corporate public policy investors, revealing processes that might be masked in less notable firms in more comfortable times.

Toward a Political Theory of the Firm

The political theory of the firm is underdeveloped. Studies of interest groups have tended to ignore the corporate sector, despite its prominence in Washington. Scholars who do integrate firms into their analyses all too often assume that firms' interests are obvious and that their decisions about public policy are easy. Nonetheless, scholarship on business in American politics is no longer the "backwater" that Edwin M. Epstein observed in 1980. Three schools of thought have crystallized over the past couple of decades that provide useful insights into the attitudes and behaviors of corporate public policy investors. The three traditions are, I argue, complementary lenses, rather than mutually exclusive hypotheses, as they are too often portrayed, and all three are ripe for further development through longitudinal case studies like this one.[4]

Rational choice theorists model firms as rent-seekers that invest in policy-related activities to the extent that the expected marginal benefits equal the expected marginal costs. They have brought to our attention the collective action problem, which tends to reduce the expected benefits and raise the expected costs of such investments, often to such a degree that firms abstain altogether from taking part in policy and politics. The rational choice approach also suggests that public policy investments are characterized by high fixed costs, which limit the role of small firms, and by economies of scale, scope, and learning, which amplify the payoffs for bigger and more experienced firms. These insights clearly have some empirical validity. The Washington scene *is* dominated by big firms; abstention from participation in policy and politics is often a rational choice for businesses (especially small ones) just as not voting makes sense for individual citizens. The failure to abstain, however, as in voting, is more difficult to explain in this fashion. Even if firms seek to subject their public policy investments to rigorous cost-benefit analysis, they must somehow resolve the uncertainties that pervade the policy process. Scholars wishing to explain their calculus must look behind the bottom line to find the sources of firms' expectations.[5]

Organization theorists think of firms not as unitary actors but as miniature polities made up of boundedly rational people. "Processes of information and communication" (as Bauer, Pool, and Dexter put it) play significant roles in determining what decision-makers pay attention to; the missions of the subunits of the firm and even the proclivities of key individuals structure the contents of the messages that decision-makers receive. Organization theory therefore predicts that firms will exhibit systematic patterns in their recognition of policy-related threats and opportunities and in their responses to these perceptions. Firms with dedicated public policy offices, for instance, are likely to attend more closely to such threats and opportunities than those without them, although such attention may be diluted by the perception that public policy offices sometimes "go native" when their staffs catch "Potomac fever." These organizational patterns are themselves the products of firms' histories and cultures, reflecting "learning" from previous successes and failures. The organizational approach fills in some key conceptual gaps left by rational choice theory, but empirical researchers in this tradition have generally limited themselves to a single policy area and a short time period. They have had little to say about how firms evolve and change, for instance, nor about how they set priorities and make decisions that involve multiple issues and arenas.[6]

The third tradition concentrates on the environment within which firms make public policy investment decisions. Firms, in this view, react to the activities of their competitors, to economic conditions, to technological opportunities, to institutionalized opponents, to the evolution of governmental institutions, and even to the public mood. Policy entrepreneurs from within an industry and from outside it may mobilize businesses' political activities as well. The dramatic upsurge in such activities during the 1970s, for instance, has been variously attributed to hard times, to the rise of unions and environmentalists, to the decentralization of Congress, and to the entrepreneurship of the Business Roundtable and of the era's Presidents. The explanatory power of these factors is considerable in some circumstances, yet sometimes environmental turbulence does not inspire the expected reaction. The environmental tradition fails to incorporate the investors themselves into the analysis, whether they are conceived of as rational actors or not, and to accord them the interpretive and strategic flexibility that the empirical record suggests they have. Scholars who focus on the environmental determinants of business political behavior have sometimes posed their preferred explanation as an alternative to the other approaches, even though they are not intrinsically incompatible.[7]

Indeed, much of the literature in this corner of social science (as in too many other corners) is marked by contentions of theoretical superiority that need not be made and cannot be sustained. At its worst, the inept deployment of Occam's razor produces a depiction of the empirical world that is so desiccated that practitioners find it unrecognizable and that collapses when a few more facts are injected into the analysis. A long and broad empirical sweep, as I take here, deflates such zealotry. At the same time, it demonstrates that all three traditions are useful; all provide insights into the political development of IBM. The case study, in turn, yields elaborations of all three traditions that can be exported to other firms and other times.

The Watson Years: IBM as a Family Business

IBM's story begins with a family, the Watsons. Thomas J. Watson, Sr., IBM's founder, and his sons, Thomas J. Watson, Jr., who succeeded his father as CEO in 1956, and Arthur K. "Dick" Watson, who served mainly as an executive in the international portion of the business, handled the firm's political affairs personally. The Watsons traveled in the highest political circles and the Federal government became IBM's most important customer while they were in charge, but the available evidence does not support a straightforward rent-seeking interpretation linking these two facts. Indeed, if anything, the Watsons went out of their way to refrain from the appearance of doing business by doing politics. Their legacy in IBM's corporate culture influenced its political behavior long after Watson, Jr., stepped down in 1971.

Founded in 1911, IBM acquired its present name in 1924 and by the 1930s had become the dominant firm in the punchcard tabulating machine industry. Organizations that accumulated and managed masses of records found these machines essential; thanks in part to the New Deal and World War II, Federal government agencies increasingly joined the ranks of such organizations. Not surprisingly, perhaps, Watson, Sr., became a friend and supporter of President Franklin D. Roosevelt and later of President Dwight D. Eisenhower. These relationships surely did not hurt the IBM salesmen who sought deals with Federal buyers, but any such connections were subtle and indirect. Nor did Watson Sr.'s favors for high officials fend off the Department of Justice's (DOJ) antitrust division, which brought suit against IBM in 1933 and again in 1952. (In fact, Watson, Sr., blamed the 1952 case on President Harry S. Truman's anger over Watson's support for Ike.)[8]

Watson, Jr.'s career echoed and amplified his father's. Transforming IBM from a "technological lightweight" into "Big Blue," the electronics powerhouse, that modern observers will recognize, he drove the company's transition into the computer age, taking full advantage of the Federal sales opportunities that presented themselves. (The appearance of a UNIVAC (a product of an IBM rival) during CBS's election night coverage in 1952 was said to have piqued Watson, Jr.'s interest in computers, which his father did not share.) These opportunities were provided mainly by units of the Department of Defense (DOD) and the Atomic Energy Commission (AEC), which boomed as the U.S. carried out its high-technology strategy for the Cold War. Watson, Jr., cemented IBM's relationships with these "lead users" himself, beginning with the "giant boost" that the Air Force gave IBM with its SAGE air defense system in the mid-1950s.[9]

Watson, Jr., was even more enamored of the political life than his father had been; indeed, he saw government service, as he put it in his autobiography, as "an opportunity to go beyond what my father had accomplished." He was a close friend of the Kennedys and enlisted in President Lyndon B. Johnson's War on Poverty, opening an IBM plant in the Bedford-Stuyvesant section of New York City. At IBM's annual meeting in 1970, he summed up his views by proclaiming that he conceived of public service as the firm's fourth primary responsibility, along with service to employees, customers, and shareholders. Watson, Jr.'s liberal sentiments were not always popular among IBMers, nor, one imagines, did they help sell many machines to the Cold Warriors of the DOD and AEC. The usual sharp-elbowed IBM sales tactics and its extraordinary brand name, not political contacts, clinched these deals.[10]

IBM's competitors, collectively known as the "seven dwarves," on the other hand, sought and received political assistance in the quest for Federal cash. They contributed, for instance, to the revision of the rules for procuring computers that Representative Jack Brooks sponsored in

1965. The Brooks bill slowed the growth of IBM's government sales substantially. IBM did not pass Sperry-Rand in the government market until 1987, at which point it accounted for one-third of this market, but more than three-fourths of the Fortune 500 market. Rational choice theory suggests that a dominant firm like IBM ought to have found it easier to mobilize in Washington than the dwarves, but Watson, Jr., refrained from "throwing their weight around," disliking such bullying in principle and fearing a backlash that would make the situation worse.[11]

While Watson Jr. did not use his ties to the Democratic party to close sales, they came in handy occasionally in "fixing" legislation or regulation that threatened to hurt the company. When Representative Wilbur Mills, for instance, proposed in the late 1960s to plug a tax loophole in a way that would have inadvertently penalized IBM's leasing business, the CEO helped persuade him to back off. Dick Watson had equally useful relationships on the Republican side of the aisle. The brothers both capped their political careers with the classic reward for partisan service: ambassadorships, to France under Richard Nixon for Dick and to the U.S.S.R. under Jimmy Carter for Tom, Jr.[12]

An environmental interpretation of IBM's public policy investment strategy in the late Watson period might stress the firm's extraordinary overall growth rate and its success in driving such potentially threatening competitors as RCA and General Electric out of the computer business. IBM, it might be argued, simply did not need Federal business the way the dwarves did while the good times were rolling. Yet, while IBM did little to deal with its rivals in Washington, it did respond aggressively in the government supercomputer market when the upstart Control Data Corporation (CDC) threatened its leadership. Moreover, the "near miss" on the leasing issue, which Watson, Jr., found out about only by chance, worried him and set in motion the establishment of a somewhat more formal IBM presence in Washington. Ultimately, though, as the next section shows, this presence proved too feeble to fend off the most significant threat to IBM posed by Washington, a DOJ antitrust suit motivated in part by IBM's actions toward CDC.[13]

The Shock of Antitrust Prosecution

The Watsons left IBM within a year of one another in 1970-71 (although Tom, Jr., remained on the board), and IBM's personalized style of participating in the public policy process did not long survive their passage. The antitrust suit, which was filed on the last day of the Johnson administration in January, 1969, had "an enormous impact on management consciousness"[14] of the importance of public policy to the business. Watson, Jr.'s limited steps toward institutionalizing a flow of communication from Washington to Armonk (the Westchester County town where IBM's headquarters is located) were soon superseded. But IBM's underestimation of the threat posed by the litigation and its inability to address this threat outside the courtroom may be attributable in part to the limits that Watson had imposed and to other traits inherited from the Watson era. As its environment turned ugly, this most rational of companies was unwilling or unable to make the choices that may seem rational in retrospect.

Watson, Jr.'s initial conception of IBM's public policy operation was two or three people acting as "eyes and ears" and no more. "IBM doesn't lobby," he declared. Fearing even the appearance of violating this dictum, he allowed the new Washington staff to read the *Congressional Record*, but not to attend legislative hearings. They reported to IBM's communications department, which was primarily concerned with advertising, rather than to the CEO. The job offered little to attract IBMers who wanted to rise in the company, and the

Washington hands whom IBM hired found it stifling.[15]

IBM's competitors, meanwhile, pursued the antitrust issue as vigorously as they had the procurement issue. In 1967, they encouraged Representative Emanuel Celler of the House Judiciary Committee to open an investigation into IBM's business practices. The move worried IBM's leadership enough to prompt a reconsideration of its public policy investment strategy. The firm engaged Newmyer Associates (a Washington consulting firm familiar with computer industry issues) to assist in the effort. (Watson, Jr. approved Newmyer's contract only after being assured that it was not a lobbying firm.) And, in this instance, personal relationships, not a plan devised by Newmyer, proved to be IBM's essential public policy asset once again. While the investigation was still in its early stages, Celler was assigned the high-profile job of chairing the House select committee on the seating of Representative Adam Clayton Powell, Jr. Celler wanted the prominent New York lawyer Bruce Bromley as outside counsel for the Powell committee, but Bromley was busy working for IBM. Celler volunteered to drop the IBM investigation in order to free Bromley's time and soon did so.[16]

Representative Celler, however, was not the only threat in IBM's political environment, nor did he prove to be the most significant one. CDC filed a private antitrust suit against IBM in December, 1968, and DOJ followed shortly thereafter. The connections that had muffled Celler failed to head off DOJ. Indeed, in a posture that IBM consultant James Newmyer characterized as "admirable but baffling," IBM's general counsel, Burke Marshall (the former head of DOJ's civil rights division, whom Watson, Jr., had hired on the recommendation of Senator Robert Kennedy) did not take full advantage of his contacts, particularly his close personal friendship with Attorney General Ramsey Clark, on IBM's behalf. Watson, Jr.'s own efforts, including a last-minute appeal to Clark as a "fellow Democrat," seem to have been too little and too late. IBM's attitude was surprisingly complacent, considering that the firm could have been broken up if it had been found liable for antitrust violations. Frank Cary, soon to succeed Watson, Jr., as IBM's CEO, characterized the government's case as "less an accusation...than an exploration -- to seek new precedents and rulings that will be relevant to the complexities of modern business life. [It is] almost inevitable for an institution as spectacularly successful as IBM."[17]

The cases against IBM alleged predatory pricing, illegal tying, premature product announcements, and a range of other unfair practices. While later observers have differed over the validity of these allegations, Marshall saw at least some of IBM's practices as obvious violations of the law, and even Watson, Jr. admitted (about twenty years later) that the case probably "had merit" when it was filed. (IBM's marketing strategy to counter Telex in tape drives bore the James Bond-ish name "SMASH.") At the time, though, the firm's kneejerk reaction was outrage. As Watson, Sr., had in 1952, Watson, Jr., unleashed a massive print advertising campaign proclaiming IBM's innocence. The future CEO John Opel put it this way: "As a company of rational people, we have trouble reconciling these accusations with what we know to be true."[18]

IBM did change some of its business practices in the wake of the suit, but it concentrated on vindicating itself in court. Even after the company opened an office to manage the its other public policy affairs in Washington (described below), it rigidly separated the antitrust case from the rest of its agenda in order to avoid the appearance of political manipulation (although dark allegations continued to dog it, particularly after Nicholas Katzenbach, the former U.S. Attorney General, was hired to succeed Marshall as IBM general counsel). From a legal perspective, the strategy paid off; IBM settled out of court with CDC on favorable terms, while the government eventually dropped its case. IBM thus avoided the fate of AT&T, the break-up of which was announced on the same day in 1982 that the IBM case was concluded. However, the firm had to endure what CEO Cary called “an epidemic of litigation” throughout the 1970s that gave its competitors political resources and a sense of cohesion. The Computer Industry Association, founded in 1972 to serve as an advocate for anti-IBM forces, even funded itself by reselling documents generated in *Telex*, the only antitrust case that IBM lost (and which was overturned on appeal).[19]

The cost of victory was high. Cary spent an estimated 500 days preparing for and providing testimony that amounted to more than 750,000 words. IBM generated nearly 50,000 tons of legal documents (enough, Cary noted in 1981, to fuel “the biggest bonfire...in corporate history”). Some observers and participants believed that the “antitrust culture” made IBM “quite timid” and contributed to the woes that beset it a decade later. The company’s chief scientist at the time recalled being forbidden from even purchasing the machines made by competing manufacturers in order to study how they worked.[20]

The strategic decision to stretch the case out and to seek complete vindication might plausibly be conceived of as a rational process in which the preservation of the firm’s reputation was the central goal and the decision-makers were unable to foresee the full costs that their choices would ultimately impose. With better intelligence from and representation in Washington before the legal feeding frenzy got started, IBM might have reacted differently, even if it had not been able to avert the DOJ suit altogether. However rational the initial decision was, the firm seems to have become locked in to a strategy that was sustained as much by the Watson norms and by emotion as by a continuing cost-benefit calculus. Nonetheless, IBM did learn from its failure in 1969. The antitrust case served as a wake-up call that changed its approach to the political environment in a wide range of other policy areas.

Becoming a Corporate Public Policy Investor

Even if DOJ had not sued the company, IBM would have experienced a political awakening in the early 1970s. Federal threats to intervene in areas previously left to the private sector multiplied, prompting most big companies to take a stronger interest in public policy than they had in the 1950s and 1960s. For a rapidly growing multinational business like IBM, the encounter was all the more powerful, an irresistible force meeting an immovable object. The firm’s views, like those of its Fortune 500 peers, hardened. “The time has come,” declared Frank Cary with respect to one front in the battle, “to stop this random chaotic retreat...” Abandoning Watson, Jr.’s personalized approach, Cary established an IBM corporate presence in Washington for the first time. Yet, something of the Watson influence and the “IBM doesn’t lobby” credo endured in IBM’s Washington style, despite the new threats in the environment, despite the new internal communication channels that heightened the firm’s sensitivity to these threats, and despite its attempt to rationalize its decision-making in the realm of public policy.[21]

The antitrust suit aside, the threat that most captured the IBM leadership’s attention was the Burke-Hartke bill, first offered in 1971. Representative James Burke (D-MA) and Senator Vance Hartke (D-MI) sought to penalize multinational corporations by (among other things) increasing taxation of their foreign income and regulating their foreign investments. The proposal “touched a nerve” at IBM, which generated about half its revenues and profits outside the U.S. at that time. While recognizing that the bill would not pass as written, IBM’s reaction was far from complacent. Dick Watson, for instance, encouraged opposition by the Emergency

Committee on American Trade (which he had helped to found in 1967), a parade of IBMers testified before Congressional committees, and Cary called on IBM's stockholders to write their members of Congress to oppose the bill. In addition to the protectionist pressures represented by Hartke-Burke, Cary feared that the computer industry would arouse its own Ralph Nader, perhaps due to concerns about privacy, and find itself regulated like the auto industry. Moreover, the anti-apartheid movement targeted IBM as early as 1972 and remained a thorn in its side for more than a decade. The antiwar movement locked its sights on IBM, too. IBM's leaders felt besieged.[22]

Watson, Jr.'s "eyes and ears," even supplemented by Newmyer Associates, could not possibly keep track of these diverse threats; more importantly, they could not coordinate IBM's responses. Nonetheless, in 1973, Watson, Jr. "told Frank [Cary] that the most graceful and effective way to [cultivate politicians] is in person, and that probably the worst way is to have a Washington office staffed with professional lobbyists." Cary, however, had already moved beyond this advice. Jane Cahill, who had taken a leave of absence from IBM to work in the Johnson White House, served as his communications director, and she did away with the stand-alone listening post, merging the "eyes and ears" operation with Armonk's public affairs office into a new, more active public affairs department in February, 1972. Three years later, in January, 1975, Cary approved her proposal to establish a governmental programs office in Washington under Charles E. McKittrick, Jr., which eventually grew to be one of the largest such offices in corporate Washington. Yet, Cary did not entirely neglect Watson, Jr.'s admonition; the Washington office was not "staffed with professional lobbyists," at least to begin with.[23]

Instead, McKittrick hired his staff from within IBM. Like Watson, Jr., for whom he had once worked as a staff assistant (a job that marked one as a high-flyer in the firm), McKittrick evinced a certain degree of disdain for politics as usual. People who knew the issues, knew the business, and knew the technology, he believed, could persuade their interlocutors in and around government by using their expertise. What they needed to know about Washington they could quickly learn. McKittrick thus institutionalized an element of IBM's corporate culture encapsulated in the Watsons' famous motto "Think" (memorialized as the title of the company's monthly magazine). As Cary put it in a 1978 interview, "our political actions center around issues, not candidates."[24]

The IBM employees whom McKittrick hired became "issue managers," a term coined the year after the governmental programs office opened, rather than traditional lobbyists (much less marketers for IBM's Federal systems division). Whereas the lobbyist's critical resource was "who you know," the issue manager's was to be "what you know." The issue manager was responsible for learning the substance of a policy debate in great detail and coordinating the development of IBM's position on it. He (or, later, she) then followed the issue to all of the venues in which the outcome might be affected, not only in Congress, the executive agencies, and the regulatory commissions, but also in business associations and other non-governmental fora and, eventually, at the state and international levels as well. While someone else, up to and including the CEO, might ultimately represent the company in a particular venue, the issue manager designed the strategy for what would be said and when.[25]

IBM shared the typical policy positions of its big business peers, such as free trade, less regulation, and lower taxes, but its early and deep commitment to "issue management" gave the company a distinctive profile in Washington. McKittrick's approach (and his own true Blue background) also had the virtue of establishing the credibility of his office inside the company. Anything that smacked of "influence-peddling" ran against the grain of the IBM ethos. Moreover, outsiders would have had much more difficulty penetrating the byzantine politics of IBM, where most employees stayed their entire careers. (As one later arrival from outside the firm put it, "there's no *Washington Post* to tell you what's going on in IBM.") Cary's direct involvement in public policy issues undoubtedly helped on this score as well. In early 1975, he reported that he was spending much of his time seeking out reporters, members of Congress, and representatives of interest groups, even though "I'm not certain all this will pay off."[26]

IBM's enhanced investment in public policy in the early 1970s was certainly triggered by environmental threats, but the threats alone cannot explain why this investment was devoted mainly to expertise. Indeed, given the Watsons' personalized style, one might have guessed that the firm's investment in "who you know" would have been professionalized and expanded. "Issue management," though, did reflect IBM's self-image and its public image as a rational actor. This corporate cultural trait seems to have been so strong, ironically, that IBM under-invested in more conventional political resources that might have been the rational choice of a CEO more Machiavellian than Cary. Yet, the payoff from issue management turned out to be substantial. IBM's style was well-suited to the transformation of "iron triangles" into "issue networks" during the 1970s, in which "what you know" proved to be an increasingly valuable political resource. As the payoffs from public policy investments began to appear, the communications channel between Washington and Armonk carried increasing traffic, and IBM's senior management learned to think more systematically about the public policy game.

Learning to Play the Policy Game

The political learning process for issue managers, for executives, and for IBM as a whole was not instantaneous. Over the course of the 1970s, the firm went from being a "political innocent, sort of a joke" (as one of IBM's public policy consultants put it) to being as sophisticated a player as Washington had to offer. Its initial investment decisions shaped its later development. As IBM acquired a reputation for its policy expertise and relative broad-mindedness ("IBM never did the exceptionally narrow stuff," said the same consultant), it expanded its investment to protect this new asset. Although IBM's public policy investment was initially motivated by threats, the IBM governmental programs office soon proved valuable in capitalizing on opportunities, for instance, in communications deregulation. By the end of the decade, the political environment had changed dramatically, and, while much of the change was merely good luck from IBM's perspective, the firm had had a hand in making it happen, too.[27]

Cary's (and his successor John Opel's) chairmanship of a Business Roundtable task force on regulatory reform was one "tremendously important" episode in the learning process. The Roundtable was founded in 1972 and soon became one of big business's most effective means of "intelligent collective action" and "getting through to people" (as Opel put it), largely because it engaged CEOs personally. For the low-key Cary, the clubby Roundtable provided an institutionalized substitute for the Watsons' personal relationships. More significantly, the staff work that supported the CEO's participation helped to establish IBM's reputation. Working with the management consultants Arthur Andersen, the task force produced a detailed study of the cost of regulation in forty-eight firms, which Cary brandished as he made the Roundtable's case in the White House, the executive branch, and Congress. IBM's commitment to this issue seems irrational, since the firm was largely unregulated and would have cut its costs only modestly, if at all, had the Roundtable's recommendations been implemented. Cary portrayed regulatory reform as a collective good, a contribution to the solution of macroeconomic problems like inflation and slow productivity growth. Yet, the effort did yield some immediate, if intangible, benefits, giving Cary visibility and credibility in Washington, validating McKittrick within the firm, and putting his staff through a major exercise in formulating and executing a public policy strategy.[28]

Such rewards were consistent with IBM's vision of its investment in public policy. McKittrick was instructed and inclined to take a long-term perspective, to "address trends as well as events," as he later put it. The governmental programs office had worldwide, not merely U.S., responsibilities, and it aggressively built the "dotted lines" between Washington and IBM's foreign subsidiaries. While the office worked with particular business unit "clients" within the firm, its budget and priorities were insulated from the ups and downs and short-term needs of these business units. It was not accountable to IBM's general counsel, either. The separation between the two units was maintained to minimize the perception that the company was trying to win its antitrust battles politically, but it also suited McKittrick, who feared being "lawyered" into narrow, myopic positions. He dealt directly with the CEO. These arrangements were unusual. A 1979 Conference Board survey reported that only about 20% of corporate government relations units were based entirely in Washington and that only 25% of top government relations managers reported to the CEO. The number of firms that had both these attributes was not reported, but must have been small. The combination of preferences and organizational structures led IBM's issue positions to be more nuanced and its agenda broader than its big business peers. McKittrick did not want to "fight Vietnams" on minor issues in order either to defend ideological principles or to secure special deals for IBM. IBM was pragmatic, its actions grounded in exceptionally thorough research by the standards of the day.[29]

Of course, IBM's public policy resources, including its sterling reputation, could be and were used to pursue major business opportunities. One such opportunity lay in communications equipment and services and entailed a long skirmish with AT&T in a variety of policy arenas. IBM first linked computers through satellites in 1962. It soon recognized that data transmission would boom and that the distinction between data transmission and data processing was blurring. AT&T sought to sweep as many new data-related products and services as it could into the regulatory jurisdiction of the Federal Communications Commission (FCC), where it could exercise influence. IBM resisted, desiring not only to enter some of these markets itself, but also concerned that the high cost of communications would limit the growth of its core computer business. As early as 1969, Cary reported that his company had "put hundreds of man-years" into work aimed at persuading the FCC to limit the reach of regulation. These efforts, which continued up to and through the divestiture of AT&T in 1982, reflected IBM's investment in expertise. IBM's representations were, in the view of one former high FCC official, "elegant and intellectually coherent;" unlike many other firms, intellectual coherence posed a "binding constraint on [IBM's] advocacy." AT&T fought back in Congress with the so-called "Bell bill," which would have extended AT&T's monopoly substantially. IBM's Washington office mounted an all-out defense, deploying its entire staff to Capitol Hill, bringing in key executives to make the case, and mobilizing industry associations. By the late 1970s, the tide had turned. Congress failed to pass a telecommunications bill, and the FCC was steadily deregulating telephone equipment and non-voice services.[30]

Unfortunately for IBM, its offerings in communications services and equipment (as a partner in a venture that offered multinational private satellite networks and as a producer of network switches) flopped. By 1986, the *Wall Street Journal* was writing of an "unspoken truce" between Big Blue and Ma Bell. (AT&T's computer products flopped as well.) On the other hand, IBM's expectation that declining communications prices would accelerate the growth of the computer industry was fully vindicated. Cary was said to have claimed, only half-jokingly, that IBM's investment in the phone business was worthwhile merely to stop the encroachment of the FCC into IBM's turf. Of course, the company's issue expertise and lobbying effort were only partially responsible for this policy outcome. Two recessions, shifts in political ideology, and the mobilization of the rest of business were among the factors that contributed to the deregulatory trend that swept through telecommunications in the late 1970s and early 1980s. But IBM's contribution may well have been necessary, if not sufficient, to produce the outcome in communications policy. Few, if any, other interests could match AT&T. If, as IBM employees and observers suggest, the firm was "pushing on an open door," its public policy investments ensured that the opportunity was not wasted.[31]

Power Play

In 1982, DOJ abandoned its case against IBM, but the organizational transformation that the case and the other environmental threats of the 1970s had set in motion continued. IBM's investment in public policy, like that of many other firms,[32] deepened and diversified in the 1980s. As Olson might have expected, this investment reflected the firm's dominant position in the computer industry; it stood to reap most of any industry-specific gains that could be wrung from the political system. Yet, IBM's political cost-benefit analysis was "never that much of a science" (in the words of CEO Opel). As Bauer, Pool, and Dexter might have expected, political struggles occasionally broke out within IBM, especially when its interests were ambiguous or contradictory, as in the case of the U.S.-Japan Semiconductor Trade Arrangement (STA). Most surprisingly, despite IBM's political development since the Watson era, which Opel for one perceived as a "complete metamorphosis," some of the founding family's influence yet remained, carried forward by managers loyal to IBM's heritage.[33]

In 1984, IBM topped $45 billion in sales, ten times the figure when Watson, Jr., stepped down in 1971, and the *Wall Street Journal* projected that its revenues would surpass $200 billion by 1995. The exact size of the governmental programs office is hard to pin down, but it grew from about twenty professionals in the early 1980s to nearly one hundred professionals (a half-dozen or so of whom were located in state capitals) at its peak near the end of the decade. Given the scale of this investment, IBM could afford to assign issue managers to issues, like Federal research and development (R&D) spending, that its competitors and other companies of its size in other industries attended to sporadically, if at all. The "dotted lines" to IBM's foreign subsidiaries brought about a hundred more people under the office's wing, although not directly responsible to it. The Washington office trained and supported its overseas cadres, encouraged them to gain international experience, developed an electronically accessible worldwide database of issues and IBM positions, and held regular international public policy meetings and electronic conferences. These services were "invaluable" to public policy managers outside the U.S., since their solid-line managers were not necessarily inclined to listen to them unless they had a credible threat of enlisting help from Armonk via Washington. IBM built the capacity to concentrate public policy resources nearly anywhere in the world that a threat or an opportunity appeared. New York state assemblyman Frank Barbaro's reaction to a mid-1980s IBM's lobbying effort was not exceptional: “I never saw a monopoly move so fast.”[34]

As Barbaro implied, IBM’s market power helped it to afford its large investment in public policy; well into the 1980s, the company controlled more than three-quarters of the computer market, according to business historian Steven Usselman.[35] This dominance justified underwriting the industry’s trade associations, such as the Computer and Business Equipment Manufacturer’s Association (CBEMA) and the Association of Data-Processing Service Organizations (ADAPSO). CBEMA, ADAPSO, and similar organizations provided a complementary or alternative “delivery system” for IBM’s messages, cloaking them in the mantle of the larger industry interest (which was, of course, only modestly larger than IBM’s corporate interest). IBM’s investment also allowed it on occasion to neutralize associations on issues that divided the industry, while pursuing its interests on its own. Its suppliers and customers, which encompassed much of the rest of the computer industry, typically lacked the power to challenge it within associations (or to join explicitly anti-IBM associations) and the mass to go without it. IBM’s direct competitors felt “bamboozled” (as a Hewlett-Packard executive put it) at times by IBM’s machinations, yet they benefited, too, from IBM’s willingness to bear the costs of collective action. Indeed, Digital Equipment Corporation’s (DEC) public policy investment strategy was explicitly premised on riding in IBM’s slipstream.[36]

IBM’s increasingly sophisticated strategy for “managing” trade associations demonstrates its rise up the political learning curve. So, too, does its acknowledgement that arguments on the merits alone, even when based on thorough analysis and graced by the IBM mystique, were sometimes insufficient for it to get its way. As memories of the Watsons and the antitrust case faded, IBM enhanced the “who you know” dimension of its public policy investment, particularly to deliver its messages to Congress, an increasingly important, decentralized, and constituency-oriented policy-making arena in the post-Watergate era. This “government relations” function centered around “grasstops” (a play on “grassroots”), senior IBM executives in every state whose influence could be brought to bear on their elected representatives. While (as in issues management) other companies developed similar capacities, IBM went further in government relations than its peers (as it had in issues management). Senior executives in the field were expected not merely to show up as totems for IBM’s Washington staff to display, but to articulate the company’s arguments, relate them to their home districts, and cultivate relationships. The Washington office invested substantial resources in the grasstops, while they in turn were accountable for their performance in this sphere in job evaluations.[37]

Figure 1: THE ISSUE MANAGEMENT PROCESS

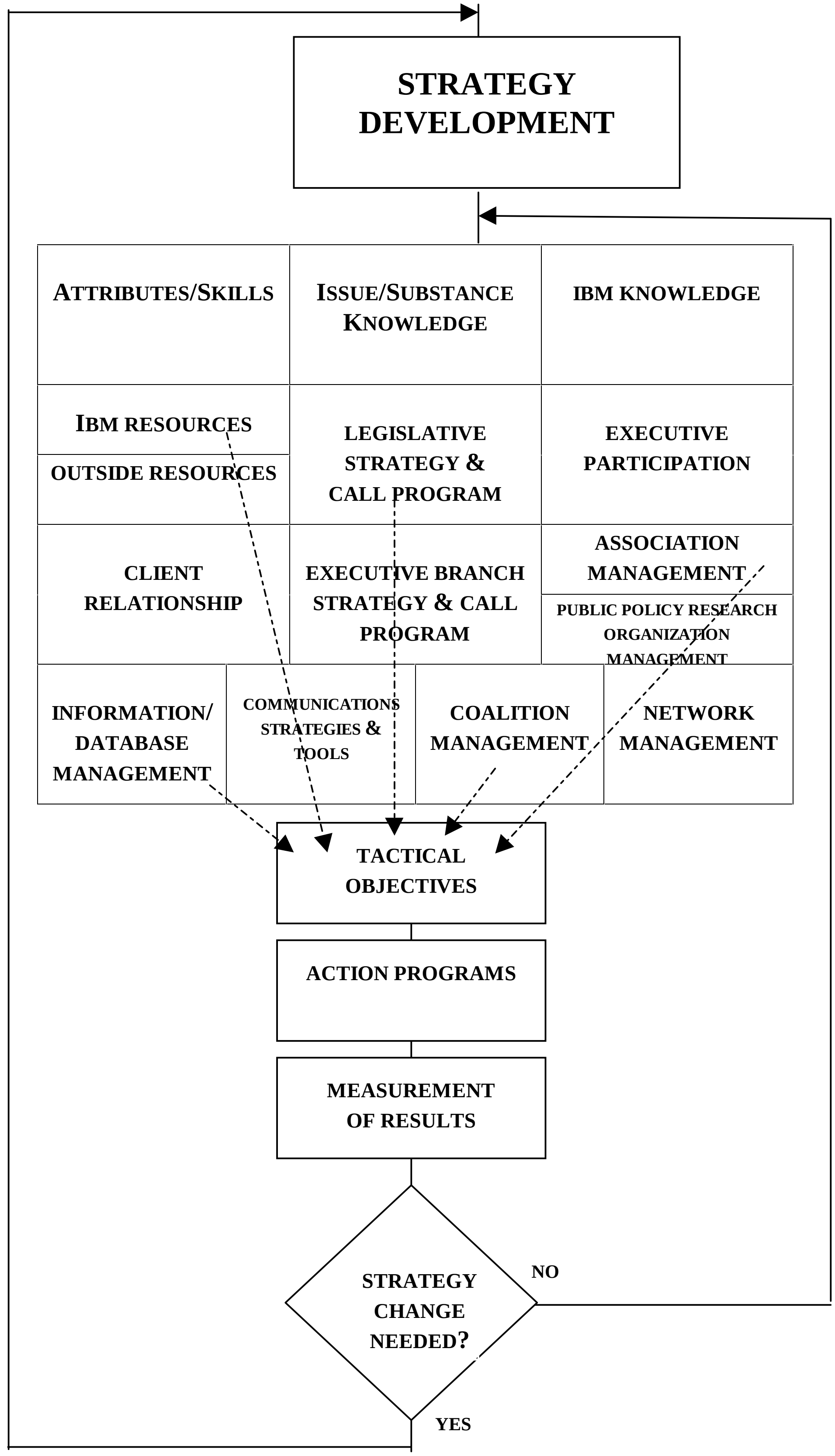

Figure 1, which was presented by McKittrick at Harvard Business School in 1988, reveals that "association management" and "executive participation" were just two tools in the IBM issue manager's kitbag. In addition to his own skills and contacts, he could take advantage of academics, think-tanks, consultants, and other allies and utilize IBM's internal communications and database management capabilities. Figure 1 also shows that the firm conceived of "measurement of results" as an integral part of "the issue management process." In some areas that reduced simply to dollars and cents, like taxation and tariff reduction, such evaluation was relatively easy (though sorting out the IBM influence from others was not necessarily straightforward). In others, where the currency was more complex, measurement of results was quite difficult, if it was, in fact, attempted at all. The feedback process indicated by the diamond at the bottom of Figure 1 was based as much on guesswork as it was on hard data.[38]

IBM's internal diversity and sheer size added complexity and uncertainty to this calculus, a point illustrated by its management of the Japanese semiconductor trade issue during the 1980s, on which it engaged in what the *Washington Post* labeled "two-faced lobbying." The flashpoint was the importation of low-cost dynamic random access memory semiconductor chips (DRAMs), a widely-used component of computers that was said by some policy analysts to be a "critical" technology for domestic industry and the nation as a whole. An IBM division produced about half of the DRAMs that its computer systems divisions consumed, and the rest (more than $300 million worth) were purchased from both domestic and foreign vendors, including Japanese firms whose own systems divisions that were among IBM's most bitter rivals. IBM also held a major stake (up to 30%) in one of its primary chip suppliers, Intel, during much of the decade. The company thus had an interest in cheaper chips and dearer chips, in American chips and Japanese chips.[39]

IBM expressed concern about unfair competition from Japan as early as 1972. It did not, however, initially add its voice to those of U.S. semiconductor manufacturers, when they began complaining publicly about Japanese imports in the late 1970s. Instead, it pressed its domestic suppliers to improve the quality of their products and to invest in collaborative R&D through the Semiconductor Research Corporation, the establishment of which was spearheaded by IBM's Erich Bloch in late 1981. IBM joined the Semiconductor Industry Association (SIA) soon thereafter to advance these objectives, but also with the hope of moderating what IBM perceived as extreme positions on trade policy of some of the SIA's members, most of whom (unlike IBM) produced only semiconductors. The competitive position of IBM's domestic semiconductor supply chain continued to deteriorate, however, deepening IBM's concerns to the point that it chose not to object to the filing of major trade complaints by SIA and by individual merchant semiconductor producers in 1985, but rather to "stand quietly and root them on" (as IBM's representative to the SIA board at the time put it). These complaints were resolved the following year by the STA, which set "fair market values" (FMVs) for semiconductor pricing worldwide and established a target for foreign market share in Japan. IBM worked closely with the SIA to develop the elements of the STA, which averted what Douglas A. Irwin calls "astounding" anti-dumping margins that would otherwise have been imposed on Japanese semiconductor imports.[40]

In the wake of the STA, however, chip prices spiked upwards, straining IBM's computer systems divisions. Some in the firm felt that the STA had served its purpose by 1988, while IBM personnel who were close to the semiconductor industry continued to endorse the SIA view that it should remain in place. The disagreements were so deep that the governmental programs office was forced to embark on a formal process of mediation, which was resolved ultimately by the firm's vice-chairman, Jack Kuehler. In early 1989, IBM changed its position on FMVs. Moreover, rather than work through established organizations or on its own, IBM carried forward the new position by helping to organize a new group, the Computer Systems Policy Project (CSPP), composed of the CEOs of thirteen large systems manufacturers. CSPP and SIA CEOs then personally negotiated the parameters for a revised STA, scrapping the FMVs on DRAMs (although not on all semiconductor products) while retaining the market access target.[41]

IBM at the peak of its public policy investment could have been parodied as preachy, as ruthless, or as devious, depending on which of its qualities one's attention alighted. Unlike many other big companies, however, it could not be caricatured as buying favors; it had no political action committee (PAC). The opportunity for corporations to create PACs coincided roughly with the opening of IBM's governmental programs office in 1975, and the expansion of the PAC universe paralleled the growth of IBM's public policy investment. By 1980, 280 of the Fortune 500 had PACs, including 82% of the top 125 (IBM ranked eighth). IBM's choice not to invest in political campaign contributions was deliberate. Tarred ever so slightly by the scandals of the Nixon era and facing criticisms for campaign contributions abroad, IBM adopted a code of conduct that prohibited political contributions at its 1976 annual meeting. Neither Cary nor Opel seriously revisited the question; Opel felt that the possibility that IBM employees would feel pressured to support candidates that they opposed was "counter to all the things that Tom [Watson, Jr.] and his father had promised."[42]

Opel's attribution of this decision to the shadow of the Watsons is undoubtedly sincere, and his training and personal relationships provide a mechanism for that shadow to exert a causal influence. Yet, one might credibly argue that IBM's market power allowed it the luxury of refraining from this form of public policy investment; if doors opened without them, campaign contributions would be irrational. Moreover, the governmental programs office did not push Armonk to approve a PAC. McKittrick, like Opel, was a Watson man, and he perceived as well that an IBM PAC would open the firm to public criticism and make enemies for it. The potential benefits, as he appraised them, were smaller than the potential costs. Rationality, organizational politics, and environmental influences reinforced each other in this instance.

Becoming More Normal

Perhaps no company has fallen so far from so high a perch as IBM. In 1984, IBM made $6.6 billion, then a record for a U.S. corporation; a bitter critic characterized it as "the single most powerful firm in the world today." In 1992, it lost $5 billion; Armonk, wrote one business journalist, was in a state of "total entropic meltdown."[43] In early 1993, IBM's board took the extraordinary step of forcing out the CEO, John Akers, a lifetime IBMer who had taken over from Opel in 1986, and bringing in an outsider, Louis V. Gerstner, Jr., to run the company. This crisis, like the confluence of the 1969 antitrust suit and the 1971 departure of Thomas Watson, Jr., set IBM's public policy investment strategy on a new course. The new management team concluded that IBM would no longer carry the political load for the entire computer industry and that it would more aggressively seek company-specific benefits. In this regard, IBM's decision-making became more rational, overcoming the inertia of policies established when the firm was still dominant. Yet, although it has become more like a normal firm in the 1990s, it is still not exactly normal. Some of IBM's traditional distinctiveness remains, carried forward by the internal culture and by external expectations.

Hints of change preceded the crisis. IBM's business position eroded throughout the 1980s, as the personal computer (PC) supplanted IBM's mainstay "big iron" machines. Even though IBM continued to grow through most of the decade, it did so much more slowly than the industry as a whole. This decline in economic clout had political repercussions. In CSPP, for instance, IBM shared control in ways that it had never countenanced in CBEMA; Hewlett-Packard's top public policy executive perceived that this organization finally put his compnay on a "level playing field" with IBM. Coincidentally, in August, 1990, McKittrick retired, leaving the Washington office in the hands of Kenneth Dam, who ran it from Armonk for a couple of years before turning it over to Douglas Worth in early 1992.[44]

IBM's "near death experience" the following year precipitated a cut of about 25-30% in the size of the Washington office's staff. The state government relations function, for instance, which had been on a rapid growth path, was cut back and merged with Federal government relations. Internationally, the cuts in IBM's public policy investment were even more substantial; the "dotted line" ally in Washington afforded little protection in subsidiaries being pressed hard by Armonk to staunch the flow of red ink. The new senior management also imposed a more rigorous framework for evaluating the payoffs of IBM's public policy investments. For example, in a break from the past, trade association membership was put on a "zero-based system." IBM's issue agenda narrowed, becoming more closely aligned with its immediate business priorities.[45]

However, cutbacks do not comprise the entire story of IBM in the 1990s. The new IBM developed some new public policy capabilities, shedding some of its traditions and conforming to some of the changes in the political environment of the 1990s. For instance, IBM mobilized its rank-and-file employees in a major "grassroots" (rather than merely a "grasstops") campaign during the health care policy debate of 1994. According to the *Washington Post*, Gerstner approved a company-wide e-mail stating "we need your help" to defeat bills sponsored by Senator George Mitchell (D-ME) and Representative Richard Gephardt (D-MO). Some employees openly objected to this innovation as "inconsistent with IBM's principles." Yet, the company has continued to employ the tactic on occasion, sharing in the credit for a number of victories as a result. In doing so, it has simply kept up with the times. "Astroturf" campaigns have become a staple element of the legislative process over the past fifteen years, and Congress is an increasingly important venue for IBM and the computer industry. Yet, one suspects that the company's previous CEOs would have balked had they been asked to approve Gerstner's exhortation and that McKittrick, knowing of and perhaps sharing their objections, might not have even sent it up to Armonk.[46]

If it has changed in some ways, in other ways, the new IBM is much like the old one. Gerstner's previous jobs, at American Express and RJR Nabisco, had brought him into close contact with government, albeit in relationships quite different from (and, in the case of RJR Nabisco, more adversarial than) IBM's. Despite these differences, Gerstner quickly recognized that IBM's reputation for "what you know" and for refusing to throw money around was an asset that deserved to be preserved, particularly when it could be linked more explicitly to the bottom line. Indeed, IBM's expertise and pragmatism stand out more now than ever. Instead of being the only kid on the block, as it was during its glory years, IBM is now the "adult" (as one IBM issue manager put it) in an industry full of brash newcomers who often disdain politics, especially politics as usual. Sun CEO Scott McNealy, for instance, often makes headlines with quotes like "You already have zero privacy -- get over it!" In such circumstances, IBM is ideally situated to find common ground between the "cyber-libertarians" and those who "don't get it" (like law enforcement, intelligence agencies, consumer groups, and state governments) and in so doing to subtly advance its corporate interest.[47]

Despite being down-sized, IBM's governmental programs office still dwarfs those of its competitors. The firm's reported lobbying expenses in 1998, for instance, were about $5.5 million, compared to $600,000 reported by Hewlett-Packard, the industry's second largest firm, with roughly half IBM's total sales. IBM's capabilities are evident in its management of issues related to electronic commerce. Gerstner's business strategy centered on leading "big companies into the brave new networked world" (as *Fortune* put it), and the governmental programs office was quick to flag the range of policy issues that might impede the Internet's commercial development. Beginning in 1993, well before the current craze, it moved to make IBM personnel the agenda-setters and prime movers for industry groups working on e-commerce. Gerstner, for instance, personally recruited his counterparts in major consumer products firms like Proctor and Gamble to participate in the IBM-instigated On-Line Privacy Alliance. He has also engaged himself in European e-commerce policy through the Global Business Dialogue and hosted a U.S.-E.U. meeting on trans-atlantic differences in this sphere. Worth gives IBM credit for helping to reframe the public debate, shifting the metaphor for the Internet from what he perceives as the government-oriented "information superhighway" to the more neutral "information infrastructure."[48]

IBM still has no PAC, one of only eight hold-outs among the hundred largest U.S. corporations. To be sure, it occasionally finds less obvious ways to reward candidates it favors, for instance, by providing corporate funding for non-campaign events or causes that are closely associated with them. But it objected vehemently to media reports that its executives "bundled" campaign contributions, even though this tactic is perfectly legal. Despite an ongoing debate within IBM over whether it ought to become more involved in campaign finance, the firm's external posture suggests a vigorous defense of its tradition of abstention. IBM's choice, in an era in which contributions constitute an increasingly important political resource, has a certain contrarian rationality. Having invested heavily to build a reputation for making its case on the merits, the uncertain benefits from actions that would undermine that reputation may not outweigh the costs. As a former Congressional staffer put it,"IBM was and remains a statesman;" surveys of the policy community show that IBM's office remains one of the most highly respected in corporate Washington. An equally plausible interpretation is that the formation of an IBM PAC would be such a radical break with tradition that it would precipitate a backlash among the managers who would be asked to contribute to it; the two Tom Watsons, in this sense, live on.[49]

Conclusions

In 1998, IBM grossed more than $80 billion, of which more than $6 billion was profit. If these figures do not live up to the inflated expectations of the mid-1980s, they certainly surprise the doom-sayers of the early 1990s. The turnaround did not result from a government bailout, Federal contracts, protective regulations, or any other policy measures. If IBM had had no Washington office in the 1990s, it probably would have done about as well; like most corporate public policy investments, IBM's today is more or less discretionary. The same could be said for most of the rest of the history told above; only the threats of the 1970s seem to have been of a sufficient magnitude to affect noticeably the company's bottom line. Other firms get by with much, much less of a Washington presence than IBM. IBM's continuing focus on public policy expertise and its slowly diminishing aversion to electoral and pressure politics, too, are not linked in any straightforward way to its profit and loss statement. Other firms that invest in

PACs, benefit from executives who are active in partisan politics, and blast away in the op-ed pages manage to survive and even thrive.

To explain the scale, style, and development of IBM's public policy investment, one must go beyond a narrow and simplistic rent-seeking approach. That is not to say that the rational choice tradition has nothing to contribute to such an analysis; to the contrary, it yields rich insights. Olson's proposition that dominant firms will find it in their interest to subsidize industry associations is borne out by the history of CBEMA, for instance, and by DEC's free-riding. In addition, IBM's governmental programs office did at times tally the "leverage" of policy changes on corporate revenues, for instance, when taxes or tariffs were measurably reduced. Moreover, IBM has never entirely foresworn pursuing the "narrow stuff" for particularistic gain, whether through a well-timed phone call by Tom Watson, Jr., to Wilbur Mills or through the more systematic exertions of the Washington office in the Gerstner era.

The appeal to rationality as an explanatory device, however, has significant limits. One must define rationality in a variety of different ways to encompass the bulk of the empirical evidence. For example, IBM's cultivation of a reputation as an expert and moderating presence in policy debates is rational if corporate decision-makers adopt a long time horizon and think of policy-making as a repeated game. It is also rational if the untestable assumption that factual knowledge influences policy-makers' behavior is valid. And, it is rational in the sense that traditional IBMers might have objected so strongly to public policy investments oriented to "influence-peddling" -- as opposed to "rational" decision-making -- that these investments would not have been made.

This last version of rationality departs from the conception of IBM as a unitary rational actor and allows organizational theory to be brought to bear. One can get some leverage from applying a rational actor model within the company; like rational bureaucrats in any large organization, the managers of the governmental programs office probably did seek to maximize their budgets, for instance. But it is fruitful as well to consider "processes of information and communication." Advocates of increasing IBM's public policy investment rarely had firm cost-benefit analyses; they relied on persuasion, appealed to shared norms, and pointed to past experience. The Washington office systematically cultivated its constituency in Armonk and elsewhere in the company. Once in place, though, the investment in issue management in the 1970s and 1980s (and the personal style of the Watson era for that matter) seems to have benefited from inertia. Internally and externally, IBM's public policy reputation fed on itself.

The two great environmental shocks which periodize IBM's political development, the antitrust case of 1969 and the corporate crisis of 1993, dramatize the inertia. Both caused reassessments of the taken-for-granted, back-of-the-envelope, cost-benefit analyses that had guided its investments in the pre-shock periods. The first stimulated a political mobilization and the second, a withdrawal, but in neither case is it likely that the actual costs and benefits of public policy investments changed as dramatically or as quickly as the behavior suggests. The two events served as focusing devices for the decision-makers. They also coincided with changes in leadership, not just the leader himself, but the style of leadership. In the first case, a family dynasty was succeeded by a more professionalized cadre, albeit one that had been socialized in the family ways. In the second case, an outsider with a mandate to uproot the old culture came in.

One might say that IBM's political development is characterized by a repeated process in which environmental shocks are interpreted through organizational politics and lead to the replacement of a decision-making calculus that is rational in one sense with one that is rational in another. Whether this pattern is generalizable to other large firms is a testable hypothesis. IBM is, as I mentioned, an outlier; by virtue of its high-tech aura, it is likely to receive larger payoffs per unit of public policy investment than other firms. The political development of other firms may not be as easy to observe as IBM's, and their stories will diverge in the particulars. But combining the rational choice, organizational theory, and environmental traditions of analysis seems highly likely to pay off in exploring these cases. Corporations are big elephants, and we ought to use all the lenses at our disposal to examine them.

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[13]Sobel, *op. cit.*, note 8, 159-184; "Governmental Programs," *op. cit.*, note 12, 1.

[14]Gelman, *op. cit.*, note 12.

[15]McKittrick, *op. cit.*, note 11; Gelman, *op. cit.*, note 12; James Newmyer, interview, February 12, 1999.

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[28]First quote from McKittrick, *op. cit.*, note 11; Gelman, *op. cit.*, note 12; Vogel, 1989, *op. cit.*, note 7, 172-174, 198-203; second quote from John Opel, interview, December 13, 1999; Cary, speech to Business Roundtable Policy Committee, January 10, 1978, Cary papers; Cary, remarks to Business Roundtable Task Force, July 17, 1978, Cary papers; Cary, speech to North Carolina Citizens Association, March 21, 1979, Cary papers.

[29]First quote from Charles McKittrick, "The Art and Discipline of Issue Management, presentation, Harvard Business School, July 8, 1988; Gelman, *op. cit.*, note 12; all other quotes

from McKittrick, *op. cit.*, note 11; Lehmann, *op. cit.*, note 25; Phyllis S. McGrath, *Redefining Corporate-Federal Relations* (New York: Conference Board, 1979), 56-66.

[30]Dan Rosen, "Flying High With That Bird in the Sky," *Think*, May/June, 1981, 29-31; first quote from Cary, speech to SDD conference, Montreal, June 9, 1969, Cary papers, DPD speeches*;* Timothy B. Hackman, interview, February 10, 1999; second quote from Philip Verveer, interview, May 25, 1999; McKittrick, *op. cit.*, note 11; U.S. Senate Commerce Committee, *Domestic Telecommunications Common Carrier Policies, Part 1*, 95th C., 1st s., 1977, 665-670; Susan Chace, "AT&T and IBM Tread on Each Other's Toes as Courses Converge," *Wall Street Journal*, September 4, 1981, 1. For broader accounts of these events, see Alan Stone, *Wrong Number: The Break-Up of AT&T* (New York: Cambridge University Press, 1989), 195-272; Peter Temin with Louis Galambos, *The Fall of the Bell System: A Study in Prices and Politics* (New York: Cambridge University Press), 113-216; and Martha Derthick and Paul J. Quirk, *The Politics of Deregulation* (Washington: Brookings, 1985), 174-187.

[31]Joann S. Lublin, "Competition Heats Up in Domestic Satellites as Technology Gains," *Wall Street Journal*, September 8, 1978, 1; Merrill Brown, "Computer-Satellite Alliance Fomenting a Revolution," *Washington Post*, July 6, 1980, 1; "IBM and Siemens: Revitalizing the Rolm Division - A," Harvard Business School case 9-397-058; "Titans Arm Themselves for a Wrestling Match," *San Jose Mercury-News*, July 7, 1985, 1F; Kenneth Flamm, "Technological Advances and Costs: Computers vs. Communications," in Flamm and Robert W. Crandall, eds., *Changing the Rules* (Washington: Brookings, 1989), 13-61; John Marcom, Jr., "The Unspoken Truce: IBM, Chastened by Some Serious Blunders Sidesteps Head-On Competition With AT&T," *Wall Street Journal*, February 24, 1986; Branscomb, *op. cit.*, note 20; second quote from Hackman, *op. cit.*, note 30; Gelman, *op. cit.*, note 12.

[32]Alfred A. Marcus and Mark S. Irion, "The Continued Viability of the Corporate Public Affairs Function," in Marcus, Allen M. Kaufman, and David R. Beam, eds., *Business Strategy and Public Policy* (New York: Quorum, 1987), 267-281.

[33]Quotes from Opel, *op. cit.*, note 28.

[34]John Marcom, Jr., "IBM: Behind the Monolith - Tomorrow: $200 Billion by 1995? Maybe But Obstacles Loom," *Wall Street Journal*, April 7, 1986; Douglas Worth, interview, June 4, 1999; Simon, *op. cit.*, note 12; McKittrick, *op. cit.*, note 11; "Governmental Programs," *op. cit.*, note 12, 4-6; first quote from Gerry Wade, interview, December 22, 1999; Richard L. Hudson, "IBM Lobbyists Push for More Market Access in Europe," *Wall Street Journal*, April 20, 1988; second quote from Nancy Godwin, "NY Assemblyman to Revive VDT Regulation Measure," *Travel Weekly*, December 20, 1984, 2.

[35]Usselman, *op. cit.*, note 9. As it had throughout the antitrust years, IBM contested the common perception that it held a dominant market share, placing the figure at about 30%; see John W. Verity and Willie Schatz, "Fast Break in Armonk," *Datamation*, January 1, 1985, 70.

[36]David R. Brousel, "Coming of Age; a Host of Challenges, Both New and Old, Face Adapso as it Marks its 25th Year," *Datamation*, October 15, 1986, 66; Richard E. Cohen, "The Not So Secret CCIA," *National Journal*, June 25, 1977, 1005; Joe Tasker, interview, December 1, 1999; quote from Bob Kirkwood, interview, May 21, 1999; Bruce Holbein, interview, April 21, 1999.

[37]Gelman, *op. cit.*, note 12; Edmund F. Perry, interview, February 10, 1999; Caine, *op. cit.*, note 25; Cary, remarks to legislative meeting, May 3, 1977, Cary papers.

[38]McKittrick, *op. cit.*, note 11. Some observers have made much of the traffic between IBM's board and high Federal office. Three of President Jimmy Carter's original cabinet members were IBM directors, for instance. (See Cohen, *op. cit.*, note 36.) My research suggests that the board was not typically perceived by IBM senior management to be an instrument for influencing public policy, although John Opel noted in an interview that they may have helped out occasionally in minor ways as individuals. He could not, however, recall any particular instances of this sort. The phrase "complex currency" is borrowed from Janet M. Grenzke, "PACs and the Congressional Supermarket: The Currency Is Complex," *American Journal of Political Science* 33:1-24 (1989).

[39]Evelyn Richards, "Red, White and Big Blue; IBM is Leading the Charge of High-Tech Nationalism." *San Jose Mercury News*, July 1, 1989, 1C; Erich Bloch, interview, May 24, 1999; Worth, *op. cit.*, note 34. IBM Japan, one of that country's largest electronics firms, with some 13,000 employees, did not play a significant role in this episode, according to my interviewees. On IBM's history in Japan and relationships with Japanese firms, see Sobel, 1986, *op. cit.*, note 17, 150-194.

[40]Cary, speech to Economic Club of Detroit, November 27, 1972, Cary papers; Bloch, *op. cit.*, note 39; Alan W. Wolff, interview, May 25, 1999; first quote from Sanford Kane, interview, December 28, 1999; Michael Schrage, "Semiconductor Wars: Firms Split on Dealing with Japan," *Washington Post*, December 24, 1985, D6; George M. Scalise, interview, November 30, 1999; second quote from Douglas A. Irwin, "Trade Politics and the Semiconductor Industry," in Anne O. Krueger, ed., *The Political Economy of American Trade Policy* (Chicago: University of Chicago Press, 1996), 11-72, 47. On the development of the SIA, see David B. Yoffie, "How an Industry Builds Political Advantage," *Harvard Business Review*, May-June, 1988, 82-89; and Philip A. Mundo, "Semiconductor Industry Association," in *Interest Groups: Cases and Characteristics* (Chicago: Nelson-Hall, 1992), 41-66; on the STA, see Kenneth Flamm, *Mismanaged Trade?* (Washington, D.C.: Brookings, 1996) along with Irwin.

[41]Patricia Zengerle, "DRAM Chip Famine Taking Its Toll," *MIS Week*, March 21, 1988, 1; Tom Moran and Alicia LaPlante, "DRAM Chip Shortage Threatens Price Hikes, Shipping Delays," *Info World*, May 30, 1988, 1; Worth, *op. cit.*, note 34; Marshall C. Phelps, Jr., interview, June 2, 1999; Dam, *op. cit.*, note 26; Lehmann, *op. cit.*, note 25; Jack Robertson, "Computer Caucus Seeks New Members," *Electronic News*, June 12, 1989, 5; Tasker, *op. cit.*, note 36; Kenneth R. Kay, interview, February 9, 1999; Jack Robertson, "Trade Talks Break Off on Market Access Gauge," *Electronics News*, April 29, 1991, 1.

[42]Mike H. Ryan; Carl L. Swanson, and Rogene A. Buchholz, *Corporate Strategy, Public Policy, and the Fortune 500* (New York: Oxford University Press, 1987), 129; Ben Franklin, "Election Contributions Pose Awkward Queries for Nixon," *New York Times*, January 7, 1973, 22; "IBM's Canada Unit Halts Its Custom of Political Gifts, August 4, 1975, 2; Transcript, IBM Annual Meeting, April 26, 1976, IBM Archives; quote from Opel, *op. cit.*, note 28.

[43]First quote from DeLamarter, *op. cit.*, note 18, xiii; second quote from Doug Garr, *IBM Redux: Lou Gerstner and the Business Turnaround of the Decade* (New York: HarperBusiness, 1999), 20. On the decline of IBM, see Ferguson and Morris, *op. cit.*, note 9; Paul Carroll, *Big Blues: The Unmaking of IBM* (New York: Crown, 1993).

[44]Quote from Kirkwood, *op. cit.*, note 36; Tasker, *op. cit.*, note 36; Dam, *op. cit.*, note 26; McKittrick, *op. cit.*, note 11; Worth, *op. cit.*, note 34.

[45]First quote from Lehmann, *op. cit.*, note 25; Worth, *op. cit.*, note 34; Caine, *op. cit.*, note 25.

[46]Glenn Rifkin, "The Health Care Debate: Behind the Scenes," *New York Times*, August 19, 1994, A1; John Mintz, "Some Firms Urging Workers to Oppose Health Care Bills." *Washington Post*, August 20, 1994, A6; Charles R. Babcock, "Grass-Roots Lobbying Credited with Saving China's Trade Status," *Washington Post*, April 27, 1997, A11.

[47]Worth, *op. cit.*, note 34; first quote from Harriet P. Pearson, interview, February 9, 1999; second quote from John Markoff, "Growing Incompatibility Issue: Computers and User Privacy," *New York Times*, March 3, 1999, A1.

[48]Center for Responsive Politics, "Influence, Inc." (searchable data base), http://www.opensecrets.org/lobbyists/index.htm, accesssed December 28, 1999; Betsy Morris, "Big Blue," *Fortune*, April 14, 1997, 68-81; Simon, *op. cit.*, note 12; Pearson, *op. cit.*, note 47; Timothy J. Sheehy, interview, February 10, 1999; Worth, *op. cit.*, note 34.

[49]Ralph Vartabedian, "Many Top Firms Say No to Political Contributions," *Los Angeles Times*, September 22, 1997, A1; Connie Cass, "Companies, Unions Spent Six-Figure Sums on Inaugural Tickets," *Associated Press*, April 11, 1997; "FL: Mortham Raises More Questions, As Does MacKay," *The Bulletin's Frontrunner*, December 3, 1997; Mark Stencel, "'Bundling' Skirts Campaign Gift Curbs; Corporate Contributions Outlawed, but Executives Raise Large Amounts," *Washington Post*, April 20, 1992, A1; Caine, *op. cit.*, note 25; Perry, *op. cit.*, note 37; quote from Patrick Windham to David M. Hart, September 27, 1999; Kirkwood, *op. cit.*, note 36. The figure for the top 100 corporations is for the 1995-1996 election cycle; "Fortune 500 Wallflowers" *Fortune*, July 19, 1999, 86, reveals that 117 of the Fortune 500, including IBM, had no PAC and gave no soft money over the most recent election cycle, but did not provide a figure for the top 100 firms.