



How foes become allies: the shifting role of business in climate politics

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Abstract

Firms often oppose costly public policy reforms—but under what conditions may they come to support such reforms? Previous scholarship has taken a predominantly static approach to the analysis of business positions. Here, we advance a dynamic theory of change in business policy positions that explains how business may shift from opposing to supporting new regulation over the course of multiple rounds of policymaking. We identify three sets of drivers and causal mechanisms behind business repositioning related to political, policy, and market change. We argue that political mechanisms can shift opposition to “strategic support” for reform, whereas policy and market mechanisms may shift opposition or strategic support toward “sincere support.” We examine the reconfiguration of business interests and policy positions in the context of three decades of US climate politics, focusing on the oil and gas, electricity, and auto sectors. Our dynamic theory of business positions moves beyond the dualism that views business as either opposing or supporting public interest regulation. We thus advance our understanding of why initial business opposition can incrementally turn into strategic or sincere support for policy reform.

Keywords Business · Lobbying · Policy reform · Climate politics · Energy transition

Introduction

Corporations are powerful political actors in capitalist societies (Gilens & Page, 2014). Political analysts have long been concerned with the power of business to veto or weaken policies that impose costs on firms but benefit the public (Busemeyer & Thelen, 2020; Culpepper, 2015; Hacker & Pierson, 2002). At the same time, evidence from a range of issue areas, including environmental protection, social security, and health care, shows how business can also support policy reform (Culpepper, 2016; Falkner, 2008; Rivera et al., 2009; Swenson, 2018). The question of the role of business in policy change has gained salience

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in the context of climate politics, an increasingly important field of distributive politics and public interest regulation (Colgan et al., 2021; Downie, 2019; Vormedal, 2012).

In this article, we engage with the debate on business and public policy reform, addressing the central question of when corporations may shift from opposing to supporting policy change. The literature has predominantly adopted a static perspective on business positions—viewing business as either opposing or feigning support for major reforms (Broockman, 2019; Grumbach, 2017; Hacker & Pierson, 2004; Korpi, 2006). Here, we instead advance a dynamic theory of change in business policy positions.

We argue that business opposition may shift to either strategic or sincere business support over the course of multi-round policymaking processes. By developing a dynamic perspective on firm positions, we offer new clarity on key concepts and their inter-relationships: firm interests, policy preferences, and policy positions. Specifically, we hypothesize how different drivers of change result in strategic versus sincere support for policy change. Scholars have long debated whether a firm's stated support reflects a strategic misrepresentation of underlying interests, or a sincere effort to advance the policy in question (Broockman, 2019; Grumbach, 2017; Swenson, 2019; Vormedal et al., 2020).

We argue that change in policy positions is driven by causal mechanisms related to three sets of drivers: political, policy, and market change. Political mechanisms include regulatory threats, activist campaigns, and bandwagon effects. We suggest that these are only likely to result in strategic position-taking as firms seek to accommodate a shifting political context—and become “frenemies” of regulation. By contrast, policy-related mechanisms, such as policy feedback, may lead to the emergence of sincere support for reform, as policies have distributional effects on firms and their underlying economic interests. Firms are then “allies” of advocates of regulation. Similarly, market change, including technological developments and related shifts in competitive dynamics, may transform underlying economic interests, and result in sincere business support for regulation. In the course of the policy process, several of these drivers and mechanisms interact, resulting in chains of interest and preference reconfigurations and policy repositioning.

We examine the mechanisms of change in business policy positions in the context of US climate politics from the mid-1990s to 2020. Our analysis focuses on the major contributors to the emission of greenhouse gases (GHGs), including electric utilities, oil and gas firms, and automakers, as these can be assumed to have the greatest incentive to veto climate policy. Initially, most emitters opposed climate policy. Later, some shifted from opposition to mostly strategic policy support, in response to substantial political change. The diversification of business positions continued in a third phase, with a growing number of firms now expressing sincere support for climate policy in response to policy and market changes. We identify strategic versus sincere positions by examining the underlying economic interests of firms and by triangulating their political behavior across policy fora.

This dynamic perspective advances our understanding of why public policy reforms may become possible over time despite initially strong resistance by business. It does so by identifying the causal mechanisms underlying different types of business position-taking. This is an important and novel perspective on the role of business in public policymaking that moves beyond seeing capitalists as only supporting or opposing major public policy reforms. Our argument and theory recast costly policy reform as an incremental process of firm interest and position reconfiguration. It thus also contributes to our understanding of the politics of long-term transitions (Meadowcroft, 2009).

This article unfolds as follows. First, we conceptualize the relationship between strategic and sincere policy positions, our dependent variables, with firm preferences and interests. Second, we hypothesize what types of drivers—policy, political, market change—lead to

Table 1 Relationship of business interests, policy preferences, and policy positions

Business interest	Policy preference	Policy position
Aligned	First-order	Sincere
Misaligned	Second-order	Strategic

what type of policy positions, and through what mechanisms. Third, we examine the evolution of business positioning in the history of US climate politics. In conclusion, we discuss some theoretical and empirical implications and indicate avenues for future research.

A dynamic theory of firm positions on policy reform

Defining interests, preferences, and positions

The question of whether corporate support for major reforms has been sincere or merely strategic, has been at the center of debates on the role of business in the making of the welfare state. Hacker and Pierson (2002), Brookman (2012, 2019), and Korpi (2006) have argued that business face strong incentives to strategically misrepresent their “true” preferences when they are in a weak political position, and that business support for moderate welfare state expansions were strategic accommodations to political circumstances that constrained what could be achieved (Brookman, 2012: 2–3; Hacker & Pierson, 2002: 283–285).

By contrast, Swenson (1991, 2002, 2018), Mares (2003a, 2003b: 2–3), and the Varieties of Capitalism literature (Hall & Soskice, 2001) have argued that employers could benefit from the expansion of welfare state programs and that their support for reforms have been sincere efforts to advance economic interests. Similarly, trade policy scholars have largely viewed positions as genuine representations of business interests (Knudsen, 1998; Milner & Yoffie, 1989). Here, we argue that *both* perspectives are central to a dynamic theory of business preferences.

To develop a conceptual distinction between strategic and sincere business positions, we define and relate to each other the concepts of interest, preference, and position (see Table 1).

Interests are exogenous to the strategic political environment in which actors make constrained decisions about how to best advance interests (Moravcsik, 1997: 517). In the case of firms, interests are primarily material and closely linked to profitability, shaping how firms rank the desirability of different policy alternatives (Frieden, Lake, & Schultz, 2015; Woll, 2008). Determining business interests is not necessarily a straightforward matter, and a focus on its material foundations risks ignoring how ideas may shape actors’ *perception* of self-interests (Blyth, 2002; Hay, 2004; Woll, 2008). Yet, facts about economic interests are needed to locate positions along the line between sincere and deceptive (Swenson, 2018: 3; 2019: 45). We suggest that ascertaining a plausible industry- or company-specific interest based on key attributes and means of generating profit is analytically possible and essential to assessing the interest heterogeneity that give rise to business conflict (Crystal, 2003; Falkner, 2008; Swenson, 2019).

Policy preferences concern how business actors rank policy alternatives by degree of alignment with underlying interests (Crystal, 2003: 410; Frieden, 1999: 42). Policies have varying effects on profitability depending on firm or sector characteristics, such as the type

Table 2 Conditions for strategic and sincere firm positions

	Pro-reform political environment		
		No	Yes
Pro-reform first-order preference	No	Opposition (1)	Strategic support (2)
	Yes	Non-participation (3)	Sincere support (4)

of assets, a firm's products or services, its input factors, its market share, and its competitive advantages or disadvantages vis-à-vis rivals (Porter, 1985). Corporations calculate the expected costs and/or the benefits of alternative policies, given their company-specific assets and attributes. We define a *first-order preference* as an actor's most-favored policy option that is largely *aligned* with underlying interests. By contrast, we see a *second-order preference* as a less favored policy option that is largely *misaligned* with interests. The lower-ranked a policy preference, the less profitable such a policy alternative is thought to be for the firm in question.

Lastly, we define policy *positions* as expressed opposition or support for a policy in a given political environment. That political environment may include policymakers, other interest groups and public opinion, whose preferences may in the aggregate lean toward policy reform or against it. Business positions are formulated in the context of—and are thus endogenous to—a specific political environment. We define a *sincere* position as an expressed first-order preference aligned with material interests, and a *strategic* position as an expressed, second-order or lower-ranked preference misaligned with economic interests. A company is likely to adopt a strategic position if it believes that a first-best policy does not stand the chance of adoption (Frieden, 1999; Katznelson & Weingast, 2005). This may involve an intentional misrepresentation of the firm's interests to mislead political opponents (Broockman, 2012, 2019; Hacker & Pierson, 2002). A firm could, for instance, propose a policy that it knows does not stand a chance of being adopted, to stymie the political process. Yet, growing public scrutiny of firms' political behavior by corporate watchdog organizations can also make strategic misrepresentation a strategy that comes with reputational risks.

Strategic and sincere support are thus distinct phenomena with different implications for policy reform processes. Sincere support is likely to be more forceful and durable than strategic support because it represents corporate interests. Strategic support does not and may shift quickly back to opposition as the political environment changes.

Explaining firm positions on policy reform

We propose a model that specifies conditions under which sincere or strategic business support are likely to emerge in processes of policy reform (see Table 2). The horizontal axis concerns whether the political environment, as defined above, is supportive of reform. The vertical axis captures whether a firm's first-order preference and thus economic interests are aligned with reform. Our model builds directly on Meckling (2015), while embedding it in the conceptual debates laid out above.

The variation in the two dimensions—first-order preferences and political environment—results in four theoretically possible business positions. Quadrant (Q) 1 suggests that firms with an anti-reform first-order preference will oppose change in an anti-reform

Table 3 Drivers, mechanisms, and types of position change

Driver of change	Mechanisms	Type of position change
Political change	Reputational/political cost Regulatory threat Activist campaign Bandwagon effects	Strategic policy position
Policy change	Policy feedback Resource effects Interpretive effects Interjurisdictional trade Leveling effects	Sincere policy position
Market change	Competition Technological change effects	Sincere policy position

political environment. Q 2 suggests that firms with an anti-reform first-order preference will express strategic support for policy change in a pro-reform political environment. Q 3 suggests that, in an anti-reform political environment, firms with a pro-reform first-order preference may disengage due to the potentially high political costs and the low odds of achieving influence. Finally, Q 4 suggests that business actors with a pro-reform first-order preference will sincerely support policy change in a pro-reform political environment.

The value of our model lies in relating variation in business positions to variation along two key explanatory dimensions, enabling a conceptual distinction between strategic and sincere positions. We now turn to explain why firms change positions over the course of the policymaking process.

Drivers of change: politics, policy, and markets

We propose three sets of external drivers of change in policy positions across firms and industries: politics, policy, and markets. Political change refers to changes in the political environment (horizontal dimension in Table 2), whereas policy and market change, relate to changes in the underlying economic interests and thus first-order policy preferences of firms (vertical dimension in Table 2). For each of the three drivers, we identify several causal mechanisms (Table 3).

A central question is when political, policy, and market drivers reach a “threshold” to trigger a change in firm position from opposition to strategic or sincere support. Pinpointing the threshold theoretically is challenging, since the external drivers of change are mediated by firm-level variables, such as size, age, leadership, ownership, and culture. Such factors play an important role in interpreting the political environment as pro or anti-reform. They also affect a firm’s understanding of its economic interest and thus first-order policy preference. One rationale is that firms start to sincerely support climate policy when the majority of their profits is derived from their clean assets. Another rationale is that firms start to sincerely support climate policy when they can anticipate that the majority of their profits may result from clean assets at some future point. Yet how much firms value future versus current profits depends, for instance, on their time horizons and investor pressure. In a cross-national perspective, domestic institutions also shape how firms respond to

political, policy, and market change. We thus acknowledge the role of firm-level and institutional mediators, while focusing in the following on the three external drivers of change.

Political change

Political change can alter the balance of power between a firm and other political actors, leading to a shift in the firm's strategic behavior. If the balance of power shifts toward pro-reform forces, a company may seek to accommodate the preferences of countervailing forces, including government actors, civil society groups and other firms. Such shifts in the strategic context raise the political and reputational costs¹ of lobbying for first-order preferences, and the likelihood of influencing policies. As Hacker and Pierson (2002) argue, business groups in a weak political position are likely to “strategically accommodate” pro-reform forces by supporting *moderate* policy changes, hoping thereby to fend off more radical ones. Political change may thus lead to the emergence of strategic support for a second-order policy preference.

We focus on three types of political change that can raise the political and reputational costs for firms: regulatory threats, activist campaigns, and bandwagon dynamics. First, the “shadow of hierarchy”—a looming threat of government regulation (Scharpf, 1997)—may lead firms to strategically propose moderate form of regulations—thereby hedging against the threat of even costlier government action (Meckling, 2015). Hedging can also take the form of voluntary self-regulation aimed at pre-empting the need for more stringent public regulation (Andrews, 1998; Malhotra et al., 2019). For example, in the 1990s the European PVC (polyvinyl chloride) industry began to lobby for a self-regulatory program as a preemptive strike against the European Commission and Parliament's call for policies to drastically reducing the use of heavy-metal stabilizers (Héritier & Eckert, 2008).

Second, activist campaigns, especially naming-and-shaming or boycott campaigns by non-governmental groups, often have high reputational costs for firms (Wapner, 2011). Campaigns that threaten a firm's legitimacy and brand reputation may thus spur strategic support for regulation. For instance, in the mid-1990s, when public opinion turned against GM foods and European activist groups called for a ban on GM food imports, fears of losing consumer trust, legitimacy and brand reputation led retailers to shift from opposition to support for GM import restrictions (Schurman, 2004).

Third, firms anticipate and react to what their peers are doing (Heinz et al., 1993). Shifts in peer behavior toward support for reforms can raise reputational and political costs for the firms that remain opposed. Thus, cue-taking and imitation of peers to prevent such costs may result in a bandwagon effect: more firms join new support coalitions when these are perceived to represent the most legitimate or influential business lobby (Baumgartner & Leech, 2001).

Policy change

While political change may cause strategic repositioning, policy change may shift a firm's economic interests and thus first-order policy preference. The reason is that enacted policy tends to have real costs and/or benefits for firms, i.e., distributional effects that impact

¹ *Political* costs may involve government-imposed sanctions, such as the withdrawal of protection or subsidies, whereas *reputational* costs stem from negative societal publicity leading to, for instance, brand erosion or consumer boycott.

profitability. We focus on two distinct mechanisms that may lead to the emergence of sincere support for reforms: policy feedback and interjurisdictional trade.

First, policy feedback concerns how policies enacted at “time 0,” if impossible to repeal, reshape actor preferences and policy positions at “time 1” (Pierson, 1993; Skocpol, 1992). Such feedback may materialize as a result of resource effects: when the distributional impacts of policies create costs for some firms and benefits for others (Leone, 1986). Firms that begin to benefit from policies may shift to sincerely supporting the policy’s continued existence and expansion, whereas firms that are disadvantaged are likely to oppose or mobilize to get the policy reversed (Jacobs & Weaver, 2015; Jordan & Matt, 2014; Lockwood, 2022; Meckling & Trachtman, 2023; Patashnik & Zelizer, 2013). For example, many coal-burning power producers began to benefit from the US Clean Air Act (CAA) amendments in 1977 and 1990 as existing power plants were made subject to far more lenient sulfur dioxide (SO₂) reduction requirements than new plants (Ackerman & Hassler, 1981; Biewald, White, Woolf, Ackerman, & Moomaw, 1998). This grandfathering principle gave incumbent firms a competitive advantage over new entrants, resulting in a first-order preference for extending the CAA regime.

In addition to distributional effects, policies may have interpretive effects, serving as sources of new information and learning (Pierson, 1993; Skogstad, 2020). As firms gain knowledge about—or experience with—a policy, including how it affects their profitability and competitive position, their understanding of economic interests may change. If the policy appears or proves to be advantageous, firms may begin to sincerely support it. For example, US and European airlines shifted from opposition to support for service liberalization in the 1990s as the result of learning about how an “open skies” policy had positive effects by boosting demand and thus profits (Woll, 2008).

Second, policies can shift positions through interjurisdictional trade—a mechanism at the core of arguments on “trading up” regulation in the context of multi-level governance (DeSombre, 2000; Vogel, 1995a). Trade-exposed firms subject to unilateral regulation may begin to support policies that export the regulation to jurisdictions of rival firms, seeking to level costs across competition. For example, when Germany began to require cars to have catalytic converters (to reduce nitrogen dioxide emissions) in the 1980s, German car manufacturers began to lobby for a pan-European regulation of NO₂ emissions (Mattli & Woods, 2009). Furthermore, when firms operate across markets with different regulatory standards, product standards in particular, they then may begin to support policy changes that involve the adoption of a uniform standard to reduce the transaction costs of having to comply with multiple standard (Vogel, 1995b).

Market change

Market change is a powerful driver of shifts in firm interests. We here focus on how market change—specifically, technological change—can shift the competitive position of firms and industries, their profits, and lead to sincere business repositioning toward policy reform (Gourevitch, 1989; Milner, 1988). Established firms tend to have vested interests in status quo policies that regulate their business (Baumgartner, Berry, Honjacki, Kimball, & Leech, 2009; Peltzman, 1976). However, when technological developments disrupt the status quo equilibrium, firms may begin to view such policies as increasingly out of sync with their evolving material interests.

This may happen when disruptive innovations become technologically mature and move from niche market to mass market, as growing economies of scale make the new technology cost-competitive (Perez, 2009; Schot & Geels, 2008). In such “eras of ferment” (Anderson & Tushman, 1990), disruptive technologies begin to compete fiercely with incumbent technologies, enabling substitution and a process of creative destruction (Schumpeter, 1942). Increasing competition between different fractions of capital may thus contribute to destabilizing established industries and their traditional bases of political power (Newell, 2019; Paterson, 2020).

Firms that begin to invest significant capital in new technology to substitute old assets, or experience a reevaluation of their assets (Colgan et al., 2021), may begin to sincerely support policy change that bolsters their new competitive advantage. Companies threatened by substitution of traditional technologies are, on the other hand, likely to oppose policy change, or seek government protection to limit predation of their market shares by rivals invested in new technologies (Yandle & Smith, 2014). Thus, when the material interests of established businesses change because of technological developments and associated shifts in competition, it may dissolve traditional business coalitions, and lead to the emergence of sincere support for new policy regimes (Gourevitch, 1989; Hall, 1997; Milner, 1988).

For example, large and urban textile producers began to support England’s Factory Act of 1833 (banning child labor and imposing work hour restrictions) as they started to replace traditional water mills with more efficient, steam-powered equipment. This gave them a competitive advantage over smaller, water-driven plants who still relied on child workers and more extensive labor (Marvel, 1977). In the late 1980s, furthermore, US footwear manufacturers stopped lobbying for trade barriers and begun to support import liberalization due to shifts in competition and technology: Having adjusted to increased import competition during the 60 s and 70 s by outsourcing labor-intensive activities, importing the components, and investing in advanced machinery and computer-aided manufacturing, the substitution of a labor-intensive with a capital-intensive asset base reduced the benefits of government protection (Hathaway, 2003).

The evolution of business positions in US climate politics

We now turn to analyze how and why business policy positions have changed over the course of three decades of US climate policymaking.

Research design

We probe the plausibility of our theory in the case of the USA. The USA presents a hard test for change in business positions given that US industry has mobilized some of the strongest opposition to domestic and international climate policy. Within the USA, we examine three industries with historically high GHG emissions: electric utilities, oil and gas, and automakers. Research has shown that these sectors are at the core of the opposition to US climate policy (Downie, 2019; Green, Hadden, Hale, & Mahdavi, 2022). Together, they accounted for at least 56 percent of climate-related lobbying expenditures in the USA between 2000 and 2016 (Brulle, 2018).

We focus on three time periods, covering the mid-1990s to 2020 (see Table 4). In the first period (the 1990s–early 2000s), industry was largely unified in opposing the Kyoto Protocol. In the second period, in the late 2000s, company positions diversified,

Table 4 Cases covered across three phases

Policy case	Sectors	Mechanisms	Policy position
<i>Phase 1: Unified policy opposition, 1990–2005</i>			
Kyoto Protocol	Electric utilities, oil and gas industry, auto industry	No change	Opposition
<i>Phase 2: Diversification and emergence of strategic policy support, 2005–2012</i>			
Cap-and-trade bills	Electric utilities, oil and gas industry	Politics (political and reputational cost)	Opposition Strategic support
CAFE standards	Auto industry, oil and gas industry		
<i>Phase 3: Deepening divisions and growth of sincere policy support, 2013–2020</i>			
Clean Power Plan	Electric utilities	Policy and market change(policy feedback, interjurisdictional trade, and competition)	Opposition Strategic support
Paris Agreement & a carbon tax	Oil and gas industry		Sincere support
CAFE standards	Auto industry		

and some sincere but mostly strategic business support for climate policy emerged. Here, we focus on (i) congressional efforts to enact a national cap-and-trade scheme and (ii) the Obama Administration’s tightening of federal fuel economy (CAFE) standards for vehicles. In the third period (2013–2020), industry divisions deepened and sincere business support for climate policy grew. We center our analysis on the Clean Power Plan (CPP) and regulatory rollbacks under the Trump Administration, including the Paris Accord and CAFE standards. The policy cases include all major attempts to develop or repeal federal climate policy, and the two major international climate conferences.

Our empirical analysis of shifts in business positioning is written partly as a review article, drawing on the substantial body of published research (academic articles and reports) that exists on business lobbying in US climate politics. In the specific cases where published work is scarce or absent, we conduct our own primary research, relying on sources such as newspaper articles, Congressional hearings, and position papers. Our newspaper analysis is based on a keyword search in Factiva and includes both national and subnational newspapers.

Identifying strategic versus sincere positions entails methodological challenges: the so-called “problem of preferences” (Broockman, 2012: 3; Hacker & Pierson, 2002: 285). To determine whether a particular policy stance is sincere or strategic, i.e., reflecting a second-order or a first-order preference, we employ two methods.

First, we determine the material interest of firms vis-à-vis specific types of climate policy, given key attributes and means of generating profits, based on secondary assessments (Swenson, 1997; 2019; Swenson & Greer, 2002). For electric utilities, we assess the relative cleanness and carbon intensity of their power generation portfolios. For oil and gas firms, we examine the relative carbon intensity of their fuel portfolios and consider interests tied to of growth natural gas production. For automakers, we assess the relative fuel economy of their car fleets. The use of secondary assessments is appropriate for this article, given our goal to provide a historical overview of the evolution of firm positions. Studies with a more narrow empirical scope, instead, can leverage primary data. For example, Vormedal et al. (2023) categorize primary

power-plant data by parent company to conduct a quantitative analysis of how firm-level technological change and shifts in economic interests relate to lobbying positions over time.

If the deduced interest of firms align with observed support or opposition to the reform in question, we assume that the firm's policy position is sincere, reflecting a first-order preference. If there is misalignment, we assume that the position is strategic, reflecting a second-order preference. Second, when possible, we observe and consider whether and how business policy positions vary across various strategic political contexts and fora (Broockman, 2012: 2). We assume that positions are likely to be strategic when variation can be observed across political contexts and that positions are likely to be sincere when they remain stable across contexts in the absence of economic change. This allows us to triangulate positions.

To identify mechanisms of change behind positions, we draw on the analysis of published academic articles or reports that examines the drivers and causes of business positions. We triangulate such explanations using news coverage and analysis of business engagement with climate politics. This involves observing the empirical occurrence of the various political, policy or market change mechanisms and effects as described in our framework (see Table 3).

Phase 1: industry unity and opposition to climate policy

A large body of literature has documented how GHG-intensive incumbent industries mobilized collectively and aggressively against international and US climate policy in the 1990s, organizing through the Global Climate Coalition (GCC) to counter what they saw as a common threat to their business models and even their long-term survival (Layzer, 2012; Levy & Egan, 1998; Newell & Paterson, 1998). Members of the GCC included all the leading firms and branch organizations: the Edison Electric Institute and utilities Duke Energy and American Electric Power; the American Petroleum Institute and the oil and gas majors Shell and BP; and the Association of Global Automobile Manufacturers, GM and Ford. The GCC failed to prevent the Clinton Administration from signing on to the 1997 Kyoto Protocol, but effectively rallied US Senators behind the 1997/98 Byrd-Hagel resolution, which blocked US ratification (Levy & Newell, 2005). With the election of George W. Bush in 2001, a global-warming skeptic, the political context shifted in the GCC's favor, enabling companies in the oil and gas industry in particular to exert substantial influence over the White House. They ensured that federal climate legislation remained off the President's table for some time (Meckling, 2011; Vormedal, 2011). As this is a well-documented period with broad opposition and no shifts toward strategic or sincere support, we keep our discussion brief here.

Phase 2: diversification and strategic support for climate policy

Around 2005, a growing number of firms began to support some form of national policy reform. Here, we analyze how distinct mechanisms caused different types of position change, and the emergence of mainly strategic support for policy by various companies and industries.

Federal cap-and-trade bills

Despite the Bush Administration's opposition to climate action, Congress considered a series of bills in this period. These bills sought to curb GHG emissions through a federal carbon market—allowing firms to buy and sell emissions permits under a set cap. They include the Climate Stewardship Acts of 2003, 2005 and 2007 (the McCain-Lieberman bills) and America's Climate Security Act of 2007 (the Lieberman-Warner bill). These failed to pass either the House or the Senate. Then, within six months of the inauguration of President Obama in 2009, the House of Representatives passed the *American Clean Energy and Security Act* (the Waxman-Markey bill), which would provide for a nationwide cap-and-trade scheme aimed at reducing GHG emissions by 17 percent below 2005 levels by 2020. However, this bill did not pass the Senate. The Waxman-Markey bill provides an important case for studying company positions on climate policy in the second period of US climate policymaking.

First, a considerable share of electric utilities and oil and gas firms shifted from opposition to strategic support for a favorably designed cap-and-trade scheme in the wake of growing political pressures and the threat of costlier regulation. These firms, including the utilities Duke Energy, American Electric Power (AEP) and PNM Resources, and the oil and gas majors Shell, BP, and ConocoPhillips, were large emitters of GHGs with assets linked to coal or oil production. The AEP had 84 percent and Duke nearly 70 percent coal in their generation portfolios (Atten, Curry, & Saha, 2008). BP, Shell, and ConocoPhillips had larger absolute emissions than the utilities, although slightly lower than the oil and gas competitors that opposed the reform (PointCarbon, 2009: 4). Thus, their fossil-fuel based assets and high carbon intensity of operations indicate misalignment between their interests and support for cap-and-trade.

Most of these firms joined the US Climate Action Partnership (USCAP)—an influential, pro-reform lobby whose draft legislation became a model for the Waxman-Markey bill (Pooley, 2010). However, their support for reform hinged on the generous allocation of free permits which would enable polluting utilities and oil and gas majors to recover most of their estimated costs (Grumbach, 2017; PointCarbon, 2009: 12). These companies also strongly opposed legislative proposals that involved any auctioning of allowances, and played double games by choosing not to dissociate from industry associations like the American Petroleum Institute and the American Enterprise Institute, which worked behind the scenes to undermine cap-and-trade legislation (Grumbach, 2017). This rent-seeking and inconsistencies in positioning across venues further point to their support being strategic.

Political change largely explains the shift to strategic support for a low-cost climate policy by major emitters in this period. By 2007, many CEOs had become convinced that some form of federal GHG regulation was nigh-inevitable (Downie, 2019). Cap-and-trade schemes were in the process of enactment in Europe, as well as in California and seven northeastern and mid-Atlantic states. In addition, both presidential candidates, John McCain (R) and Barack Obama (D), ran on promises of delivering climate policy reform. After the inauguration of President Obama in 2009, the EPA also announced that it would regulate GHGs as pollutants under the Clean Air Act in the event of a legislative failure, as mandated by the 2007 Supreme Court ruling (*Massachusetts v. Environmental Protection Agency*, 549 U.S. 497) (Samuelsohn, 2009). Thus, strong political pressure and the risk of EPA regulation, plus the fear of patchwork regulation involving different rules and systems across US states (Bustillo, 2005), amounted to a credible *regulatory threat* that led many polluters to strategically accommodate reformist calls for federal climate policy, and to

hedge against worst-case scenarios such as EPA regulation by supporting a more favorable cap-and-trade program. Furthermore, the *activist campaigns* of organizations such as the EDF, NDRC, and the Pew Center put considerable pressure to bear on Fortune 500 CEOs to join a pro-reform coalition. This also involved a *bandwagon effect*, as the initial recruitment of some CEOs rallied more industry peers behind the USCAP coalition (Lobel, 2016; Pooley, 2010). As Jim Rogers, CEO of Duke, argued: “When you see a parade form on an issue in Washington, you have two choices: You can throw your body in front of it and let them walk over you, or you can jump in front of the parade and pretend it’s yours” (Eilperin, 2005). Thus, the growth of regulatory threats, pressure from activist campaigns and bandwagon dynamics heightened the *political and reputational costs* of remaining opposed to policy reform, in turn leading to strategic support expressed for a second-order preference: low-cost cap-and-trade.

Second, a small group of utilities, including Exelon, Pacific Gas & Electric (PG&E), and Entergy, shifted to expressing sincere support for cap-and-trade reform. These had a higher share of non-fossil assets and less carbon-intensive portfolios, thus facing competitive advantages vis-à-vis more carbon-intensive firms (Delmas, Lim, & Nairn-Birch, 2016; Downie, 2019; Kennard, 2020; Kim et al., 2015). Owning little or no coal generation, but substantial shares of nuclear, hydropower and/or natural gas generation, they could also benefit economically from the proposed scheme (Van Atten et al., 2008). For instance, Exelon, which had over 90 percent nuclear generation, expected net financial gains equaling 36 percent of its operational income (Greising, 2009: 14; PointCarbon, 2009). PG&E, one of the cleanest utilities in the nation, with no coal- and substantial hydropower and nuclear generation, could expect a net gain of 8 percent (PointCarbon, 2009: 14). The alignment between the interests and position of these utilities thus point to their support being sincere.

In support of climate reform, PG&E spent over USD 27 million on lobbying in 2008 (Delmas et al., 2016: 33). Both utilities also joined the USCAP, while leaving the Chamber of Commerce (CoC) in protest against its opposition to GHG regulation (Kaplun, 2009). Exelon had also joined seven other coalitions strongly supporting climate action, including the Business Environmental Leadership Council and We Can Lead, and PG&E was a member of the regulation-friendly American Council on Renewable Energy and the American Council for an Energy Efficient Economy. These activities and consistencies in positioning across venues further suggest that their support was sincere.

Policy change can largely explain the shift to sincere support among these utilities. Although *policy feedback* is typically seen as occurring after implementation (Stokes, 2020), the *interpretive effects* of a long-haul process of legislative bargaining, where utilities had ample time to learn about the relative benefits and competitive advantages under a carbon cap, are likely to have shifted their perception of interest, and established cap-and-trade as a first-order policy preferences of this small group of utilities.²

Finally, many polluters with strong competitive disadvantages under a carbon cap, and thus a misalignment between interest and the proposed reform, continued to oppose climate policy. For instance, Southern Company, which spent over USD 21 million on climate lobbying in 2007/8, faced the highest compliance costs among all the utilities (PointCarbon, 2009). ExxonMobil, the absolute largest US emitter, spent USD 27.4 million on lobbying in 2008, and USD 29 million in 2009 (Delmas et al., 2016; PointCarbon, 2009: 10–11). Oil refinery firms like Valero Energy and Tesoro Corp., facing high costs

² Brulle (2018) also argues that intra-sectoral *competition* constituted a key determinant of varying company lobbying positions on cap-and-trade.

and fewer opportunities for cost recovery under the scheme (PointCarbon, 2009), strongly opposed legislation. Many of these firms also relied on the CoC—which spent a staggering USD 145 million on lobbying in 2009 (Kim et al., 2015: 270).

Corporate average fuel economy (CAFE) standards for vehicles

A key policy for curbing emissions from transportation has been to set federal CAFE standards specifying how far a vehicle must be able to travel on a gallon of fuel. As producers of vehicles with internal combustion engines that burn diesel or gasoline, automakers had long opposed tightening such standards (Bryner, 2007), which would require investments in innovation to make engines more fuel efficient.

Parallel to the cap-and-trade negotiations, political efforts to adopt a stricter fuel economy target unfolded, and a goal of reaching (at least) 35 mpg by 2020 was proposed in the draft *Energy Independence and Security Act* (EISA) of 2007 (DetroitNews, 2007a). The Alliance of Automobile Manufacturers (AAM) first strongly opposed this target, and in the final months before EISA was enacted, the AAM and the Big Three (GM, Ford, Chrysler) began to lobby for a compromise amendment, involving a more lenient timetable and only 30 mpg for light trucks. However, this did not appeal to legislators, and the 35 mpg target was adopted despite the industry's attempt to prevent and weaken its adoption (DetroitNews, 2007b).

In 2009, President Obama announced that he would act on EISA's legal mandate and the 2007 Supreme Court ruling to implement a comprehensive, national reform to lower GHG emissions from all new cars and trucks. After several rounds of negotiations, the Big Three and seven other global automakers first acquiesced to the Administration's goal of reaching 35.5 mpg by 2016,³ and in 2011, they began to express public support for an even stricter goal of 54.5 mpg by 2025 (Meckling & Nahm, 2018).⁴ At this point, the business model of automakers was still heavily reliant on sales of internal combustion-engine (ICE) vehicles that would need to improve their fuel efficiency to comply with a 54.5 target. But the electric carmaker Tesla had just entered the market as a serious competitor, most established automakers had not yet launched their first electric models (Bohnsack, Kolk, Pinkse, & Bidmon, 2020). Thus, the misalignment between interests and shift in positioning points to their support strategic.

Political change, evident by the rise of new political and regulatory pressures, can explain much of this shift from opposition to strategic support for stricter CAFE standards among automakers. EISA was enacted despite the AAM's attempt to oppose and weaken the target, shifting the balance of power between automakers and legislators. Moreover, GM and Chrysler were at the brink of bankruptcy after the financial crises and had suffered public humiliation after President George W. Bush had extended a USD 13.4 billion bailout to the automakers that lacked Congressional backing (Glass, 2008). Legislators also worried that US automakers were lagging behind in the global competition to develop fuel-efficient vehicles and began to view tougher CAFE standards as a tool for improving their competitiveness (Meckling & Nahm, 2018). Thus, these developments reduced the

³ The White House, Rose Garden, May 19, 2009, "Remarks by the President on national fuel efficiency standards," URL: <https://obamawhitehouse.archives.gov/the-press-office/remarks-president-national-fuel-efficiency-standards>

⁴ White House Press Release, July 29, 2011. "President Obama Announces Historic 54.5 mpg Fuel Efficiency Standard," URL: <https://obamawhitehouse.archives.gov/the-press-office/2011/07/29/president-obama-announces-historic-545-mpg-fuel-efficiency-standard>

political influence of automakers and raised the *political costs* of continued opposition to stricter CAFE standards. Further, the Obama Administration's ambitious reform agenda, and California's quest to implement its own, stricter rules (which would have led 13 other states and the District of Columbia to follow suit) represented a credible *regulatory threat* to automakers. This may have led them to hedge against patchwork regulation, which would have split the US car market in two and implied larger transaction costs.

Phase 3: deepening divisions and growing sincere support for reform

During Obama's second term (2013–2017) and President Trump's period (2017–2021) in office, industry positions continued to diversify, and divisions over national policies deepened. Here, we analyze the growth of sincere support for climate policy among more companies in this period.

The clean power plan

In 2014, the Obama Administration moved to regulate climate change through the CAA, proposing a draft of the Clean Power Plan which aimed to cut power-sector emissions by 32 percent compared to 2005 levels by 2030. This "Rule" allowed utilities to meet targets through improved energy efficiency, fuel-switching from coal to cleaner, natural gas, retiring coal plants, and building new renewable energy generation capacity. However, an alliance of state attorneys and industry opponents launched a series of legal challenges that caused a delay in the deadline for states to submit implementation plans. In 2016, the Supreme Court moved to freeze the Rule until ongoing legal battles were resolved. In 2017, President Trump requested its indefinite suspension, replacing the CPP with the more lenient Affordable Clean Energy (ACE) plan, which had no GHG reduction target.

At this point, a large group of utilities began to voice sincere support for the CPP, opposing the Trump Administration's rollback and replacement of the CPP with the ACE. This reflected a shift in interests and thus first-order policy preferences. These utilities had a competitive edge over other, more carbon-intensive utilities due to their relatively clean generation portfolios, including little or no coal, substantial nuclear and/or hydropower, and often growing shares of natural gas and renewable solar and wind power. New firms in this group included Dominion Resources, Calpine Corp., NextEra Energy, National Grid, Austin Energy, Southern California Edison, and New York Power Authority. Many utilities had substantially decarbonized their generation portfolios since the cap-and-trade era. For example, between 2006 and 2017, Dominion Resources' share of coal generation declined from 47.5 percent to 15 percent, while its share of natural gas grew from 20 to 37 percent. NextEra boosted its share of solar and wind generation from 14 to 24 percent between 2011 and 2017 (Atten et al., 2008; Christopher Van Atten, Saha, Hellgren, & Langlois, 2019; Christopher Van Atten, Saha, & Reynolds, 2013; C. E. Van Atten, Saha, Slawsky, Hellgren, & Russell, 2017). Thus, this change in the generation portfolios and thus material interests of utilities aligned with their shift in positioning, pointing to their support for the CPP being sincere.

Such alignment is also evident from statements made by the ten utilities that intervened in support of the CPP in the US Court of Appeals for the District of Columbia Circuit in 2016. According to the Calpine-led coalition, the utilities were "well positioned to comply with and benefit from the Clean Power Plan" and stressed that the Rule harnessed 'existing trends within the electricity sector, [...] including shifting generation towards cleaner and

renewable sources” (Blum, 2015).⁵ Dominion, a member of the coalition, stated that the Rule was “compatible with long-term industry trends influenced by market conditions and prior environmental regulations.”⁶ Nine utilities also petitioned the DC Circuit of Appeals to challenge the replacement of the CPP with the more lenient ACE (Walton, 2019).

The growth of sincere support for power-sector reform among utilities can be linked to *policy and market change*. First, solar- and wind power technologies had entered a phase of maturation, characterized by plummeting prices, greater performance capacity, and market competitiveness. This was the result of the layering of policies such as state-level renewable portfolio standards and federal support schemes, and the clean technology and industrial policies of other governments, like that of China (Aklin & Urpelainen, 2018). Between 2009 and 2018, solar photovoltaic (PV) and wind power prices dropped by 88 percent and 69 percent, respectively. The cost of building new, onshore wind and utility-scale solar generation fell below the cost of running existing coal-fired plants (Mahajan, 2018). State-level and federal regulations such as the 2012 Mercury Air Toxics Standards also incentivized coal-to-gas switching, and the retirement of old coal plants years ahead of schedule. However, coal-to-gas switching was also triggered by technological breakthroughs in fracking (the integration of horizontal directional drilling and hydraulic fracturing), and the resultant rise in the supply of cheap shale gas. Between 2009 and 2016, the total share of coal in US power generation declined from 46 to 31 percent, while the share of natural gas grew from 22 to 34 percent (Vormedal et al., 2020). Thus, market and policy-induced *technology change* bolstered the competitive position of utilities with natural gas and renewable energy assets under the Rule, creating alignment between interests and their support for enactment. This illustrates how policy feedback and technological change interact in shifting the policy positions of key political agents (Schmidt & Sewerin, 2017).

However, many carbon-intensive utilities continued to express strategic support for climate policy, reflecting a second-order preference. There is no evident change in the interests of these utilities. They had retired fewer or no coal plants and had invested little or substantially less in natural gas and/or renewable energy generation, which gave them a competitive disadvantage under the Rule. Thus, the misalignment between interests and positioning of this group points to their support being strategic. Such support may be seen as a result of the *political change* and rise of *regulatory threat* under Obama—incentivizing them to avoid the *political and reputational costs* associated with opposition to the CPP.

Finally, coal-intensive utilities like Southern Co., and oil companies such as Devon and Continental Resources, whose carbon-intensive operations and thus interests clearly misaligned with the reform, continued to oppose the CPP. So did most of the broad-based industry associations, including the CoC and the NAM. These actors mobilized aggressively against what they deemed a “war on coal” (Downie, 2019). Some also reversed their earlier strategic support for cap-and-trade and now opposed the CPP. For example, AEP, which still relied on 70 percent coal generation, argued that the Rule was “too much too soon, [...] forcing shutdowns of a significant amount of the nation’s coal fleet” (Gnau, 2015; Christopher Van Atten et al., 2019). This shift to opposition may also be linked to intensifying *competition* and the threat of *technology change* enabling substitution in the wake of *market change*.

⁵ Court filing, US Court of Appeals for the District of Columbia Circuit, On Petition for Review of Final Agency Action on the US EPA, 80 Fed. Reg. 64,662 (Oct. 23, 2015), March 29 2016, pp. 1–2.

⁶ *ibid.*, pg 3–5.

Regulatory rollbacks under the trump administration

In 2017, President Trump announced that his Administration would withdraw from the Paris Agreement and the US pledge to reduce national GHG emissions by 26–28 percent by 2025. ExxonMobil and most of the US oil and gas industry had long opposed international as well as national climate regulation. However, in a surprising move, now Exxon started to lobby against withdrawal, arguing that the USA was well positioned to compete within the agreement due to its abundant supply of “clean” natural gas. One year later, Exxon, ConocoPhillips, BP, Shell, Total, and the gas-intensive utility, Calpine, helped found the Climate Leadership Council (CLC)—a Republican-backed coalition promoting a model legislation (the Baker-Schultz proposal) for a federal carbon tax starting at USD 40 per ton. Exxon, Shell, and BP donated USD 1 million each, while ConocoPhillips donated USD 2 million to the CLC’s political action committee. The American Natural Gas Supply Association (NGSA) also joined in support, calling on the Federal Energy Regulatory Commission to provide momentum for a carbon tax, which it argued would be “the most effective long-term solution in power markets [...] that facilitates the partnership between natural gas and renewables.”⁷

This shift from opposition (Exxon) or strategic support (BP, Shell, Conoco) for cap-and-trade to more sincere support for a moderate carbon tax came partly as the result of an underlying shift in material interests among natural gas producers in the wake of *market change*. The maturation of fracking technology and the ensuing shale gas revolution gave gas producers a price advantage over coal, which triggered coal-to-gas switching in electric power generation. Further, as coal is more than twice as carbon-intensive as natural gas, a carbon tax would shift demand toward lower-emitting and cheaper options like natural gas and renewables. A moderate carbon tax would have priced coal out of the electricity system for good, enabling gas producers to capture even greater market shares (Vormedal et al., 2020; Wagner, 2020). Since the cap-and-trade negotiations, the fuel portfolios and strategies of many oil and gas majors had also shifted toward increasing natural gas production. Between 2007 and 2017, Exxon’s gas production grew by 9 percent and its oil output decreased by 13 percent; Shell’s gas production rose by 30 percent and its oil output declined by 5 percent (Vormedal et al., 2020). Thus, gas producers could benefit from a moderate tax, a climate policy that would incentivize predatory capture of coal’s market share.⁸ This shift in interest, anchored in asset change and the emerging economic opportunity resulting from *technological change*, indicates the emergence of sincere support for moderate carbon pricing and opposition to withdrawal from the Paris Agreement.

A reversal in the strategic political environment, characterized by a relief of regulatory threats under the Trump Administration, makes it unlikely that such support was mainly strategic. However, oil and gas majors like Exxon and Shell have also been frontline targets of *activist campaigns*, faced with substantial legal challenges related to past climate denial and the wrath of more radical, left-wing Democrats (Hasemyer, 2020; Natter, 2019). The desire to mitigate the *political and reputational costs* of being opposed to climate policy may have been a partial motivation for publicly supporting a tax. Thus, in this case, political change mechanisms were also evidence, which suggests that the policy positions of oil and gas majors may have been partly strategic and partly sincere. Following the logic of

⁷ NGSA, 2020. URL: <https://www.ngsa.org/wp-content/uploads/sites/3/2020/09/9.30.2020-NGSA-Reaffirms-Support-for-Carbon-Pricing-to-Achieve-Emissions-Reductions.pdf>

⁸ However, a USD 40 carbon tax barely affects the oil business of Exxon and other oil majors. According to Wagner (2020), it would translate into ca. 35 cents per gallon of gasoline at the pump.

our framework, oil and gas majors' support for a moderate carbon price is likely to reverse when coal is phased-out of US power generation. This will leave natural gas the dirtiest source of power generation, and force producers to compete head-on with clean energy alternatives, including renewables, hydropower and nuclear. Thus, a steadily growing carbon tax will not be in their long-term interests, and we may expect to see renewed opposition to carbon pricing.

Finally, in 2018, the Trump Administration announced that they would also roll back the Obama-era CAFE standards and seek to revoke California's legal right to set its own, stricter goals. The Big Three first supported Trump's aim of relax the 54.5 target, as some struggled to meet the goal on schedule. However, California's decision to sue the Administration over its reversal led to a strategic split within the industry (Davenport & Tabuchi, 2019a; Laing, 2019). In 2019, Ford, BMW, VW, and Honda approached the California Air Resources Board (CARB) to pursue a deal involving their continued support for keeping the Obama-era 54.5 mpg target (Davenport & Tabuchi, 2019a; Krisher & Knickmeyer, 2019).⁹ By contrast GM, Chrysler, Nissan, Toyota, and Hyundai—after pressure from the President's office—decided to support the Administration (Davenport & Tabuchi, 2019b). Among their concerns was the possibility that Trump would pursue trade sanctions that would hurt imports of lower-volume vehicles and parts used for domestic car production (Davenport, 2019). Together, they intervened in the legal battle on the side of the Administration, supporting the continuation of a unified, national program (Dennis & Eilperin, 2019; Rosane, 2019). However, shortly after Trump lost the presidential elections in 2020, GM withdrew its opposition and shifted back to supporting the Obama-era target, announcing it would work with CARB and President-elect Biden to help further reduce GHG emissions from vehicles (Davenport, 2021).

The automakers had made varying investments in developing and adapting different technologies since the Obama negotiations, including technologies for improving the fuel efficiency of ICEs (e.g., turbocharged engines and cylinder deactivation), plug-in hybrids and electric vehicles (EPA, 2021). Relative differences in the fuel economy of their vehicle fleets, calculated as an average across a fleet's vehicle technologies that impact carbon dioxide emissions, provide an indication of heterogeneous firm interests within this industry. First, Chrysler and GM had the lowest fuel economy among all the automakers (EPA, 2021), pointing to alignment between interests and expressed support for Trump's rollback, and thus a sincere policy position.¹⁰ The fleets of Hyundai and Nissan, on the other hand, had the highest fuel economy of all (EPA, 2021),¹¹ pointing to misalignment and instead a strategic re-positioning. Second, Honda, BMW and VW,¹² also had high levels of fuel economy (and Honda among the highest), pointing to alignment between their interests and support for California's more ambitious regulatory agenda. Ford, however, had a higher fuel economy than its national competitors GM and Chrysler, although lower than its foreign allies in the California coalition, making its positioning a less clear-cut case.¹³ Nevertheless, according to industry analysts, the automakers that supported California's had put

⁹ Interview with Mary Nichols, President of the California Resource Board, by Warren Olney, podcast available at <https://www.kcrw.com/news/shows/to-the-point/california-v-trump-on-auto-emissions>

¹⁰ Chrysler had topped the laggard chart for years, and by 2021, their fleet had reached only 21 mpg, while GM had reached 21,6 mpg.

¹¹ Nissan and Hyundai topped the leader chart with vehicle fleets that had reached 29,2 mpg and 29 mpg, respectively, by 2021. Toyota's fleet also had a considerably higher fuel efficiency of 26,1 mpg.

¹² Honda had reached 29 mpg; BMW 26,2 mpg and VW 25,9 mpg by 2021.

¹³ By 2021, Ford's fleet had reached 22,7 mpg.

considerably more effort, products, and capital into improving fuel economy than their US competitors, thus enjoying a competitive edge under a stricter program (Mitchell, 2016).

The repositioning of Chrysler and GM, and the strategic support of Hyundai, Nissan and Toyota to Trump's regulatory rollback, can be linked largely to *political change*. The abrupt political shift with the election of Donald Trump and the threat of trade retaliations that would hurt vehicle imports—especially for Asian automakers—is likely to have heightened the *political costs* of not supporting the Administration. Similarly, GM's flip-flop to rejoin the coalition of support to the 54.5 target is likely to have been caused by political change.

On the other hand, *policy change* can explain the automakers' reluctance to embrace a drastic rollback of targets while expressing support for the President's agenda. As a global industry exposed to interjurisdictional trade, operating across markets with stricter fuel-economy standards than the US, the gains from a drastic rollback were limited: automakers were still required to sell more fuel-efficient cars in Europe, Japan, and China.

Finally, what appears as a shift from strategic to sincere support for the Obama-era 54.5 mpg target/California's policy agenda can be linked to policy-induced *market change* and *technological change effects* on the frontrunning firms' interests. The automakers that had invested the most in new technologies to lower their fleets' fuel economy enjoyed competitive advantages over the automakers with less fuel-efficient fleets, which shifted their interests and first-order preference for stricter targets and led to sincere support for California's effort to maintain the Obama-era target in the most ambitious states.

Conclusions

When do business shift from opposing to strategically or sincerely supporting public interest policies? In this article, we have offered a dynamic perspective on the reconfiguration of business positions in multi-round processes of policy reform. The evolution of business repositioning in US climate politics reveals a distinct temporal pattern. After an initial period of opposition, a substantial share of firms shifted to strategic support for cap-and-trade reform—the most business-friendly regulatory policy option. This first shift—with firms advocating for second-order preferences and voicing strategic support for climate reform—was caused by political change, including the rise of a credible regulatory threat, pressure from activist campaigns, and bandwagon behavior. Together, these raised the political and reputational costs of remaining opposed to climate action. This second shift—with firms advocating for first-order preferences and voicing sincere support for climate policy—was caused largely by policy- and market-change mechanisms. As a growing number of traditional polluters developed competitive advantages related to low(er)-carbon technologies, business interests began to shift toward alignment with climate policy reform. At the same time, firms with competitive disadvantages continued to oppose or only strategically supported such reform.

Our theory brings new clarity to the debate about whether firms that advocate for public interest policies do so merely for strategic political reasons, or because they expect economic gains. We distinguish conceptually between strategic and sincere business positions and connect these distinct forms of support to three sets of drivers and mechanisms behind business repositioning: political, policy, and market change. We find that whereas political mechanisms are likely to result in only strategic support for reform, policy and market

change are more likely to drive sincere policy support. We illustrate our theory studying the reconfiguration of business interests and policy positions over three decades of climate policymaking in the USA.

Our dynamic perspective goes beyond the dualism of the debate that views capitalists as only supporting or opposing major public interest policy reforms. Our dynamic firm-centered theory recasts costly policy reform as an incremental process of firm interest and position reconfiguration. It thus helps explain why policy reforms that face strong initial business opposition can occur incrementally over time. It encourages the historical-institutionalist study of the co-evolution of firm preferences and politics, policies, and technological change. While we draw empirically on climate politics, our theory has broad relevance for an array of policy issues, including environmental, social, and financial regulation.

Our theory and empirical analysis have some limitations. We advance conceptual clarity in the debate on the policy preferences of firms and develop a dynamic understanding of business positions. Yet the empirical analysis is still subject to the “problem of preferences” that presents a challenge to all firm-centered analyses of politics (Broockman, 2012), as we discussed in the methods section. The drivers of change in firms’ preferences and positions are analytically distinct mechanisms. Empirically, however, they interact, often in chains of mechanisms. Political change can lead to policy change which in turn can drive market/technological change. Only detailed process-tracing can relate discrete mechanisms to specific phases of corporate political behavior.

We identify two areas for future research. First, a better understanding of the chains of business interest reconfiguration in policy reform is needed. The extent to which the specific sequence in US climate politics—from opposition to strategic support to sincere support—characterizes other policy reform processes is unknown. For instance, the history of the welfare state in Germany indicates opposition, followed by strategic support that led to the expansion of welfare institutions and then business efforts at policy containment (Paster, 2013). In the case of US healthcare reform, insurers, employers, and providers offered sincere support for the Affordable Care Act (ACA) when it was challenged in the Supreme Court, largely as a result of making investments to comply with the ACA (Ario & Jacobs, 2012). Research should examine the conditions under which tipping points occur: those points in policy reform processes when large sectors of business shift from one type of policy position to another (Levin et al., 2012: 132; Meckling & Goedeking, 2023). This entails the question of which firm-level variables are the key mediating factors in interpreting the political environment as anti- versus pro-reform and in shaping a firm’s understanding of its economic interest and thus first-order preference in the face of policy and market change.

Second, comparative examination is needed of how different types of position change relate to political feasibility and policy durability. If business holds veto power, then some level of business support is critical to enable policy reform. Perhaps business support may facilitate lowest-common-denominator policy reform or no reform at all—particularly if such support is a form of strategic misrepresentation. Further, as it appears likely that the greater “stickiness” of sincere support for policy would support greater reform durability, strategic support may more readily lead to policy reversal if political pressure subsides. Substantial change toward sincere support may be particularly important in political systems with many veto points.

Ultimately, dynamic analysis of business positions reflects the nature of major policy reform: it is a long-term—and often multi-round—process of political, policy, and market change. Understanding and identifying the mechanisms underpinning types of

position change can help us not only to capture the role of business in policymaking, but also to identify interventions that promote business support for policy reform.

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Declarations

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