Governance in Europe
The Role of Interest Groups
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Preface

This volume has its origins in a workshop organised by the editors in Konstanz (Germany) in December 2002. The workshop was part of the European Year of the University of Konstanz in 2002 and a series of workshops organised by the German Association of Political Science Students (IPOSS e.V.). Along with most of the speakers at the workshop, other scholars who specialise in the field of interest groups and EU governance were kind enough to contribute to this extension of the proceedings of the conference. Keeping in mind that every edited volume is selective, the goal of this volume is to offer an overview of current research on “Governance in Europe”. While the contributions in the first part of this volume approach the topic from a purely theoretical perspective, the contributions in the second part provide empirical results from research projects with diverse theoretical and methodological backgrounds. By bringing together contributions that analyse the same problem from different angles, we hope that this volume will both shed light on the topic from a broader perspective as well as offer a stimulating outlook that inspires further research in the field. The chapters in this volume, in particular, will provide valuable insights to the general debate on governance and interest intermediation in comparative politics.

As an introduction, the first chapter argues for the complementary usage of tools developed in the literature on decision-making in the European Union (EU) and the literature on interest intermediation aimed at conceptualising public policy-making in the EU. In his contribution, Volker Schneider first sketches the theoretical origins of the governance concept along the conflict/integration dimension as well as the micro-/macro-analytical dimension. The central hypothesis is that the governance debate is a modern variant of the theory of the state, or social coordination in general, which adds micro-foundations to prior theorizing. His overview lays the foundation for an actor-centred theory of governance, which explicitly takes structuralist elements and various forms of regulation into account. Madeleine Hosli, Andreas Nölke and Jan Beyers provide an account of political economy perspectives on the role of interest groups in governance and discuss the particular characteristics of the European Union within this context. They conclude that policy-making in the EU is biased towards producer interests and that this bias might be reduced by an increased role of the European Parliament. The chapter by B. Guy Peters maps out a normative standpoint by critically assessing the effects of the involvement of interest groups and the increasing degree of extra-parliamentary politics in public policy making and its ramifications for the democratic accountability in the European Union. The empirical section of the volume starts with Amanda Sloat’s discussion on the debate on European Governance which gives an “insider-account” on the drafting of the Commission’s “Governance White Paper”, which the author extends to the debates on an EU constitution in the European Convention. The launch of the White Paper on Governance was one of the strategic priorities of the Prodi Commission. It was subsumed, however, by the discussion on institutional reform leading to the Convention on the Future of Europe. Irina Michalowitz provides a detailed account of the EU’s interest group system, which she characterizes by the logic of influence and membership. By applying an exchange perspective, she focuses on the types of resources which different types of lobbyist groups can offer and public actors can demand in EU interest intermediation. In the subsequent chapter, Christian H.C.A. Henning formulates a formal political exchange model with transaction costs, combining sociological and economic theory, in which multiple interest groups and multiple political actors interact to exert influence on a policy. He applies his model to the largest policy field administered by
the European Union, agriculture. Using the MacSharry reform in 1992 as an example he shows that interest groups do possess a considerable amount of political influence, which is, however, moderated by clashes between interest groups with heterogeneous policy preferences. Christine Arnold and Paul Pennings scrutinize in their chapter new tools of policy harmonization and discuss the likely impact of interest groups in European social policy, a policy field which is traditionally considered to be at the very heart of the (nation-)state. They argue that while the formal opportunity of interest groups to voice their concern has increased, their impact on public policy has decreased, although the open method of coordination allows for social policy to be discussed at a European level. The contribution by Gerald Schneider and Konstantin Baltz links national governance processes in four EU member states to European decision-making. Their chapter compares the influence of different types of interest groups on the formation of national positions regarding EU policies. Drawing on a large n-study their finding for all countries which they examine is that specialised (producer) interest groups are – to a varying degree – more successful in lobbying their government than interest groups representing diffuse (consumer) interests. As long as the deliberations in the main decision-making body of the EU, the Council of Ministers, are not subject to public scrutiny and debate, this asymmetry between producer and consumer influence is likely to prevail. Jan-Erik Lane and Svante Ersson investigate the relationship between interest group (trade unions) influence and public spending by comparing EU member states to other OECD countries. They investigate, in particular, whether trade union influence depends on the size of their membership or their position in the negotiation process. EU membership is found to have only a limited effect on this relationship.

A project like this would not be possible without the support of a number of individuals and institutions. Our first and foremost thanks goes to the contributors for providing us with such a broad range of interesting manuscripts and their dedicated collaboration in this project. The workshop and this publication were financed by the Universitätsgesellschaft Konstanz, the Verband der Chemischen Industrie (VCI), the German Political Science Association (DVPW), the German Association of Political Science Students (IPOSS e.V.) as well as the Center for Junior Research Fellows at the University of Konstanz. Their support is gratefully acknowledged. Prof. Dr. Volker Schneider has encouraged and promoted the organisation of the workshop, which is greatly appreciated. Furthermore we are grateful to the city of Konstanz and the Center for Junior Research Fellows at the University of Konstanz for providing logistical and organizational support. Last but certainly not least, we would like to thank Michael Dobbins for proof-reading and Hans-Jörg Schmedes for the skillful preparation of the final manuscript.

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The Making of Public Policies in the European Union: Linking Theories of Formal Decision-making and Informal Interest Intermediation

1 Introduction

Established theoretical explanations of European integration deal in the first place with macro-developments in the European Union (EU), such as treaty bargaining and the extension of the regulatory scope of the EU. Their aim is to understand the development of the EU as a polity. However, since the EU has gained ever more regulative/legislative competences in its 50 year history it is necessary to complement macro-theories of European integration with meso-theories on how everyday politics within the framework built by integration unfolds. In short, what is needed is a theory on EU policy-making (Scharpf 2001: 37, Tsebelis 2002: 250). A closer look at the meso-level and the policy outcomes produced in everyday politics would also increase our understanding of the macro-developments.

Our chapter seeks to sketch a framework for understanding public policy-making in the EU. In order to arrive at this goal this article builds on two strands of studies that so far largely ignore each other: Studies of formal, legislative decision-making and studies on EU interest intermediation. We argue that the former reminds us that ultimately binding legislative/regulatory decisions are reached in formal processes, while the latter focuses on informal processes taking place between various categories of actors in the formulation of policies. By systematically putting together analytical and theoretical elements of both strands, we hope to achieve learning synergies that help us to improve our understanding of everyday politics in the EU. Taking account of the excellent work written on the governance of the EU, our aim is not to raise completely new questions and provide absolutely new answers, but to integrate existing work in a systematic way and discuss its theoretical and analytical concepts in a hopefully constructive way.

The chapter is organised as follows: In the next section we will be discussing concisely the two most prominent theories of European integration as well as the ever more prominent approach of multi-level governance. The aim is to learn from their analytical shortcomings in building a framework and explaining everyday politics in the EU. The third part of the chapter will be dealing with the literature on formal decision-making processes in the EU. To get a more comprehensive picture of the processes taking place in EU policy-making, chapter 4 adds theories of interest intermediation which deal with the (informal) public-private relationship. The integration of theories of interest intermediation in an explanation of EU policy-making should allow us to answer two questions, which deal with procedural and structural characteristics of EU policy-making: How can the interactions between private and public actors in EU-policy-making be characterised and what lobbying routes are open to private actors in order to influence EU public policy-makers? An answer to both questions should allow us to sketch a framework endogenising the preferences of EU public actors. However, a comprehensive discussion of the preference construction of public EU actors lies outside the scope of this chapter. A concluding chapter will discuss the potential and problems of further research.
2 Theories of European Integration and EU Governance

The two most established theories that explain the integration of European nation states in the EU are (liberal) intergovernmentalism and supranationalism, which is an offspring of neo-functionalism. Both theoretical approaches have the common goal of seeking to pinpoint the decisive factors that explain the general forces and logics of action guiding European integration. The distinctive analytical and theoretical difference between intergovernmentalism and neo-functionalism is that in terms of the locus of public power both are constructed primarily as one-level explanations, which examine the national or the European level respectively. Multi-level governance does away with the exclusive focus on one level. Besides this innovation in vertical terms multi-level governance also broadens its explanatory focus from politics about the EU to politics within the EU.1

In intergovernmentalist theory the primary units of analysis and the locus of all power are the supposedly fully sovereign states which form the European Union (Hoffmann 1982, Garrett 1992, Moravcsik 1993, Moravcsik 1998). Supranational institutions are set up to monitor the compliance of EU member states to the rules which they have agreed on in international bargaining and to facilitate future bargains among the EU member states. In fulfilling these functions the supranational institutions – the European Commission, the European Parliament and the European Court of Justice – do not have any influence on the course of European integration, which is independent of the individual member states (Moravcsik 1998: 5, 73-77).

Supranationalism draws almost exactly the opposite picture (Stone Sweet and Sandholtz 1998: 2, 8-9): Once the member states established supranational EU institutions, such as the European Commission, the European Parliament and the Court of Justice, these develop their own momentum. Due to an increased socio-economic interdependence of nation states, national governments face a pressure to pool competences and delegate them to supranational institutions. In a “loop of institutionalization” (Stone Sweet and Sandholtz 1998: 17) more and more competences are delegated to the supranational level: “Increasing exchange provokes behaviours and processes that are decisively shaped by the institutional context of the EC, and these processes tend to produce or reinforce supranational rule-making” (Stone Sweet and Sandholtz 1998: 2).

Multi-level governance shifts the focus from politics about the European Union to politics in the European Union. Whereas in intergovernmentalism causality runs from the national to the European level, as national governments are firmly in control of the integration process, supranationalism sees causality running downward from the European to the national level, since the dynamic of the supranational level drives the integration process to which national governments are merely “reactive” (Stone Sweet and Sandholtz 1998: 12). As opposed to these bottom-up or top-down logics, multi-level governance integrates the logic of integration as presented by intergovernmental and supranational theory into a two-way cau-

1 With his liberal version of intergovernmentalism, Moravcsik adds an intra-state to the formerly purely inter-state perspective (Moravcsik 1998: 36). Similarly, supranationalism includes interest groups as a transmission belt and driving force of integration (Stone Sweet and Sandholtz 1998). However, both theories limit their discussion to macro-developments, a one-way causality and focus on either national or supranational public actors. Particularly they do not conceptualise political interactions in the EU as multi-level interactions, which are strategically affected by their multi-level bargaining environment (e.g. Moravcsik 1998: 22).
In addition it adds a third level, namely the regional one (Grande 1996: 321). As a consequence, “political arenas are interconnected rather than nested” (Marks, Hooghe and Blank 1996: 346). Whereas Marks and Hooghe put a strong emphasis on the (vertical) multi-level character of EU politics and the nation states’ loss of sovereignty, Kohler-Koch especially stresses the governance aspect, by highlighting the relatively equal (horizontal) distribution of power in EU politics among private interest groups and public actors (Kohler-Koch 1996, Kohler-Koch and Eising 1999).

In the relatively complex and omni-directional dynamic of EU politics as conceptualised by a multi-level governance perspective, it becomes increasingly difficult to analytically and empirically pinpoint the loci of power around which the interactions of EU politics and EU policy-making cluster and to identify the regularities which these interactions follow (Tsebelis and Garrett 2001: 363). The criticism extends to both, the level of political action (national/supranational) and the type of actors which are decisive in these processes (private/public).

To address the problems of multi-level governance sketched above we propose a two-way strategy, which is applied at the macro and at the micro-level of analysis: On the macro-level we suggest to re-emphasise the weight of public EU actors in EU policy-making – the Commission, the European Parliament (EP) and the Council of Ministers (hereafter “Council”). As only public actors have the capacity to make final, binding decisions, they can be seen as central decision-makers, which can not be ignored in any analysis of public policy making. Private actors will have to adapt to the environment provided by the decision arena, structured by those public actors. At the micro-level we propose a stronger focus on the theoretical conceptualisation of the interactions between interest groups and public actors in EU interest intermediation.

3 Laying out the basic Analytical Framework: The Analysis of formal EU Decision-Making

In this section we will give a brief outline of the legislative decision-making procedure of the EU and discuss the analysis carried out so far. The aim is to identify the public actors, which should be lobbied by private actors. The attractiveness of a public actor for a private actor interested in influencing public policy is a function of two factors:

- The impact the respective public actor has on the final decision, i.e. his power in determining the outcome.

- The likelihood of gaining effective access to this particular public actor, i.e the chance of imposing one’s position (at least approximately) on the public actor.

The primary law enshrined in the treaties of the European Union is complemented by a vast body of secondary law, which is meant to put into effect the relatively broad goals outlined in the treaties (Lasok 2001: 122-198). In certain areas the treaties give the European Union competences to make use of a “bewildering array of instruments” (Chalmers 1998: 155) to enact binding legislation (Lasok 2001: 331-398, Chalmers 1998: 205-69). For public actors

2 We restrict our discussion of EU policy-making to legislative EU decision-making. However, we are aware that there are other instruments at the disposal of EU member states to formulate EU public policies, such as the Open Method of Coordination. For a discussion see Arnold and Pennings (this volume).
the secondary EU law is of primary interest, since in most cases it has a direct impact upon their own or their constituents’ interests and professional activities. The enforcement of EU secondary legislation is ensured by the doctrines of direct applicability and direct effect (Mathijisen 1999: 40-50). The dominant legislative procedures are consultation and co-decision. So far it has mainly been used in the regulation of the internal market as well as regarding some social issues like public health and education. Consultation is used mainly in the fields of common agricultural policy, internal market regulation, and some social issues. During the 1990s the majority of issues was decided under consultation, while the percentage of issues decided by co-decision increased steadily (Corbett, Jacobs and Shackleton 2003: 179-80, Hix, forthcoming, Table 3.1. and 3.2.). In 2002 the legislative activities of the European Union included 208 issues decided under co-decision and 176 under consultation (European Union 2002).

The consultation procedure consists of one reading:³

1. The Commission submits a proposal
2. The European Parliament issues an opinion
3. The European Council decides, either by unanimity or qualified majority depending on the policy domain (treaty base)

According to Art. 250 I of the Treaty establishing the European Communities (TEC), the Council can only amend Commission proposals, which might have been modified to include amendments proposed by the European Parliament (Corbett, Jacobs and Shackleton 2003: 173), by unanimity. While the opinion of the European Parliament is not binding, the Council needs to consider it before it takes its final decision (Craig and de Burca 1998: 132). This includes the obligation to reconsult the European Parliament, if the final act departs substantially from the original Commission proposal. The Parliament, however, may not use this as a means to delay decisions indefinitely. Furthermore, the Council may derive at an agreement prior to hearing the EP opinion (Kapteyn and Verloren van Themaat 1998: 420-4, Corbett, Jacobs and Shackleton 2003: 175-7).

The co-decision procedure, laid down in Article 251 TEC, entails three readings

1. The Commission submits a proposal, the Parliament issues an opinion (possibly making amendments) and the Council may adopt the act (including amendments by the Parliament). Otherwise it adopts a Common Position (CP).
2. The European Parliament rejects, approves or amends the CP. Only in the third case, when the EP proposes amendments, the procedure continues: the Parliament sends its amendments to the Commission and the Council. The Council may adopt the amended act after the Commission has given its opinion.
3. If the Council does not approve the amendments of Parliament, a conciliation committee is convened. If the conciliation committee reaches a Joint Text (JT) that is approved by both Council and Parliament, the JT is adopted.

³ There is no separate article setting out the consultation procedure. The general interpretation, as in Art. 34 II TEC, is: “The Council shall, on a proposal from the Commission and after consulting the European Parliament, acting by a qualified majority, make regulations, issue directives, or take decisions …” In some cases unanimity is still the required voting rule in the Council (e.g., Article 19 I TEC).
The law proposed by the Commission, and possibly amended by the Parliament or the Council, can be passed in any of these readings. If it is not adopted or ultimately rejected in the first two readings and the Council does not approve the amendments of the Parliament in the third reading, a Conciliation Committee is convened. The Conciliation Committee has 30 members, including 15 members of the Council and 15 representatives from the Parliament (Article 251 IV TEC). The proposal is disregarded if the Conciliation Committee fails to adopt a JT within three months (Article 251 VI TEC). If a JT is agreed upon within this time-limit, it needs to be approved by an absolute majority of the votes cast in the Parliament and by a qualified majority in the Council (Article 251 V TEC). Due to the abstention rate in the EP its majority requirement is actually similar to the one of the Council (Hix 1999: 81, Tsebelis and Garrett 2001: 372).

The institutions holding binding authority in formal legislative decision-making are thus the European Commission, the European Parliament and the Council of Ministers. The inter-institutional distribution of power has been intensively scrutinized with spatial models (for the following Tsebelis 2002: Ch. 1). Spatial models assume that any policy can be represented as a point in a (n-dimensional) policy space. Accordingly, any actor can be modelled as occupying a certain position with regard to the legislative issue at hand. The current state of legislation (status quo) can also be represented in this policy space. In order to predict the outcome, two important powers need to be distinguished: a) veto power and b) agenda-setting power. An actor who has veto power can block any decision. A rational actor will abstain from using his veto power, if the proposed legislation is closer to his preferences than the policy that would prevail, when there is no (new) legislation adopted (reversion policy, usually the status quo). “Agenda-setting players have power when it is impossible, difficult, or costly for decision makers to modify their proposals.” (Tsebelis 1994: 131) When the other actor(s) cannot amend the legislation proposed by the agenda-setter – it is a “take-it-or-leave-it proposal” – he can determine the exact location of the legislative outcome. In doing this, however, he is restricted by the veto power of the other actors. They still have to be better off approving the proposed legislation than by holding on to the status quo. It must be noted that the power of an agenda-setter crucially depends on the preference configuration and, particularly, on the location of the status quo.

In the consultation procedure the Commission has agenda-setting power and the Council veto power. The Commission can make a successful proposal by making a qualified majority in the Council better off than any policy that could be agreed upon by unanimity (Tsebelis and Garrett 2000: 18). The Commission can either reach its ideal position, the positions most preferred while still gaining approval of a qualified majority of Council members, or block a change from the status quo to a less preferred policy. It should be noted, however, that it only has “negative power” as its ability to influence the final outcome depends on the location of the status quo and the preference configuration, particularly pertaining to the

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4 Another important actor is the European Court of Justice. As we focus on policy formulation it will not be included. The Economic and Social Committee will be ignored in our analysis, because it is restricted to an advisory role (Art. 7 II TEC) and not influential in policy-making (Van den Voort 1998).

5 Further standard assumptions are complete information (regarding the distribution of preferences and the status quo) and Euclidean preferences. In comparing alternative legislation the actor only considers the distances (not the direction of change) between his ideal position, the proposed legislation and the status quo.

Tsebelis and Garrett (2000: 15, 2001: 372) and Crombez (2000b: 365) argue that co-decision represents a “truly bicameral” system consisting of the Council and the European Parliament. The conciliation committee drafts the final text, which subsequently can only be ratified without changes by a qualified majority in the Council and an absolute majority of votes cast in the Parliament. Therefore, the Council and European Parliament share the formal agenda-setting (and veto) power. As a) neither the Council delegation nor the parliamentarians enjoy advantages in terms of formal power in the conciliation committee and b) the majorities required for subsequent ratification are similar in both bodies we should expect the outcome to lay between the ideal preferences of the Council and the European Parliament. Its exact location would depend on exogenous factors like the location of the status quo (Tsebelis and Garrett 2000: 24-5, Crombez 2000a: 54 and Tsebelis 2002: 264-5).

The role of the Commission is reduced in co-decision compared to previous legislative procedures. Crombez concludes that “any legislative influence the Commission may have under co-decision II results from informational advantages, informal powers, and its role in the implementation of EU policies” (2000 b: 367). This view has been contested (Steunenberg 1994, Rasmussen 2003: 9). According to Art. 250 II TEC the Commission may “alter its proposal at any time” as long as the Council has not yet acted. This led Steunenberg (1994) to argue, that the Commission is the true agenda-setter, as it can threaten to withdraw its proposal. This would enable it to force the other relevant actors to decide between the status quo and its new proposal. Tsebelis and Garrett (2000: 25-6) argue that although the role of the Commission as a legislator has been severely reduced, it nevertheless might still be able to make a proposal under co-decision that will be accepted by the necessary majorities in the Council the EP and cannot be amended (but see Tsebelis and Garrett 2001: 374). Schmidt (2000: 43) adds that the Commission – using its executive competences, eventually relying on the help of the European Court of Justice – may also change the preferences of the member state governments by moving the reversion policy. Furthermore, according to Art. 251 II the Commission enjoys the monopoly of legislative initiative, which might give gate-keeping power to the Commission. Tsebelis and Garrett argue, however, that the Commission cannot “keep issues off the agenda” (2000: 13) if requests for bills are made by the Council or the European Parliament. They are referring to the articles 208 and 192 II TEC, which state that the Council and the European Parliament respectively “may request” that the Commission submits proposals to obtain a certain objective (Schmidt 2001: 126). These requests may take on rather concrete forms (Craig and Burca

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6 Tsebelis (2002: 272) notes that the changes of the Nice treaty, effectively raising the voting threshold in the Council, gives more power to the Council. Crombez (2000a: 55; 2000b: 366) also asserts that the Council has more bargaining power than the Parliament. For an empirical analysis see Hörl (2003).

7 Art. 251 2 TEC: “As long as the Council has not acted, the Commission may alter its proposal at any time during the procedures leading to the adoption of a Community act.” Kapteyn, VerLoren and van Thermaat argue that this right to “withdraw” a proposal extends to any phase of the consultation and the co-decision I procedures, in the latter even after the breakdown of conciliation. The phrase “as long as the Council has not acted” would then refer to the final vote in the Council (1998: 438-9, 411 and 203, see also FN 507 on page 428). Rasmussen (2003: 3) cites an internal Commission document according to which the Commission will not use its right of withdrawal in the conciliation phase.
1998: 141, 150). It can be argued that the Commission “will feel a strong pressure to bring forward legislation of the type suggested by the Council” (Craig and Burea 1998: 142) According to Kapteyn and Verloren van Thermaat (1998: 409-11) a majority in the legal literature stipulate a legal obligation to make a proposal in the field requested due to the duty of inter-institutional cooperation.

In a comparative case study Schmidt (2001) demonstrates that the Commission did not always use the agenda-setting power under the cooperation and consultation procedure attributed to it by the formal literature. This might be due to the fact that the preferences of the Commission do not necessarily diverge from the ones held by the member states. While the Commissioners (and the Parliament) might differ from the Council in their preferences on the more – less integration dimension, there is less reason to believe so if the policy dimension is more – less regulation (Tsebelis and Garrett 2000: 30-31). Crombez (1997) and Hug (2003) argue that due to the fact that the Commission is appointed by the Council, its preferences should reflect the ones of the member states (Tsebelis and Garrett 2000:16). Hug (2003) reports evidence that even in institutional matters the preferences of the Commission are constrained by the Council.

What have we learned from the discussion on legislative decision-making in the EU? Decisions taken under consultation are determined by the Commission and the Council. Insofar as the EU has developed into a bicameral system and the European Parliament’s impact on legislative decision-making equals that of the Council under the co-decision procedure, both are interesting for a lobbyist seeking access to EU decision-making. While the legislative role of the Commission might have been diminished under the co-decision procedure, there are still reasons for lobbying it as well. For one, the Commission is the only actor involved throughout the legislative process. It is present at Council meetings as the “sixteenth member state” (Hayes-Renshaw and Wallace 1997: 180) and even participates in the conciliation committee according to Article 251 IV TEC. This allows it to accumulate a range of valuable information. Furthermore, as it is the first actor involved in the process, a lobbyist might not want to miss the chance of lobbying it, particularly if the legislation is adopted at the first reading. If public actors have equal impact on legislative decisions, the decisive factor in determining the target of lobbying activities is expected to be the likelihood of successfully influencing the policy position of a particular public actor. It should be remembered that these public actors are collective actors. Their subunits might have a varying degree of impact on the final outcome and the private actor might face different probabilities of influencing them. The latter will depend on the heterogeneity of the preferences of the actors. An example might illustrate these propositions. Imagine a private actor from a small country. He might not think of lobbying his government as a worthwhile enterprise, considering its small voting power in the Council (Lane and Maeland 2002). Instead, the European Parliament might constitute a much more attractive target for lobbying, if a sufficient majority of MEPs shares his general preferences (more regulation, for example). As a last example we might consider the Economic and Social Committee. Interest groups have guaranteed access to this body. As it has no vote in the formal decision-making process, it might, however, not prove to be a valuable access point (van der Voort 1998: 267-71).

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8 These public actors can be disaggregated into the general directorates of the European Commission, the political parties and committees of the European Parliament and the committees and working groups of the Council. A private actor seeking to influence one of these public actors will approach the desk officer or rapporteur responsible for the issue he is interested in within these subunits.
In our opinion, the analysis of bargaining processes in EU policy-making should contain two aspects, which can be separated analytically. On the one hand, there is an element of relative power between the public actors formally involved in EU policy-making. Each actor has an institutional self-interest in realising a bargaining solution that best serves its organizational survival, its relative share of competences and its impact on the content of binding decisions. In the literature on legislative EU decision-making the aspect of relative gains in competences is approximated by the more-or-less integration dimension (Tsebelis and Garrett 2000: 15; Rittberger 2000). On the other hand, each of the public actors in EU policy-making has an interest which goes beyond its institutional self-interest and comprises preferences about the specific content of the policy outcome: i.e. the degree of regulation in a specific area and the regulatory instruments by which the objective can be achieved most effectively. This aspect can be equated with the left-right dimension, which is a common means to differentiate between policy positions (Tsebelis and Garrett 2000: 30-1). The socio-economic dimension – alongside with the integration dimension – has been frequently identified as relevant in determining voting behaviour in the EP (Hix 1999; Kreppel and Tsebelis 1999; Kreppel and Hix 2003). In our context it is important to note that the integration dimension, on which we could reasonably expect a divergence in preferences between national and supranational actors, is not the only relevant one in EU policy-making. This raises the question where the preferences of public actors come from, if they are not exclusively shaped by genuine institutional self-interest? In order to answer this question we turn to theories of interest intermediation.

4 Where do Public Actors’ Policy Positions come from? The Role of Interest Groups in EU Decision-Making

The outline of EU decision-making procedures in section 3 showed that the European Commission, the European Parliament and the member states represented in the Council are to a varying degree the decisive public actors in legislative EU decision-making in the different procedures. Spatial models show that the policy positions of each public actor in combination with her decision-making rights are of crucial importance to explain and predict the outcome of policy-making processes. However, we still only know little about the origin of policy positions in EU decision-making. What makes a public actor occupy a certain position on a specific issue dimension? If EU decision-making is influenced by other interests than the ones relating to more or less integration, this becomes a pressing question. We think that we need to complement our knowledge of formal decision making through the inclusion of intermediary organizations in the study of policy-making. Why should we include intermediary organizations in our analysis?

Politics is about authoritative decision-making (Caparaso and Levine 1992: 20). This entails two interrelated components: the allocation of resources and the steering of society. As

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9 In an analysis of European election manifestos of 1999 Pennings (2002) derives a two-dimensional space, which he interprets as social conservatism and democratization of the EU. He notes, however, that more dimensions are needed to accurately represent the political space. In their study on voting in the Council, Mattila and Lane (2001) identify a North – South dimension as the main cleavage. An analysis using a data set on the positions of the Commission, the Council members, and the EP for 53 Commission proposals revealed only a weakly ordered political space. For its two-dimensional representation an interpretation as more – less integration and North – South was derived (Thomson, Boerefijn and Stokman 2001).
Lasswell (1936) put it: “Who gets what, when, how”. In democratic mass societies public decision-making calls for the aggregation of individual societal preferences to allow for collective decisions, i.e. public choice. To lower the costs of aggregating individual preferences, intermediary organizations formulate policies and compete for their support among their respective constituency on whose support they depend. The representation of the intermediary organizations can be based on territory or on function. Political parties are organized on a territorial basis. In elections they offer competing packages of policies which address a wide range of topics and aim at aggregating the citizens’ preferences in a way that enables the party to win elections and gain a parliamentary majority. The parliamentary party channel is complemented by another kind of intermediary organization, namely interest groups.

Interest groups are organized on a functional basis (Held 1996: 199-208). They typically form around a single topic and are interested in gaining access to office holders in the particular policy field, which is relevant for their clientele’s actions (Truman 1951: 510; Dunleavy 1991: 14-15). Pluralist writing portrays interest representation as a bottom-up process. Pressure groups seek to influence office holders, who themselves do not have any demands on the pressure groups (Cawson 1985: 27-32). In pluralist writing the state is a mere arena of the struggle between different interest groups (Williamson 1989: 55). The corporatist literature, which emerged as a critique of pluralism, argues for the inclusion of a top-down process besides the bottom-up process of interest representation (Dunleavy 1991: 29), in which the state plays an “active role” (Molina and Rhodes 2002: 316). The same argument is used by the literature on network governance, which directs our focus to informal public-private interactions within networks forming a “differentiated polity” (Rhodes 2003: 71). Interest groups gain access to the formal decision-making process, if they provide compliance with the agreements reached and thereby add to the overall steering capacity of the state (Lehmbruch 1979: 52; Schmitter 1989: 63; Jordan 1990: 293, 299). Due to the increased demands the state apparatus faces and in turn the increased interdependence of state and society, the state depends on the assistance of societal actors in formulating and implementing policies (Lehmbruch 1979: 52; Schmitter 1974: 96; Schmitter 1985, 1989: 66-7). Particularly there is a demand on part of the public actors for expertise and compliance of private actors.

“In an increasing number of policy areas, possessing technical capacity and detailed information has become crucial to effective participation. For those who have such expertise, the exchange of information between state and private actors can create privileged relationships from which the uninitiated are excluded” (Atkinson and Coleman 1992: 157).

10 For a discussion of the various political economy perspectives on interest groups and an application to the EU context see Hosli, Nölke and Beyers (this volume).
11 In the governance perspective the state consists of a decentralized, fragmented system of various actors, who are engaged in network relationships (Thatcher 1998) with other actors, including private ones (Rhodes 2003: 65, Scharpf 1997: 198, Peters 1993). These relationships are not unilateral (top-down) but interactionist (top-down and bottom up) (Kooiman 1993: 35, Atkinson and Coleman 1992: 155, Pierre and Peters 2000, Kohler-Koch 1996; Marinetto 2003). These actors are of particular importance to the policy implementation, but also as providers of information (Rhodes 1996: 658, Atkinson and Coleman 1992: 157). For an extended discussion of the governance concept in political science see Schneider (this volume).
Private actors, in turn, are interested in being involved in the formulation and eventually the implementation of public policy, because it allows them direct access to and impact on the authorities, who reach binding decisions for society as a whole (Lehmbruch 1984, Cox 1988; Williamson 1989: 208, Knoke et al. 1996: 174). In order to gain privileged access to the state and possibly even quasi-public status they have to conform to a certain degree to the wants and needs of the state ("logic of influence"). At the same time, however, they have to be able to keep the support of their constituency following the "logic of membership" (Schmitter and Streeck 1999: 19, 24, 31-33, Martin 1983: 90-1, Williamson 1989: 102-4, 119-44). According to the logic of influence, interest group activities conform to the structure of the public decision arena and especially to the relative formal power and the resulting attractiveness of individual public actors herein. The structuring impact of the logic of influence on private-public decision-making is empirically demonstrated by König and Bräuninger, who arrive at the conclusion that "[t]he formation of policy networks depends not only on the type of relationship but also on the view of institutional settings. Actors form information and exchange contacts because of their preferences on political events, but institutional settings significantly influence their network choices of specific relationships" (König and Bräuninger 1998: 466).

The interdependence of private and public actors described above gives rise to potential exchanges. Due to the multilevel nature of the EU, its interest intermediation arena is made up of both national as well as supranational interest groups (Greenwood 1997, Greenwood and Aspinwall 1998, Pappi and Henning 1999). In principle national as well as supranational interest groups are on the one hand separated in branch and peak associations, which on the other hand represent either producer or consumer and public interests (see Schneider and Baltz this volume). From this actor-level configuration three possible private-public actor interaction strategies and paths result: An intergovernmental path, where national interest groups approach their domestic government. A multi-level path, where national interest groups approach supranational public actors and finally a supranational path where supranational interest groups interact with supranational public actors (Pappi and Henning 1999, Wonka 2003). It has to be noted that the primary goal of separating the lobbying-paths is only of an analytical nature to give a schematic view of the EU interest intermediation playing field. In reality however, all three strategies and paths are utilized complementarily by interest groups.

In order to allow for an empirical investigation of private and public actor activities in policy-making, the process should be divided in two stages. The first, interest intermediation stage covers the exchanges between private and public actors. It results in the occupation of a specific policy position by every public actor. The second, decision-taking stage com-

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12 Associational lobbying is complemented by direct firm lobbying (Coen 1997, 1998, Bouwen 2002) and lobbying by professional consultants and law firms (Lahusen 2003). To keep it simple and since it does not affect the logic of our argument, we do not discuss these private actors separately (for a discussion see Michalowitz, this volume).

13 Of course other lobbying paths are logically possible. For example national interest groups might lobby other member states’ government and supranational interest groups might lobby national governments. The study by Pappi and Henning (1999: 271) indicates that even supranational interest groups interact with national governments. However, the effects of these kind of interactions and their more general empirical relevance have not been explored yet. As a consequence we will not include these lobbying paths here.
prises the strategic interactions of public actors in actual legislative decision-making. In order to identify and characterize the relations between private and public actors through which they engage with each other, quantitative network analysis serves as a valuable tool (Laumann and Knoke 1987, Schneider 1988, Knoke 1990, Schneider 1992). These relationships can be viewed as based upon and characterised by exchange. The rationale behind exchange is that one actor needs goods that the other holds in order to realize his goal and vice versa (Coleman 1990, Knoke et al. 1996: 152-188). Using this framework two questions must be answered when modelling private-public actor interactions in policy making at the micro-level: What do actors exchange and through what mechanism does this affect the policy outcome?

To address these questions, we adopt a typology of power proposed by Knoke. It “specifies all power relationships as combinations of two fundamental dimensions: influence and domination” (1990: 3). The means of influence is information. One actor A transmits information to another actor B, which causes a change in B’s behaviour. In policy-making one might imagine two elementary forms of information: technical expertise and political information. Technical expertise relates to the policy instruments and the content of a policy to the desired outcome. Political information relates to the societal support of or resistance to a certain policy as well as to the interest groups’ willingness to persuade their members to accept the outcome of the policy-making process (thereby facilitate the implementation) (Laumann and Knoke 1987: 191-200). The need to acquire information can either be attributed to the public actors’ incapability to produce such knowledge or to the lower amount of transaction costs when acquiring the information externally (Pappi and Henning 1998: 565). As a result, influence consists of an actor realizing that certain behaviour is not in his interest after all as it will not lead to the desired outcome. An actor’s realization of his own interest with respect to a specific policy can be thought of along two lines: Public actors, who are purely office-seeking, will be interested in receiving political and technical information as both combined allow them to fine-tune their behaviour to please their constituency. Similarly purely policy-seeking public actors might be in need of both, technical and political information, in order to reach their desired policy outcome with the support of or against the opposition of other actors.14

In a relationship of domination, actor A is able to control actor B’s behaviour “by offering or withholding some benefit or harm” (Knoke 1990: 4). In relationships between interest groups and public actors, this form of power can primarily be attributed to public actors, as they (collectively) make the binding decision. In democratic regimes public actors cannot dispose of this formal power itself to any (private) actor. However, public actors can use it in a way favourable to a certain (private) actor. Private actors, on the other hand, can offer the mobilization of support and expertise. Empirically, we might observe this kind of exchange if public actors grant access to certain interest groups. Note that this access turns into a power resource vis-à-vis the other private actors. Quantitative network analysis offers a useful tool to investigate the structure of exchange relationships between interest groups and public actors as well as among private actors along these lines.

The distinction of different kinds of influence resources leads to the question what the relative impact of these different kinds of resources is on a public actor’s policy position. In the

case of the European Union: Is the European Parliament more willing to adapt its policy positions to the one of an interest groups, if it is getting expert information or public support in exchange? How about the Commission? Is it first and foremost interested in expert information or in the smooth implementation of a policy? A systematic comparison of such networks identifying exchange patterns in EU policy-making might lend itself to generalizations beyond individual policies and across various policy domains. This would provide us with a useful medium range theory of EU policy-making.

5 Conclusion

This chapter set out to achieve two goals. Firstly, we wanted to sketch a framework which is useful in analyzing policy-making in the European Union. Secondly, and more specifically, we wanted to build a bridge that links the literature on (informal) interest intermediation and on (formal) decision-making. The former is mostly descriptive, while the latter is highly analytical in nature. We employed a multi-level perspective to overcome the explicit focus on a particular level dominant in supranationalist and intergovernmentalist theory. At the same time we tried to add a stronger micro-level actor-centred tone to multi-level theory, which would allow for a more rigorous and precise analysis.

Taking account of the institutional and qualitative aspects of public actor’s policy preferences allows us to empirically describe the processes which are taking place in EU policy-making more accurately. In addition, we incorporate interest intermediation into the picture. In other words, unlike the literature on formal EU decision-making, we are able to endogenise the preferences of the public actors. With respect to the literature on EU interest intermediation, the fusion of a formal decision-making and an interest intermediation perspective should help to generate systematic insights on the kind of resources exchanged as well as on influence routes taken by interest groups representing different kinds of interests and operating from different territorial levels. The empirical investigation of EU interest intermediation could also give more insights on the relevance of different policy dimensions in EU policy-making processes. Instead of taking the importance of the more-or-less integration dimension as given, the importance of other policy dimensions, such as left-right, could be assessed by a closer analysis of the EU policy-making interactions between private and public actors and among the public actors. We argued that both approaches to the analysis of legislative decision-making, the analysis of public actor decision-taking and of private-public actor interactions are complementary not only in actual decision-making, but should also be so in theoretical modelling of decision-making (Pappi and Henning 1998, König and Bräuninger 1998). The process of public policy making should therefore be analytically divided in two stages. Formal decision-making, which only involves public actors, is preceded by interest intermediation between private and public actors (Stokman and Van Oosten 1994). The initial interest intermediation stage covers the exchanges between private and public actors.

Empirical investigation could also benefit from linking the spatial approach with network analysis. Ultimately both strive to offer insights on power relationships, because they link the interests of actors involved in decision-making to the overall outcome.15 “A power rela-

15 Network analysis was originally developed to answer structural questions. It has, however, been used to uncover relationships of power. In our present context, namely the impact of different actors on EU decision-making, this is a relevant aspect.
tion, actual or potential, is an actual or potential causal relation between the preferences of an actor regarding an outcome and the outcome itself.” (Nagel 1975: 29) Power is an elusive concept as it cannot be measured directly (Lukes 1974). Two approaches to approximate a measurement of power are the decisional and the reputational method.¹⁶ The first relates the preferences of the actors to the outcomes. The outcome should be closer to powerful actors than to less powerful actors. The reputational method relates the alleged importance of an actor – due to his prominence in deliberations or the amount of resources he controls – to his power. The spatial model follows the decisional approach, whereas network analysis is a reputational method (Laumann and Knoke 1987: 200). Both methods have drawbacks. Network analysis does not measure the effect of power directly. An actor might try to influence an outcome, but fail, even if he is resourceful and central. Spatial models do not explicitly take account of the process that exercises power, thereby being indeterminate when several actors benefit from a change in policy to the same amount. An actor might simply be lucky, occupying a position close to the final outcome (Barry 1991: 272). Combining both methods could help circumvent these problems. Both, however, fail in the face of anticipation and non-decisions. If a public actor orients his position in light of the preferences of another actor from the very beginning, we would neither observe attempts of influence nor a change of positions. The same holds true if an actor can even prevent the serious consideration of a policy change (Bachrach and Baratz 1962: 948). Naturally they are prone to the measurement problems notorious to the social sciences. However, we argue that dividing the policy-making process in two stages and analyzing both stages with different but complementary methods enables us to tackle these problems and might lead to more accurate empirical results in the future.

References

¹⁶ For a more complete list see Morriss 1987 (138-46). In his typology spatial models, as applied here, there would be a mixture of positional and decisional approaches, whereas network analysis would be reputational/based on resources. See also Putnam (1976: 16-7).

Crombez, C., Policy making and commission appointment in the European Union, Aussenwirtschaft 1997 (52), 1-2, pp. 63-82.


Introduction

Within the last two decades, governance has emerged as a core concept in political science, management and economics. Emerging from organizational sociology and management science during the late 60s and 70s, within the 80s and 90s it diffused into almost all branches of the social sciences. The major advantage of this concept is that it provides for a rather abstract frame in order to cover a broad array of institutional arrangements by which the coordination, regulation and control of social systems and subsystems is enabled and facilitated. Governance emphasizes various mechanisms through which societal self-steering actually works.

This article will show that governance theory can be conceived as a modernized form of the theory of the state. In this respect this article does not seek to give an encompassing overview of the blooming branch of governance literature, but it will focus on some core properties of various forms of social and political control. A central goal is to specify the essential features of governance and to distinguish various levels, modi and mechanisms by which the governance of modern societies is accomplished.

The paper first outlines the theoretical landscape of state theory, its advancements from a governance perspective and the operational principles of varying governance structures. The next step will demonstrate that regulation in its broadest, cybernetic sense can be conceived of as a synonym of governance, whereas regulation in a narrow sense, which emerged in the US at the turn of the century, can be seen as a specific mode of governance related to a changing relationship between state and society.

Governance and the State between Conflict and Integration

During the last decade the concept of governance has undergone a remarkable upswing. It has developed from sporadic use in disparate scientific communities to one of the new areas of theoretical growth. In the meantime, it has also penetrated into a number of academic fields and sub-disciplines, and is also increasingly influencing political practice at the national and international level (for overviews see Rhodes 1996, Kooiman 2002). The secret of its success is clearly due to its conceptual vagueness. It is – with its variety of meanings - compatible with a wide range of social theories. In this analysis, the concept of governance will be used from a neo-structuralist standpoint with the central hypothesis that governance theory is a modern variant of the theory of the state, or in more general terms, a structural and institutional theory on the various forms of social coordination.

The theory of the state has a long tradition and refers to one of the most basic research problems of social and political science (for overviews see Jessop 1977, Jürgens 1990, Lehman

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1 An earlier version of this paper has been presented at the 4th Workshop on “The Politics of Regulation”, November 29-30th, 2003 in Barcelona. I am grateful for linguistic support by Michael Dobbins and helpful comments by Jacint Jordana, David Levi-Four and Arndt Wonka.
1988, Lenski 1966, Knoke 1981 and Skocpol 1985a). Its basic question is why and how complex societies succeed in establishing various central mechanisms of control and coordination. As Tainter (1988: 33-34) claims, there are – despite the undisputed variety of this field – basically two main schools of thought which may be labeled as conflict and the integration theories. The major “classical” contributions to the conflict school have been made by Morgan, Marx, Engels, and to the integrationist view by Hegel, Spencer, Durkheim, and Parsons. Whereas conflict theory presumes that the state is based on diverging social interests, integrationist theorists believe that the state emerged not from the goals and intentions of individuals and social groups, but from general functional requirements of society. Integration theory emphasizes (1) shared, rather than divided social interests; (2) mutual advantages instead of dominance and exploitation; (3) consensus, not coercion; and (4) societies as integrated systems rather than an arena of power struggles. In this perspective the state is a combination of multiple institutional arrangements established to coordinate, control and integrate the disparate parts of complex societies.

However, both schools may be subdivided into macro or micro-analytical perspectives (for a recent meta-theoretical discussion of this topic see Bunge 2000) according to their analytical level. From a macro-analytical perspective, the state emerges out of the needs and interests of ruling classes or political élites, and is mainly an instrument of such large social classes to maintain their privileged position. From this perspective the state is neither an actor in its own right nor does it possess its own will: instead, it is an apparatus which the ruling part of society can willingly make use of. This elementary view can be identified in diverse Marxist and élite-theoretical variations of the theory of the state. Within western Marxism these approaches were commonly written off as “instrumental” because the state and politics are generally attributed too little autonomy (Gold et al. 1975).

In a micro or meso-perspective of conflict theory, however, the machine-like entity of the state may be dissolved into a multiplicity of conflicting groups or even concrete individual and collective actors. From this standpoint, the state is primarily regarded as a stage of power struggles. The underlying idea – understanding politics as a specific form of carrying out interest conflicts – had its origins in English Enlightenment philosophy. One of the paramount thoughts was that the state merely constitutes the framework in which socio-political conflicts are carried out in a peaceful way. From this point of view the state itself is considered to be an institutionalized battlefield in which such battles take place in a civilized form. A “state will” does not exist per se, but instead is dissolved in a spectrum of individual interests, which can only be aggregated to an “interest of the state”.

While the arena perspective may be found in a number of theoretical approaches – including the interpretation of the state as a field of power struggles (e.g. Poulantzas 1971), the clearest expression of the arena perspective is provided by pluralist theory. Pluralist theories of the state have their early roots in Germany, but they attained scientific prominence in the United States, with the best known names doubtlessly being Bentley (1967) and Truman (1971). In their view politics is an endless struggle between social groups. The state itself is regarded thereby as an group in its own right or as a passive neutral arbiter, who solely registers the group pressure from outside and adjusts its decisions like a referee according to the shifting balance of group forces.

In the most extreme form of pluralism theory, institutional arrangements do not have any proper weight themselves, but are merely an expression of contending socio-political forces. In this view, state constitutions are often nothing more than the embodiment of “actual
power relations put on paper”, as Ferdinand Lassalle described in his famous speech (see Uexküll 1974: 102). This basic view was adopted by Bentley who conceived forms of government, law and constitutional structures as a mere reflection of group pressure.

The other camp in the theory of the state consists of integration theories. These also can be subdivided into macro and micro perspectives. In neither variant is the state an expression of the will of pluralistic or singular societal interests, but the functional expression of integration requirements for the society as such. State action is no longer motivated by subjective motives, rather by objective requirements and systemic effects. Such strands of thought can be identified within holism as well: firstly the various functional approaches within neo-Marxist theory, and secondly some structure-functional concepts of sociological system theory.

Structure-functional and system-theoretical approaches can be considered to be a reaction to the legalist theory of the state which dominated during the first half of the 20th century. In political science the most prominent authors of this theoretical perspective were Parsons (1971), Easton (1967) and Almond and Powell (1966). In their efforts to pinpoint the true forces working beneath the formal political structures, state actions have been analyzed less as concrete motives for action of political subjects, but rather abstractly as an expression of “objective” necessities. From this angle one no longer spoke of the “state”, but rather of the “political system”, which was conceived along these lines as societal subsystem specialized in a certain range of functions. As Mayntz (1982) rightly criticized, public policy reduced itself to “problem solving processes” from this perspective. State activity then was explained (1) through the existence of systemic needs and (2) by the assumption that the political system is a kind of social self-regulation machine supposed to solve problems that arise.

As already mentioned, this basic framework can also be found in neo-Marxist political theories. The functionalist starting premise there is modified to the extent that the “system” is conceived as capitalist, in which the state operates as a kind of “fictive all-around capitalist”, who must uphold not the society as such, but its capitalist nature. State interventionism is explained both as an expression of functional needs of the accumulation and reproduction process of capital. The general requirements of capital accumulation such as basic infrastructure, a functioning legal system and legitimization mechanisms are tasks that cannot be carried out by individual capitalists (due to their narrow-mindedness in terms of competition), but instead require the mentioned deus ex machina to maintain the capitalist system. In these terms, various forms of state action – from educational policies to environmental protection – only fulfill the basic accumulation and legitimacy needs of capitalist society and thereby stabilize the system on a long-term basis.

Functionalist modes of explanation have been heavily criticized from the perspective of science philosophy (Hempel 1965). The critics pointed in particular to the tautological and teleological content of this basic framework. Typical are such cases in which public policies are only explained through their effects, which they must produce in maintaining the system without revealing the specific mechanisms or social forces through which these effects come about (Elster 1982: 458, Bunge 1998, 2000).

There are a number of approaches that responded to this criticism through the identification of specific components and operations by which integration is achieved. One of these variants is the structuralist approach, which must be distinguished from structure-functionalism in that it emphasizes the structurizing effects of social relations, without simultaneously
referring to functional imperatives. Structure refers on the one hand to the empowerment of certain capacities or developments, on the other hand to the limits and restrictions which are implied in structural relationships (Schneider 1997).

From the structural perspective, the state or a political system appears both as a structured arena as well as a structured actor to the extent that the actions of this unit are considered to be determined or shaped by the various structural arrangements by which the action units are constituted and in which they are embedded. In the institutionalist version of this approach, structures are largely equated with rule systems. Whereas in conventional institutionalism such systems have been reduced for the most part to constitutional provisions and legal norms, informal rules (both economic and historical) and historical traditions are also implied in the concept of institution in recent variants of neo-institutionalism. A further danger of the pure institutional approach was that actors' idiosyncrasies and situational aspects often were blended out as if actors were “programmed” like machines. Not until the 1980’s was this somewhat “over-institutionalized” view combined with elements of the conflict perspective, which could then be interpreted as a form of “enlightened institutionalism” (Scharpf 1984).

Another important critique of the teleological and tautological content of the functionalist model can be seen in French Marxism. Here the structuring of human actions was generalized even more abstractly. Unlike in institutionalism, where the structuring effects are related to empirically observable institutional restrictions, structuralism primarily analyzes deeply anchored positions and topological areas of the social structure. This basic idea of French structuralism had been used by Althusser and Poulantzas to reformulate a type of Marxist social and political theory, where modes and relations of production functioned like a “grammar for action”. A central thought thereby was that the actions of social actors should no longer be reverted back to their subjective will, but rather to structural imperatives determined by their relational position (Althusser and Balibar 1971: 242, for a heroic attempt to transform this perspective into a general theory of society and the state see Fossaert 1977-1981).

While structuralists have formulated an important critique with regard to instrumentalism, functionalism and pluralism, their own perspective creates some additional difficulties in theory development. A major problem is that the forces of structuration are clearly overstated. Individual and collective action appears to be nothing more than an ensemble of structurizing effects, while voluntaristic components based on free will and subjective perception are completely eliminated from the analytical picture. To assume that structural restrictions narrow the playing field of individual action to the extent that the freedom of choice and strategic and tactical behavior completely vanish, would mean that human actors are to be treated as consciousless machines.

3 Institutional Structures as the Backbone of Governance Regimes

In the 80s a wide array of approaches have been developed in response to, on the one hand, the criticism of determinism, but also to the juxtaposition of micro and macro-analysis. The various rational or public choice approaches that combine some elements of pluralism and institutionalism certainly fit into this theoretical movement. However, approaches that have combined versions of system and action theory or structuralism and individualism seem to be more significant. Examples are Boudon’s (1979) and Coleman’s (1990) “individualist structuralism”, but also Mayntz’ and Scharpf’s “actor-centered institutionalism” (Mayntz
and Scharpf 1995, Scharpf 1997) and variants of historical institutionalism in which actors’ autonomy and their institutional “embeddedness” are emphasized (Skocpol 1985a, 1985b).

What these rather heterogeneous approaches have in common is that they emphasize that social actors have relative autonomy (e.g. in their perception of and in weighting preferences), but at the same time are embedded in multi-layered institutional arrangements and societal structures. Most of these approaches employ a multi-level perspective of social analysis in stressing that not only individual actors, but in particular, large organizations are playing an increasingly important role in political life. On the most general level, some of these approaches could be considered to be theoretical combinations of pluralism and structuralism, or, more generally phrased, of conflict and integration perspectives. With their focus on actors as (largely) autonomous social entities, however, they add an important analytical dimension.

A good example for this idea is provided by neo-corporatism (Lehmbruch and Schmitter 1982, for an overview see Molina and Rhodes 2002). In this perspective policy-making essentially is conceived as a bargaining process between highly organized interest groups and relatively autonomous state authorities. Public policy then is explained to be a bargaining outcome between the state and a small number of powerful organized interests who enjoy strong power positions in societal sub-sectors (e.g. formal and factual representation monopolies; sanction capacities to ensure the compliance of their members). Corporatist policy-making is thus a combination of specific institutional and structural arrangements within the public and private organizational fields. In the associational field there is no competition between the different, hierarchically arranged interest groups. The interest associations themselves are largely autonomous towards their members, thus only partially dependent on their financial and other forms of support. An important condition for this is that the state authorities be dependent on the cooperative behaviour and support of a limited number of private interest organizations in policy implementation. It is also essential that they be prepared to incorporate these organizations into the decision-making process, in exchange for their cooperation in the implementation of a policy. As for the interest associations, the main requirement is the availability of resources through which a certain policy can be advocated in its own interest domain, whether it be through control or the compliance of its membership or through pure interest mediation by technical or operative details on the so-called “implementation front”. Corporatist arrangements can even lead to a situation where state intervention is no longer necessary, if interest associations advance programs of self-regulation or produce collective goods themselves in the defence of an unpopular state interventionist policy (Streeck and Schmitter 1985: 96).

4 Governance as Institutional Cybernetics

Within the two-dimensional map outlined above, theory development can be seen as a kind of crisscross walk through the theoretical landscape between conflict and integration, on the one hand, and a holistic vs. individualistic perspectives, on the other hand (see figure 1). In this picture the governance approach would occupy a middle area, in which the analysis dominantly proceeds at a level where systemic downward causation and individualistic upward causation, on the one hand, and conflict and integration aspects, on the other hand, are systematically combined.
In order to locate the governance approach in this theoretical landscape, it is useful to take a short look at the etymological roots of this word. Governance, based on the verb “to govern”, is derived from the Latin word “gubernare” which means to “steer” something, e.g. a ship. The Latin word is a translation of the Greek word “kybernê” or “kybernetes” which largely has the same meaning. “Kybernetes” was first used by Plato in the sense of “the art of steering” or “the art of government”. It was this word which much later inspired the notion of “cybernetics” which emerged in the 19th century and was coined by the famous French physicist André-Marie Ampère during the 1840s. Interestingly, Ampère conceived “cybernetics” as the science of political governance. About a hundred years later, Norbert Wiener succeeded in popularizing this notion to a generally accepted term for the new science of control and communications in living beings and machines (Wiener 1968).

The notion of governance in the social sciences emphasizes this cybernetic perspective in the analysis of processes of societal control and self-regulation (for this argument see Kenis and Schneider 1996). But in contrast to system theory’s use of cybernetic ideas during the 1960s, current governance theory makes every effort to avoid functionalist explanations through the meso- and micro-foundation of social and political processes. Foundation in this sense means that the role of institutions in the coordination and control of social actions is reconstructed in detail. Governance theory thus tries to decompose the complex institutional fabric of modern societies. In contrast to traditional system theory, governance theories do not take integrative forces for granted, but attempt to specify the various factors and conditions that support and endanger social integration. The structural configuration of such institutional arrangements which imply differences in performance constitute a core problem-attique of the academic discussion in this area.

From the perspective of institutional cybernetics, a governance mechanism may be defined as a combination of institutional arrangements that provide “sensing” and “acting” devices by which a social system is held within an area of “desired states” (e.g. a stable region or an equilibrium) and by which undesirable situations are avoided. If a “problem” is defined as the difference between a preferred state and undesired status quo, the function of governance, in the last instance, is “problem-solving”. In other words, governance is the operational system of rules or modality according to which societal states of affairs or
events are controlled. This is related to the ability either to determine preferred states of affairs (positive control), or to exclude undesired states (negative control).

Governance refers to the whole feedback mechanism by which the difference between a desired state and the status quo is detected in order to enable a society to keep itself in a viable range. Governance theories thus try to explain how institutional devices and specific control resources enable individual and collective actors to observe and define undesired states while in turn mobilizing, combining and coordinating various resources that are necessary to problem-solving.

5 Markets and States as Governance Mechanisms

In the neo-institutionalist literature on governance two mechanisms are basically distinguished, portraying the extreme poles of a whole spectrum of institutional arrangements that enable the coordination and regulation of social activities. These are private markets and public hierarchies:

(1) Governance by private market: In this kind of societal control the allocation of resources and determination of social states emerges out of the interactions of many actors with many different interests and preferences, and with separable control rights on specific resources. Actors are free to contract according to their subjective utility functions and to their purchasing power in terms of privately controlled resources. The market-economic determination of a given social state or event then reflects the simultaneous expression of all different preferences by effective demand, and the aggregate offer of resources, to satisfy this demand. The capacity to control a given state of affairs is thus dispersed among a large number of market actors controlling relevant resources.

(2) Governance by public hierarchy: In the hierarchical-political mode of societal control social states or events are determined qua authoritative decisions that unilaterally reflect the will of the political sovereign (the king, the dictator, the people). The functioning of this form of societal control depends on the capacity of the sovereign to turn its decisions into practice. The capacity to control the object of control thus depends on the capacity of this power center to exert hierarchical control on the range of resources that are necessary to control a given state of affairs. This means that hierarchical political control supposes that the deciding authority has enough power to implement its decision.

As already stated, the two control mechanisms are the extreme poles in the spectrum of governance mechanisms, and it is possible to conceive these configurations as ideal types on the analytical level. In reality they coexist in combination and are even functionally interdependent. For instance, market governance presupposes a kind of background support by public hierarchies guaranteeing property rights and imposing some restrictions on the exclusive private control on resources. There are several factors that require public intervention: (1) Some desirable goods and social conditions cannot be provided by market governance alone; (2) Some negative effects (externalities) of market governance are socially destructive or at least disliked; (3) The "rules of the game" in market governance cannot be provided by market governance itself.

The complex conditions and functional logic of market coordination is a major theme in recent economic theories of governance. Many are convinced of the numerous advantages of coordination by the “invisible hand”. However, they challenge the view that functioning circuits of market exchanges emerge spontaneously and that market coordination will work
under all conditions. Some of these approaches stress the fact that pure market coordination is only feasible and efficient when rather simple goods are exchanged (e.g. homogenous and perfectly divisible), whereas the exchange of complex goods will only work under additional institutional constraints. The emergence of hierarchical integration within and between firms (e.g. specific forms of vertical and horizontal integration), long term contracts, industrial networks, and diverse forms of common and public property as well are seen as institutional substitutes for market coordination, when this form of governance is either completely ineffective or at least inefficient in specific environmental contexts. From a systemic perspective, such non-market-forms are seen as institutional responses to specific risks and frictions related to certain technical and economic systems. Transaction cost theory, in particular, tries to predict which coordination form – markets or hierarchies, or mixtures - performs better with respect to different criteria. These may be resource allocation, innovation and adaptation in a given environmental context in light of varying production and transaction costs (Williamson 1985).

A number of authors have conceptualized networks as distinctive governance mechanisms, combining advantages of hierarchies and markets. If compared to hierarchy, the flexibility of networks provides for adaptability advantages. With respect to market coordination, networks save transaction costs and provide for less contractual risks.

The hierarchy – network – market spectrum may also be applied to the political realm. From this standpoint, markets correspond to pluralistic political fields, whereas a public hierarchy is a configuration, in which policy-making and collective problem-solving would be exclusively limited to the state. Networks, finally, portray a complex division of labor and a highly decentralized distribution pattern of control resources between public and private organizations. For instance, in a context of increasing functional differentiation and specialization, the state becomes increasingly dependent on societal organizations. As public policy making thrives on increasingly differentiated information and control resources, governments are less and less able to provide these resources on their own. Since these resources are more and more concentrated outside the public realm within powerful private organizations (firms, associations), the functioning of political control by government policies is unthinkable today without the cooperation and support of non-governmental societal actors. A consequence is that control resources that are necessary to govern modern societies are concentrated less and less in the state, but instead increasingly have dispersed themselves among social organizations as well (Kenis and Schneider 1991).

6 Between Administrative and Regulatory Governance

A related question is how the concept of regulation and the idea of the regulatory state is related to the governance perspective. Is regulation just a synonym for governance or is it a dimension of social coordination and control running orthogonal to the market/hierarchy distinction, or is regulation a governance mechanism on its own? In order to answer this question, it is necessary, to sort out the various meanings embodied in this complex social, economic and political concept.

A quick glance into some of the recent books on regulation (e.g. Ogus 1994, Baldwin and Cave 1999) reveals an amazing variety of meanings, which depend very much on the various disciplines and theoretical contexts in which they are used. The broadest variant is certainly the cybernetic perspective in which regulation is conceived as an activity or mechanism which essentially reduces variation, in order to control the behavior of a system.
The narrowest perspective in contrast is much less abstract and uses this terminus for a specific American type of public intervention that emerged at the end of the 19th century: the use of independent state agencies to intervene into free market processes by rule-making and rule-enforcement. In the following we will start with the most general perspective in order to locate the narrowest definition as a specific variant into an overall conceptual topology.

The cybernetic view, for instance, is strongly present in the definition of Mitnick (1980: 2) who conceives regulation as “inference of some sort in the activity subject to regulation – it is to be governed, altered, controlled, guided, regulated in some way. Interference involves a diversion from what otherwise would occur”. By translating this perspective into a social context of action and choice, he comes to the following conclusion: “Regulation is a process consisting of the intentional restriction of a subject’s choice of activity, by an entity not directly party to or involved in that activity” (Mitnik 1980: 9). Regulation is thus a mechanism which includes the following components: (1) the subject of regulation (the regulator); (2) the object of regulation (the regulatee); (3) intentionality and purpose; (4) the instrument, resource or medium by which a restricting interference comes about. In the following these elements of a regulatory system will be examined in more detail: Who regulates, who is regulated, for which purpose, and with what instruments?

Regulator: The interfering entity that exerts restrictive control or influence must itself include a cybernetic mechanism providing “sensing” and “acting” devices by which undesirable conditions are detected and be transformed to desired states. As already claimed, if a problem is defined as the difference between a desired state and the status quo, the function of regulation is, indeed, “problem-solving” (Lazzer et al. 2002: 2). However, regulation is not necessarily restricted to “public efforts” (ibid.), but also can operate on a private basis, as the increasing bulk of literature on private regulation by associations and firms has indicated.

Regulatee: The object of regulation is basically a system, whose normal – spontaneous and unfettered – functioning leads to undesirable social states. Such objects are often private markets, although regulation also is perfectly imaginable in a public field. For instance, if governments create autonomous institutional devices such as constitutional courts or other political watchdogs restraining their proper choice and power, there is some form of public self-regulation. The same is true for private self-regulation, which can even work on the level of an individual firm. If a private organization establishes self-binding restrictions for its actions in the form that Elster (1977) has called to our mind in referring to “Ulysses and the Sirens”, it creates a self-regulatory mechanism. An essential condition is that the self-regulating entity contains an internal autonomous instance which is empowered with the capacities that were outlined above.

There are essentially four combinations between the subjects and objects of regulation. These elements and components can be the basis of more complex arrangements, in which, for instance, a regulatee cooperates in the regulatory process, thus functioning as a kind of co-regulator.

Purpose: Purpose and intentionality is a complex topic in social science. Intentionality is most clearly present when there is a conscious decision-making process by which the differences between undesired and desired states are determined in an open political battle and the interfering devices are established in the form of a political program. It is more difficult to find intentionality when such choices and decisions follow routines and conventions.
Intentionality is then implicit when decisions do not deviate from social norms or conventions, as conceptualized in evolutionary models. However, regulatory interferences should not be a by-product or other form of action externality (Mitnik 1980).

Medium: If the essence of regulation consists in a force or power that is able to determine preferred social states (positive regulation) and to exclude undesired states (negative regulation), then there is a whole spectrum of control resources by which this goal may be achieved. Regulation instruments or media are therefore not only legal rules, but also social norms, persuasion or money. The latter often is used in forms of subsidies in strategies of incentive based regulation that are discussed in the recent regulation literature.

Regulation conceived in such a broad perspective indeed has a long history. As Jack High (1991: 1) reminds us in his classic parallel, the first regulatory dispute took place when Adam and Eve were eating the fruit off of the Tree of Knowledge. More seriously, though, economic anthropology and history convincingly show that the idea of the market having originally been a spontaneous equilibrating system, unfettered by external intervention, is erroneous. In general terms, regulation is not the economic “fall of mankind”, but a basic principle of social order in primitive and traditional societies (see for this perspective in particular Durkheim 1930). In those contexts economic exchange always has been embedded in densely regulated orders. In the Middle Ages regulation was the standard form of economic coordination. Kings imposed detailed economic restrictions on towns and markets, and fairs were equally subject to detailed rules. Craft-guilds are a paradigm case of complete economic regulation. They defined wages, hours, tools, technology, quality and prices (Kieser 1989). In the mercantilist era the evolving modern state regulated imports and exports in much detail. The process of industrialization and the rise of modern capitalism led to an almost complete elimination of regulation and to a transformation of pure market governance (laissez-faire). However, the more the negative side of this “new natural order of economic affairs” became apparent, the more regulation re-emerged on the economic scene, at least with regard to the excesses of capitalist economic growth.

British “Manchester capitalism” often is seen as the paradigm case of laissez-faire, but Britain also undertook the earliest steps towards the economic re-regulation of capitalism. In Britain labor and technical regulation already gained ground in the early 19th century in both the railway sector and in factory legislation (for an overview see Taylor 1972, Moran 2000). A series of factory acts highly restricted child and female labor (Blaug 1958). For instance the Mines Act of 1842 prohibited all women and boys under thirteen from being employed in the mining sector. This type of intervention, for instance, had been used as a paradigm case in Marxist state theory to explain the conditions under which the state “had to intervene” into autonomous processes of economical and technical evolution, if the current socio-political order was to be safeguarded. These cases are also instructive examples for our understanding of the logic of regulation from an actor-centered and institutionalist perspective.

As outlined above, regulation can be seen as a process in which a regulator uses control resources to interfere positively or negatively into a regulated object. While there is a whole spectrum of control resources, legal rules are the dominant regulatory instrument nowadays. Regulation in this specific form is currently a major mode of state intervention and can accordingly be considered a specific form of governance. The direct governmental production or provision of a certain good, in contrast, could be labeled “administrative governance”. Whereas “regulative governance” operates through interactions between the state regulators
as the subject of regulation and independent social actors as regulatory objects, administrative governance entails that events and activities are determined by means of command and control relations within a public hierarchy. For instance, the provision of an infrastructural good such as a bridge may be exercised by both regulative and administrative action. Regulation would involve the specification of conditions under which a private investor may get a license to build a bridge and to charge travelers for the provision of this infrastructural service. In the administrative mode, however, the bridge is provided by the state itself (e.g. specialized units of the public hierarchy), and the terms of use and the charges may be decided by parliament, the administration itself or some other socio-political decision-making body.

In more abstract terms, the regulative mode implies that societal states of affairs are determined or influenced by the imposition of restrictions. At the most abstract level this can be seen as a re-arrangement or “re-partitioning” (Coleman 1990) of action or property rights related to the object of regulation. In most cases this implies restrictions on the “bundle of rights” that are related to a given object. From the perspective of the bundle of rights theory, property rights are specific institutionalized social relations among actors arising from the existence of scarce goods, defining the potential of control of certain goods and resources.

This basic idea of property as a combination of different rights has its origins in Roman law. Several categories of property rights are distinguished from this standpoint: ownership (the right to use one's property within the limits of law), the right to trespass (the right to cross another's land), usus fructus (the right to use something that belongs to someone else or to rent it to others, but not to sell it or change its quality), usus (the right to use something belonging to someone else, but not to rent it, sell it or change its quality), and pawn (the right to keep something belonging to someone else but not use it). The right to ownership thus contains the following four elements: (i) the right to use an asset (usus), (ii) the right to capture benefits from that asset (usus fructus), (iii) the right to change its form and substance (abusus), and (iv) the right to transfer all or some of the rights specified under (i), (ii), and (iii) to others at a mutually agreed upon price (Pejovich 1990: 27-28).

Regulatory interventions usually attenuate, restrict or re-partition the property rights linked to a good or commodity. As Demsetz (1988: 12) put it: “… the essence of effective regulation is to truncate the bundle of rights that defines ownership”. In the case of public regulation the “control of the abrogated portion of the private right bundle has been assigned to, or has been taken by, the state”. This logic of truncation is clearly demonstrated by the case of labor regulation. In this respect, the object of regulation is in fact the bundle of rights that are connected to labor as units of transaction which the worker or employee sells to a firm for a wage in the employment contract. In the contract they agree to do what they are ordered to do for a certain period of time and within the domain of the contract (Simon 1991). Under laissez-faire conditions this means that the firm owner obtains the right to actually choose to do as he pleases with this resource. When the government imposes restrictions with respect to working hours, age limitations, occupational health, minimum wage etc., it is in fact shrinking the area in which private property and free contracting govern the exchange and use of labor. The starting condition in regulative governance is unconstrained private property, which is restricted, “unbundled” and truncated by regulation. Regulation thus is based on an interaction between private property owners applying their rights of action and the institutional restrictions that exert control on such action domains.
As for the administrative mode of governance, the starting point is exactly the other way around. In this case, action is based from the very beginning on state property over a given thing or action. Here the state or the general public has the right to decide – based on a public decision-making mechanism – what to do or how to use a given object. In abstract terms, social states and events are thus directly determined by administrative decision-making and control, without co-decisions of private property owners. In the case of regulation, political and administrative decisions only restrict and confine the still autonomous actions of private property owners.

7 Political Regulation between Autonomy and Central Control

Political regulation can be based on different instruments and control resources, whereas regulation by independent regulatory agencies, as is the standard case in the U.S., is only a special case. As Mitnik (1980: 28) shows, there are quite a number of different modes of regulation which can be used in singular form and in combination:

1. Regulation by common law: Regulatory principles are developed through court decisions and developed from case to case;
2. Regulation by statutory control: A legislature or local government passes a law regulating some activity, and the administration enforces the law and monitors its application;
3. Regulation by franchise contracts: Central or local governments grant rights to perform certain services for a given time period, and the franchise contract contains regulatory specifications.
4. Regulation by independent agencies: Within the framework of a law delegating certain decision powers, the independent regulatory commission or administration issues regulations and monitors their application.

The last mode of regulation, which now has become a kind of global role model in the previous 10 years, did not emerge as a rational construction based on a systematic comparison of advantages and disadvantages of various modes of regulation, but instead reflects incremental decisions and institutional trial-and-error. In most cases the establishment of an independent regulatory commission responded to a crisis or problem with pragmatic means of dealing with it. In some of the infrastructural sectors (railway, telecommunications, etc.) where this regulatory form emerged, other forms (administrative governance; regulation by common law, franchise, and statutory control) have also been tried out on several occasions but either were not applicable to the US context or proved to be unworkable: (1) Nationalization efforts never succeeded because of the strong influence of business on policy making. (2) Statutory control based on administrative implementation supposed a resourceful and effective public administration that did not exist in the U.S. until the mid 20th century. (3) The common law type proved to be rather difficult to apply because courts lack specialized technical expertise and can take action in an ex post manner.

The emergence of the US model of regulation can only be understood in terms of the particular history of the American state – if compared with the political development on the European continent. One of the major differences here is the unequal growth of public bureaucracies. Whereas in Europe the modern state emerged on the basis of absolutist rulers and large military bureaucracies in the 17th century already, a comparable administrative state has not developed in the US until the early 20th century (Woll 1977). A further impor-
tant difference between continental Europe and the US is that the initial stimulus in admin-
istrative growth in the USA was not the bureaucratization of the state sector itself, but in-
stead the origin of large-scale organizations in the private economy which had to be coun-
terbalanced (Mayntz 1962). The centralization and extension of the state administration did
not catch on until the late 19th and early 20th century and was stimulated, in particular, by
processes of economic concentration.

Although the emergence of the American model of regulation did not follow an encompass-
ing rational plan, the institutional innovation of “independent regulatory agencies” showed
a number of advantages: They generally offer more specialized expertise than parliaments
and courts. Combined with enough administrative resources this also enabled effective
monitoring and oversight; by relative insulation from political and partisan pressure, they
were better able to develop a continuous and coherent regulatory policy than parliaments;
the fact that a rather small number of decision-makers is involved enables more flexible
response to changing economic and technological conditions, and in general, a better capac-
ity to handle a large number of cases than courts or majoritarian institutions such as legisla-
tive committees or parliaments.

These advantages, however, seem to have a negative trade-off at the societal macro level. If
the number of independent regulatory agencies multiplies, and an increasing number of
different societal segments is governed by their own specific regulative rationality, the re-
sult will be that the political field and the state become more and more fragmented if not
segmented. In such a system each sectoral regulator is programmed only for the achieve-
ment of rather specific political and economic goals, without coordinating mechanisms at
the macro level. Each regulator appears as a proper political micro-cosmos with particular
modes of participation and control (hearings, judicial oversight) and – in most cases – is also
equipped with its own resources. All this creates a highly pluralist, fluid and intransparent
political space that Heclo (1978) so aptly had described with the concept of “issue net-
works”.

Interestingly, some of the conditions explaining the rise of the regulatory state in the U.S.
also seem apply to the European Union. According to Majone (1999) the rise of regulation
to its current importance in Europe may be similarly related to the administrative weakness
of this supranational institution. The budget-raising capacity and the administrative power
to implement its policies at the national level are comparably weak. It is thus likely that at
least at the EU level similar pluralist political structures will emerge as in the U.S. (Streeck

8 Autonomous Regulation and the Fragmented State

The conclusion is that independent regulation as a mode of political governance will fit into
the general trend of an increasing autonomization of organizations outside and within the
modern state. A consequence of growth and proliferation of independent regulatory agen-
cies is the fact that the state is also being transformed into an “organizational field” (Janning
1998). In German state theory, the latter is often described as a “unit of will”, an “organiza-
tion of unified ruling and decisional power” (Böckenförde 1992: 214). However, the growth
of largely autonomous public organizations leads to the consequence that this “organized
unit of action” no longer remains the “monolithic hierarchy” that it appears to be in the
works of Max Weber, for instance. He assumed that the relatively autonomous ensemble of
administrative bodies summarized under the concept of “collegial administration” is more
or less a relict of traditional society and would gradually vanish with the rise of the bureaucratic state, based on increasing legal centralization and agglomeration of the power within the bureaucracy. The driving force was its technical superiority, e.g. precision, durability and speed. Weber was convinced that a complete bureaucratic centralization would come about at least in the area of public bureaucracy (Weber 1972: 575).

These expectations were not fulfilled. In the early 20th century, many governments began to transform parts of the state apparatus into relatively autonomous administrations. One example of this was the partial disembodiment of the German Reichspost, which received its own budget from the state administration and was subject to direct parliamentary surveillance (Schneider 1999). In these terms, the various industrial states experimented with diverse administrative forms. For instance, with the creation of the state enterprise, a relatively extensive autonomization of organizations with the state was reached. According to Galbraith (1967) this strategy was widely applied in particular to the state-owned British industry in order to free the concerned sectors from direct parliamentary control: “only by hindering any form of parliamentary intervention could the firm (...) make responsible and quick decisions, which demanded specialized information. For this reason, mining, electricity, gas, transportation companies, aviation, and other state-owned companies were granted such autonomy.”

Some of these arguments are also used in current political debates to legitimize independent regulation. Independent agencies are more flexible, have greater specialized expertise and often show more credible commitments for long-term goals than parliaments and politicized central bureaucracies. Its disadvantage, however, is the increasing fragmentation, loss of central control and weak public accountability. However, this also may be a general tendency of the modern state, which is far from constructing a unitary body of action or from operating according to a unified program. Instead, a diverse spectrum of forms of public organization has emerged in the past decades (Schuppert 1994). In particular, administrative reforms and privatization have spurred institutional differentiation. In this context, one of the rapidly growing areas is the establishment of independent regulatory agencies, which certainly will further increase the fragmentation of the modern state.

9 Conclusion

Governance theory is the theory of the state in the 21st century. By focusing on the microfoundation of social integration and societal problem solution, it is extending the domain of the traditional theory of the state. As a new concept it opens up a perspective in which the structures and mechanisms by which modern societies are regulated and controlled can also be found in constellations of private actors, thus emphasizing alternatives to classic political hierarchies.

The article has shown that governance can be conceptualized in at least, three dimensions. The first embraces processes and procedures of governance – thus modes of governance. The second dimension refers to governance configurations, i.e. actors and actor constellation participating in regulating and controlling activities and their reciprocal interaction. The third dimension refers to the territorial level, where the logic and transformation of governance may be studied at the local, national, European and international level.

With respect to modes of governance we must distinguish between administrative, regulatory and market governance. While administrative governance refers to the authoritative control through direct politico-administrative influence, market governance is based on
completely autonomous, decentralized decision making and competition. Between both extremes we observe the establishment of regulatory frameworks and restrictions by independent administrative units, depicted as regulatory governance.

Besides this procedural dimension, governance structures also may be contrasted with respect to the actors’ participation in the controlling and regulation activities, thus emphasizing actor constellations. From this perspective markets and hierarchies are the extreme poles of a scale in which networks based on exchange and bargaining either an intermediate or hybrid form, synthesizing elements of markets and hierarchy through bargaining and the exchange of information and other resources in a horizontally coordinated network made up of relatively autonomous actors. The three dimensional spaces may be occupied by diverse actors, differing in their respective resource profiles and the way they combine their complementary assets. Hierarchical control within the mode of administrative governance, for instance, not only is possible through public actors, but also within corporatist arrangements or organized interest or oligopolistic structures of private enterprises. Furthermore, the regulatory mode is a complex mixture of arrangements in which regulatory agencies become relatively autonomous organizations within public hierarchies, thus contributing to an increasing fragmentation of the state. This makes integration an even more precarious task in modern, functionally differentiated societies.

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Contending Political-Economy Perspectives on European Interest Group Activity

1 Introduction

Decision-making in the European Union (EU) is not solely determined by formal institutional actors, such as the European Commission, the European Parliament or the Council. The complex network of public and private actors, overlapping and interactive sectoral activities and both horizontal and vertical patterns of cooperation has been characterized as a network of 'multi-level governance' (e.g., Marks 1993, Marks, Hooghe and Blank 1996). Transnational actors, including multinational corporations (MNCs) and transnational interest groups, are central to the dynamics of the international political economy (e.g. Keohane and Nye 1972) and hence also to the development of the EU. Transnational interest groups can also affect the demand for integration in specific sectors, according to the transactions-based theory of integration (Stone Sweet and Sandholtz 1998), as well as its neofunctionalist predecessor (Haas 1958). Whether we view the EU predominantly as a construct sui generis, or as a topic to be analyzed from a comparative politics perspective (Hix 1994, 1998), or a system characterized by increasing supranational regulatory activity (e.g. Majone 1996), interest groups may shape policy outcomes and affect the governance structure, at least indirectly by affecting the preparation of policy proposals within the European Commission and influencing member state positions in the intergovernmental framework of EU decision-making.

The dominant literature on the role of interest groups regarding EU governance focuses on empirical studies (e.g. Claeys et al. 1998, Greenwood, Grote and Ronit 1992a, Greenwood 1995, Greenwood and Aspinwall 1998, Greenwood 2003, Mazey and Richardson 1993a, van Schendelen, Pedler and van Schendelen 1994). This literature differentiates between various categories of interest groups, such as business, professional groups, labor, public, social and territorial interests and describes their activities on the EU level. A specific focus of the analysis usually lies on the ‘routes’ of influence taken, particularly on the question whether interest groups choose a ‘national route’ or the ‘Brussels strategy’ and on the efficiency of these routes in terms of influence and power (e.g. Greenwood 2003: 32-69, Beyers 2002). Far less attention, however, is given to normative questions, such as the general desirability of interest groups, the potential biases in access and attention different societal interests gain and societal consequences generated by interest group activities. More recently, the EU White Paper on Governance has raised some questions regarding the transparency, accountability and representative character of EU interest groups. The discussion on the White Paper, as well as the more general academic debate, however, have remained somewhat limited, insofar as they focus on the issue of democratic legitimacy and, more particularly, on essential concepts of democracy. Some authors argue that organized interests could provide a core contribution to the reduction of the democratic deficit in the EU (e.g. Abromeit 1998, Heinelt 1998, for an overview of the debate see Wendler 2002). Although democratic legitimacy is a core concept in political science research, it is by far not the only possible normative evaluation criterion.
In this chapter, we intend to broaden the overview and debate by focusing on political-economy approaches to interest group activity in the EU context. Political-economy approaches can roughly be characterized according to the following definition:

“Political economy suggests a focus on phenomena that lie at the crossroads of the traditional fields of political science and economics. It seeks to explain how political power shapes economic outcomes and how economic forces constrain political action” (Crane and Amawi 1991: 3 cited in Laursen 1995: 4).

More particularly, we argue that analytic perspectives offered by political-economy approaches enable us to overcome the narrow problem-solving perspective on functional efficiency dominating the current discussion on interest groups and EU governance. They draw our attention to issues of bias, societal conflict and dominance within the policy-making context.

The focus of this chapter is on the contribution of interest groups to European governance in 'day-to-day' decision-making. Thus, we will largely exclude the debate on the role of interest groups in the long-term process of European integration. It has to be noted, however, that some major integration theories attribute a prominent role to these groups, including approaches broadly based in a political-economy tradition. Hence, although liberal intergovernmentalism as presented by Andrew Moravcsik, for example, and the transaction-based theory of integration (or 'supranationalism') developed by Alec Stone Sweet and Wayne Sandholtz provide contesting characterizations of the nature of the European integration process, they both assume that interest groups are central actors in the EU (Moravcsik 1993, Stone Sweet and Sandholtz 1998). The major controversy now centers on whether interest groups take the national route of interest representation (as argued by Moravcsik), or rather the transnational route (as argued by Sandholtz and Stone Sweet 1998).

Are interest groups desirable? Do they 'distort' decision-making, leading to a bias towards special interest objectives in EU decision-making? Should one claim that preferences of EU government delegations are biased in that they favor the priorities of major interest groups, such as the large industrial organizations or agricultural interests? Do biases reflected in domestic decision-making in support of special interests against the common interests of consumers or of environmental protectors hurt general welfare? Will these biases be reflected or even amplified on the EU level by the activities of transnational interest groups? Or, by contrast, do special interest groups serve to improve information on technical matters, assisting EU institutions in producing adequate policy proposals?

This chapter will not be able to provide conclusive answers to these questions. Its more modest aim is to provide an overview and comparison of answers given by different political-economy approaches. In this sense, this chapter illuminates the main thrust of some currently existing political-economy approaches that focus on interest group activity, compares and contrasts them and, on this basis, provides a tentative conclusion. The conclusion is tentative not least because different political-economy perspectives provide diametrically opposed characterizations of the role of interest groups in the framework of European governance. Whereas both public choice and critical political economy approaches offer warnings regarding the socially biasing role of interest groups activity, pluralist and policy network approaches highlight the indispensable role of interest groups for efficient governance on the European level.

The chapter is structured as follows. Departing from a broad definition of political economy, we identify different perspectives regarding the role interest groups play in the framework
of EU governance. In each of the following sections, one of these arguments is outlined and illustrated with examples of interest group activity in the EU. Accordingly, section 2 provides an overview of some predominant 'public choice' approaches to the analysis of interest group activity, focusing on concepts such as collective action, redistribution, regulation (in favor of special interests) and 'rent-seeking'. Section 3 turns to more radical political-economy approaches that criticize the potential governance function of interest groups. Section 4 illustrates how pluralist and corporatist theories, by comparison, evaluate interest group activity in a favorable way, especially highlighting their value as information providers. Section 5 focuses on recent literature on policy networks and describes the extent to which it conceives interest groups as providers of 'trust'. While each of these sections also contains a brief application of the respective theoretical approach to EU interest group activity, section 6 identifies several particular features of interest group activity and European governance. Section 7 offers some further reflections on the role of interest groups in the framework of EU governance and concludes the chapter.

2 Public Choice and Collective Action: Rent-Seeking and Institutional Sclerosis

In neo-classical economic theory, the assumption prevails that economic agents, among them policy-makers, are characterized by decision-making behavior that aims to improve collective welfare (according to Adam Smith’s notion of the ‘invisible hand’). By comparison, the public choice perspective on politics allows for the analysis of 'rent-seeking' action (e.g. Tollison 1982, Appelbaum and Katz 1986, Peirce 1991). In essence, public choice is the economic study of the non-market decision-making process (Mueller 1989). Institutions, in this perspective, are viewed as being composed of rational, utility-maximizing actors. In consequence, public policy is understood as a result of the way in which different preferences of (self-interested) individuals interact in the course of the policy-making process (de Carli 1995).

In accordance with the public choice approach to political behavior, Olson (1965) conceives actors as behaving in a rational way, maximizing own potential benefits. According to Olson’s collective action theory, not all (economic) interest groups are equally capable of realizing benefits on the political market. Generally, the larger the size of the group, the harder it is for the group to engage in collective action. The more concentrated and the more homogeneous the group, the greater the extent to which lobbying action is aimed at rent-seeking. Olson (1965) distinguishes between ‘privileged groups’ -- in which one actor (or a group of larger actors) is essentially ready to bear the entire costs of the provision of the group's collective action -- ‘intermediate groups’ and ‘latent groups’. Whereas collective action is achieved ‘automatically’ within a privileged group, ‘selective incentives’ are needed to activate an intermediate or latent group. These incentives may consist of ‘private’ inducements, making it more profitable for a group member to participate in the activities of this group’s collective action efforts.

The public choice approach applied to the politics and economics of the EU provides specific analytical leverage (de Carli 1995, Hosli 1995). Two major themes are the societal consequences of rent-seeking behavior and the possibility of institutional sclerosis. Economic interest groups are viewed as central actors in the EU policy-making process, which lead, however, to significant biases when it comes to overall welfare. 'Consumers' as a group based on shared interests are often found not to be involved in relevant policy-making discussions since, by definition, they constitute ‘latent groups’. According to V.O. Key (quoted in Olson 1965: 128): "the lobbyists for electric utilities, for example, are eter-
nally on the job; the lobbyists for the consumers of this monopolistic service are ordinarily conspicuous by their absence" (Key 1958, also see Olson 1965: 127-128 and 133-135, Jordan 1998). Privileged groups are more numerous in agricultural and industrial sectors than among consumers. So groups that represent relatively narrow-based constituencies may dominate the political discourse and extract rents to the disadvantage of society as a whole. In the words of Olson: "... Organizations that represent only a minute percentage of an economy's income earning capacity are really 'distributional coalitions' whose purpose is to redistribute more of society's income to themselves" (Olson 1995: 7, de Carli 1995). Even if a greater number of consumer interest groups has apparently been established in the framework of the EU, there still appears to be a significant gap between the relative sizes of these two major potential groups of collective interest representation nonetheless. Clearly, the gap in the representation of consumer as compared to producer interests has strong ramifications for policy-making.

Generally, according to the public choice perspective, interest groups are not only detrimental to overall social welfare but, simultaneously, limit the prospects for economic growth. Olson (1982) argues that an increase in the number of specialized pressure groups is a key factor that negatively affects prospects for economic growth. He maintains that interest groups, once settled, are difficult to remove. Hence, in countries with a stable institutional system, 'institutional sclerosis' may result, leading to reduced economic growth. In the EU context, rent-seeking frequently will inhibit further economic liberalization. Interest groups may oppose the market liberalization process as long as many of the members they represent refuse liberalization due to fears of losing 'consolidated' benefits (de Carli 1995).

3 Critical Political Economy: Capitalist Dominance

Although critical political economy approaches disagree fundamentally with public choice and collective action theories on basic normative issues such as the contribution of free markets to general welfare, they share a critical position with regard to the role of interest groups in European governance. In addition, these approaches assume that governance favors certain types of interest groups, such as specialized business, disadvantaging other groups that represent a wider public interest. Generally, critical political-economy approaches perceive interest groups to be representatives of certain classes, most notably capital and labor. Traditionally, classes have formed on the national level. More recently, however, capitalist social relations have increasingly taken on a transnational dimension. Thus, we see a process of transnational class formation, not only on the European, but also on the global level. Applications of critical political economy to the EU (or to international relations more generally), therefore, highlight the role of some very particular interest groups such as the 'European Roundtable of Industrialists' (ERT) regarding the formation of transnational classes (van Apeldoorn 2002, Holman and van der Pijl 2003). In this conceptualization, interest groups assume an important governance function by facilitating the mobilization and aggregation of class perspectives, which are subsequently used in the wider sphere of governance, particularly vis-à-vis other classes and state institutions. Transnational forums such as the ERT, but also the Trilateral Commission or the World Economic Forum play a very important political role for collective consciousness formation within the transnational capitalist class.

Turning to the role of interest groups in the framework of European governance, the first and most important issue from this perspective is the relative strength of transnational capital and transnational labor. Empirical studies conclude that capital is far more powerfully
organized on the European level than labor (Greenwood, Grote and Ronit 1992b: 239). From a critical political-economy perspective, the role of interest groups in European governance is clearly evaluated in a negative way. Even in comparison with the domestic level of most member states, the balance of power between capital and labor on the European level is strongly tilted in favor of the former. Particularly the core role of the ERT within the most recent history of European integration – e.g. Single Market, European Economic and Monetary Union – has contributed to the dominant neo-liberal character of the EU (van Apeldoorn 2002). Correspondingly, an even stronger involvement of interest groups in EU governance is viewed as strengthening the neo-liberal capitalist dominance of the European project.

In a comparison with public choice and collective action theories, critical political-economy approaches do not expect that mobilized specific interests will constrain further deregulation and hence limit growth, but that organized economic interests stimulate further de-regulation and strengthen the dominance of neo-liberal policies.

4 Pluralism and Corporatism: Compliance and Information Supply

The perspectives outlined above provide a rather skeptical assessment of the role of interest groups in governance in general, and EU governance in particular. This stands in sharp contrast to the classic pluralist view of political science. To pluralists, interest groups are core legitimate actors in the policy-making process. One of the earliest pluralistic accounts on European integration, neo-functionalism, has positively evaluated the role of pressure groups as actors initiating, sustaining and advancing the integration process. Haas (1958) and Lindberg and Scheingold (1970), for example, assume that in the case of the European Community, pressure groups representing the interests of industrial producers from the start favored an integration of different sectors. According to the same logic, they would later support the completion of the internal market program. Pluralists consider politics to be a competition between freely organized interest groups in society. Various interest groups compete for access to a government that is unbiased and willing to listen to different voices.

In contrast to critical political economy approaches, pluralists assume that no single interest, elite or class is able to dominate society. Instead, policy-making is competitive and fragmented. Not only do existing groups compete on a level playing field, newly emerging interests may also easily enter the competition. Thus, societal interests dominate the state, which constitutes an arena for the conflict and interaction among interest groups. From a normative perspective, pluralists assume that the free interplay of interest groups leads to a system of ‘checks and balances’, preventing potential dominance of a particular societal group, or of a powerful state. Instead, policy is made within a ‘social equilibrium’ (Bentley 1908). Interest groups are assumed to contribute to a more reasonable process of policymaking, especially by providing information and analysis based on a multitude of different perspectives. Due to this information, government is able to choose the most well-informed and acceptable policy.

Corporatist theories are the traditional contenders of pluralism within the analytical and normative debate on the role of interest groups regarding governance. In terms of normative assessments, corporatist perspectives favor a strong role for interest groups in policymaking, but under the overarching leadership role of the state. The classical macro-corporatist model assumes a tripartite relationship between peak representatives of capital, labor and the state. With close cooperation between these three parties, it should be possible
to develop coherent, long-term strategies furthering economic development. The overall target of corporatist initiatives is economic growth, and a fair share in its rewards. The particular contribution of interest groups to this type of governance is the provision of ‘compliance’. In order for the corporatist model to work, interest groups have to develop hierarchical structures so that the peak association is able to commit its members to deals struck at the central level. Thus, in contrast to pluralism, corporatism is a 'top-down' approach. And in contrast to theories of public choice and collective action, corporatism gives a far more positive assessment of the role of the state within economic governance, partially by replacing the assumption of free markets by allowing for governmental economic activity and planning that promotes economic growth.

There have been numerous discussions on whether the EU resembles more a pluralist or a corporatist system of interest intermediation (e.g. the classical text by Streeck and Schmitter 1991). But the normative dimension of these approaches has hardly been focused on. Viewed from a pluralist perspective, interest groups provide a very important contribution to European governance (see the earlier work of Haas, Lindberg and Scheingold, referred to above). Correspondingly, one of the more 'positive' roles attributed to pressure groups within European governance is the one of suppliers of information.

Clearly, the aspect of 'information provision' is often emphasized by representatives of pressure groups themselves. The staff of special interest organizations often consists of experts on specific policy issues, specialized in a particular, sometimes rather technical, area. Experts, in practice, will often provide advice to European institutions and, in particular, representatives of the European Commission. The Commission constitutes a welcome target for lobbying activity by its right of initiative and its corresponding early involvement in the drafting process of legislative proposals. The expert hence acts as an information provider – benefiting from asymmetries of information between ‘producers' and 'regulators’ – but simultaneously is likely to press for solutions benefiting the interests of his or her own pressure group. In this regard, interest groups help to enhance and stimulate the efficiency and effectiveness of EU governance, but may also be biased towards their own organization's interests.

A pattern of interdependence seems to exist between pressure groups and the European Commission, for example. The roles of supplying information and of lobbying appear to intermingle. Provision of expert information also largely supports the system of 'comitology', committees of (national) experts linked to the European Commission and to the EU Council in particular. Information asymmetries between public officials and societal interests imply that the pluralistic ideal of equal access for all political ideas appears to be difficult to realize in practice.

Therefore, critics of pluralism have emphasized that in reality, true pluralism hardly exists. Access may also be different because groups have different incentives to organize. As collective-action theorists, among them Olson, emphasize, public interests suffer from the problem of free-riding, whereas some business interests are clearly advantaged by the logic of collective action. As a result, the efficiency advantage of pluralist systems of interest intermediation is threatened. Instead, policies will be biased in favor of the best-organized and best-resourced groups. Neo-pluralists, such as Charles Lindblom (1977), propose to remedy the problem of unequal access by encouraging governments to give privileged access to underrepresented interests, such as consumers or women's groups, for example. The neo-pluralist argument has also been applied to the EU level. Given the overwhelming
dominance of business groups and the relative weakness of labor and public interests, the European Commission and European Parliament have undertaken considerable efforts in mobilizing these weaker interests on the European level and to involve them in decision-making. EU institutional support may include subsidies as well as facilitated access by organized hearings. This more activist role of the 'state', however, provides a perception of the functioning of the EU that is closer to the typical perspective of corporatism.

The pattern of interaction between pressure groups and European institutions is not always 'one-way'. Representatives of the European Commission, for example, may try to get the support of a pressure group on a particular project or proposal by convincing its members to lobby their own national governments and make them support the proposal in the framework of the Council. However, although some forms of meso- or micro-level corporatism may exist within particular policy sectors (e.g. agriculture, the Social Dialogue), on a more general EU-wide level, the basic requirements for the functioning of classical macro-corporatist policy-making do not exist. One obvious factor missing on the EU level is the existence of a powerful government capable of steering macro-economic policies. Decision-making on the European level is much too fragmented for a powerful leadership role to materialize. Neither the Commission nor the Council can provide this central element of macro-corporatism. More important for the discussion on interest groups, however, is the inability of EU peak associations to provide for the compliance of its national members. Neither capital nor labor is able to force its members to adhere to a central guideline on core issues, such as wages or strikes. This may have several reasons. On the one hand, due to the weakness of labor on the European level, capital is not forced to develop a central representation on the European level. On the other hand, in contrast to the development of European welfare states, the EU has not originated within a context of the mobilization of major social classes (Ronit and Schneider 1997: 57).

5 Policy Networks: The Aspect of Trust

The policy network approach may be viewed as linked to the discussion on pluralism and corporatism. This is especially evident regarding the analytical controversy between the two competing perspectives on interest group activity. (Policy) network analysis may be utilized in order to establish empirically whether patterns of interest intermediation follow pluralist or corporatist assumptions (Börzel 1998). More relevant for our purposes here, however, is the ‘governance’ perspective on policy networks, although it is not a political-economy approach in the strict sense of the term. In the governance perspective, networks are attributed an alternative form of social coordination, in addition to the more established forms of vertically organized hierarchies, as in corporatism, or horizontally fragmented markets, as in pluralism (Börzel 1998). Compared with these mechanisms, networks are assumed to be a superior form of governance, given conditions of societal differentiation, sectoralization and policy growth. The core assumption of the policy network approach is resource dependency, notably that political resources are dispersed over several public and private actors, thus forcing these actors to cooperate if they wish to achieve policy-making effectiveness (Nölke 2003).

The approach assumes an intermediate position between pluralism and corporatism. In contrast to pluralism, it does not claim a strict separation between society and the state, but provides the latter with own preferences and a capacity for independent action. In contrast to corporatism, it does not privilege capital and labor as core societal groups, nor does it assume the tight web characteristic to classical macro-corporatism. Still, interest groups
play a central role within the network governance perspective, since they hold a wealth of essential resources, such as information, legitimacy and finances. In most empirical applications, these groups are considered to be crucial for solving co-ordination problems within modern societies. They are able to do so because they combine “the autonomy of actors typical for markets with the ability of hierarchies to pursue selected goals and to control their anticipated consequences” (Börzel 1998). The core contribution of network interactions is the provision of 'trust' between participating interest groups and state actors: “Unlike ‘exchange’ and ‘strategic interaction’, which are based on the maximization of self-interests through cost-benefit calculations and prone to produce bargaining dilemmas, negotiations in policy networks are based on communication and trust and aim at achieving joint outcomes which have a proper value for the actors” (ibid). Policy networks are supposed to provide common knowledge, experience and normative orientation, in order to reduce insecurity.

While there are many applications of both the analytical and the governance policy network perspective to the EU, more recently the network governance perspective has been spelled out in more detail (Eising and Kohler-Koch 1999a). The core assumption is that the European Community (first pillar of the EU), due to its systemic properties, is governed in a particular way, namely by network governance. Interest groups, again, play a central role within the concept of European network governance. For example, UNICE is important for creating collaboration and cooperation among different domestic industry sectors on the one hand, and among industries of different member states on the other. Evidently, industries belonging to the same pressure group have more occasions to keep in contact, exchange information or design new collaborative projects, as long as their overall aims are rather close with respect to defending a particular interest (de Carli 1995). In addition, technological progress can benefit this kind of collaboration.

6 Particularities of the EU Context

Political science literature on the EU has generally focused on two major issues: the emergence of the EU-level interest group system over time, on the one hand, and the actual functioning of this system on the other hand. Over time, the involvement of interest groups in European politics has grown both quantitatively (i.e. in terms of the number of groups) and it has become more diversified. This development is reflected in the political science literature on interest groups. While the first studies were largely descriptive based on case-studies and led to several monographs, the field has become much more diversified over time. The literature on EU interest groups has become increasingly embedded in the field of comparative politics and includes large-scale surveying and analytical modeling. This diversification also means that various research traditions, including social movement research, have become involved into the study of EU interest groups.

Counting the number of interest groups is no easy task because several sources come up with different numbers. Interest groups focusing their activities on the supranational level were already present in the 1950s. According to some sources, in the 1970s, 'Eurogroups' totaled almost 3000, and this number increased to over 4000 in the early 1980s (e.g. Andersen and Eliassen 1991a, 1991b, Mazey and Richardson 1993a). In its directory of EU-level interests groups of March 2000, the Secretariat-General of the Commission lists only 900 groups, however (Eising 2002: 194). But in 2002, the Directorate-General for Research of the European Parliament came up with much larger estimates and suggested the mobilization of some 1000 trade associations, 750 NGOs, 500 company representatives, 150 re-
gional offices and 130 specialized law firms (European Parliament 2002). One of the possible reasons for this incomprehensive overview could be the fact that the EU institutions have not regulated interest group activity in an encompassing way (Eising 2002: 197-198). The EP holds a register of recognized interest groups, while the European Commission does not provide such a classification. This lack of an overall regulatory framework for interest group representation also contradicts the possibility of an encompassing corporatist system, in which formal institutions hierarchically determine and shape the system of interest representation in the EU. However, the absence of formal rules regulating interest group activity in an encompassing way does not exclude the possibility that institutions shape the formation and strategies of interest groups. It is clear that not only the number of interest organizations located in Brussels has grown over the years, but also the diversity of these groups. This growth may be linked to three factors in particular: a) the increasing number of jurisdictions with which European institutions are concerned, b) institutional changes as a result of changing formal decision-making rules and c) an ideological shift from 'government' to 'governance'. Let us focus on some of these aspects in more detail.

The growing number of interests groups appears to be linked to the increase in power and competencies of the EC, and now the EU. More particularly, it is likely to be related to an apparent progressive shift of competencies from the Council of Ministers to the European Commission, implying a relative decrease in power of the intergovernmental as compared to the supranational level of decision-making (in accordance with several theoretical approaches – from neo-functionalism to neo-institutional theories – claiming such a shift). After the ratification of the Single European Act (SEA), lobbying groups increasingly turned towards the European Commission, leading Mazey and Richardson (1993b) to call the SEA a 'catalyst for Eurolobbying'. According to the SEA, member states committed themselves to completing the internal market by the end of 1992. The fact that almost 300 new harmonization measures had to be adopted and implemented in a rather short period of time implied, according to Mazey and Richardson (1993b), that an increased number of special interest groups were affected by decisions to be taken on the European level. As a consequence, the number of Eurogroups increased sharply. Also, since the SEA, environmental policies of member states, for example, are for about 80 percent derived from European directives. This development has triggered the mobilization of environmental NGOs (Webster 1998: 178-183). During the 1990s, the EU has increasingly become an arena in which the political agenda with respect to citizen rights, asylum and immigration policies, and human rights is set. This has stimulated the emergence of a new set of interest groups (Favell 1998).

Changes in formal decision rules have led to a patchwork of interest groups and a diverse set of political opportunities. With the increase in its relative decision-making powers – especially in the framework of first the cooperation and then the co-decision procedures – the European Parliament has increasingly become a target of lobbying activity. Enhanced pressure group activity can partially be explained on the basis of institutional factors: before intensified efforts to create a European common market took effect, interest groups may have preferred to act through national governments, largely due to the existence of the Luxembourg Compromise. This agreement essentially provided national governments with a de facto veto power. However, the growing use of qualified majority votes (QMV) makes that national interest groups can no longer rely on a national veto in the Council as a last resort.
Therefore, interest mobilization at the European level and towards both the Council and the European Parliament has grown in importance.

EU institutions, more particularly the Commission and the Parliament, have stimulated the growing importance of interest group activity. The size of the Commission bureaucracy is, compared to national administrations, relatively small (with about 16000 officials) and not all Commission officials are technical specialists. Therefore they depend on organised producer or other specific interests capable of providing detailed information on how policies generate material costs and benefits. Research shows that the Commission bureaucracy tends to be very open towards the external input of expertise by specific interests (Beyers and Kerremans 2004). The growing legislative role of the European Parliament forces its members (MEPs) to consider factual and technical expertise as well. However, since MEPs are elected officials and provide a forum for public debate, they are sensitive to political arguments and will be inclined to take broader political perspectives into consideration. Some structural reasons stimulate MEP’s openness towards a wider set of interests. The fact that Brussels’ MEPs are geographically distant from their constituencies contributes to their incomplete knowledge about the preferences and preference intensities of their constituencies. More importantly, for MEPs, information stemming from their local supporters is probably insufficient for evaluating legislative proposals in a broader European perspective. Therefore, MEPs show openness towards a wide range of mobilized interests. Especially encompassing interests, such as peak associations and NGOs, gain attention from MEPs (Marks and McAdam 1999; Beyers 2004; Bouwen 2002). Both the Parliament and the Commission are more or less permanently trying to increase their competencies, or at least to defend acquired competencies, against the member states. Under these circumstances, both institutions are open to the requests of interest groups in order to counterbalance the influence in EU decision-making by member state governments.

Interest groups perform different functions. Serving members or clients is done by the provision of specific services (such as information gathering regarding market conditions), and by attempts to influence EU decision-making processes. However, influencing decision-making does not necessarily occur from the outside, but it may also occur from ‘inside’. Interest groups may directly participate in expert committees, or take over management functions regarding the implementation of policies. This means that some government functions are not solely performed by public officials, but also largely conceptualized, supervised and implemented by private actors. This feature of multi-level governance implies that the borders between private and public actors are increasingly blurred. It is a development that may be linked to the overall trend of outsourcing public tasks to private institutions.

Although the EU system is quite open towards a variety of interests, it still may contain many biases. At present, the most important interest organizations at the European level appear to be producer groups, representing a single sector or industry at the European level. Examples are the CEFIC (European Chemical Industry Council), the ACEA (Association of European Automobile Constructors), COPA (Committee of Agricultural Organizations in the EU) and EUROFER (European Confederation of Iron and Steel Industries). One of the most important head organizations is the UNICE (Union of Industrial and Employers’ Confederations of Europe), representing the interests of producers in different industries. Moreover, there are so-called 'horizontal groupings' of leading European companies (such as the European Round Table of Industrialists). By contrast, the number of interest groups representing wider societal interests, such as those of consumers or environmental activists, is
considerably lower, although this gap has recently been reduced in part, notably due to the increased powers of the European Parliament within the EU’s institutional setup. Generally, the European Parliament is still lacking power in the EU decision-making process, not least due to the absence of a true transnational system of party competition. But it clearly is the EU institution most concerned with the interests of consumer and environmental organizations.

However, the number of organizations representing specific producer interests does not indicate that these groups gain more political attention than ‘diffuse’ interests. There are different views on the significance of specific interests: some authors view them rather as ‘empty shells’ (McLaughlin, Jordan and Maloney 1993), considering them to be largely non-effective, whereas others instead emphasize their importance as channels to institutions where decision-making authority is located. In spite of wide membership, which appears to contradict the logic of effective mobilization according to collective action theory, specific interests are usually able to establish relations with EU officials based on frequent interactions, confidence and a perception of reliability. The European Commission and the Council of Ministers appear to be more targeted by interest groups representing economic and producer interests. Thus, we may assume that specific producer interests indeed play an important role as providers of trust and information. On the other hand, they are not the tightly-knit ‘peak organizations’ necessary for the functioning of a macro-corporatist system of interest intermediation, and the increasing importance of the European Parliament has led to significant political opportunities for public interests in the EU that are not easily mobilized.

7 Further Reflections on Interest Groups and EU Governance

Literature on pressure group activity is divided, not least regarding the role of interest groups in European governance. While some strands of literature on the phenomenon emphasize their role as providers of compliance, information or trust, others view their activities as socially distorting, biasing policy-making and harmful to general welfare as well as to prospects for economic growth on the basis of their rent-seeking behavior. Although some of these contending perspectives might be consolidated by comprehensive empirical studies, others simply depend on a normatively reasoned choice of the ‘dependent variable’. Public choice and collective action approaches share a fundamentally different perspective on the functioning of capitalist societies when compared to pluralism, corporatist theories or, even more pronouncedly, critical political economy. Rival explanations of these various approaches on the role of interest groups in EU decision-making provide an interesting area for the formulation of alternative hypotheses and subsequent empirical testing of the contradicting claims they generate.

In spite of the disagreement between these approaches on the nature and effects of interest group activity, we still can pinpoint some particular features of the EU that are crucial for any evaluation of the governance contribution of interest groups. These features highlight some of the positive and negative aspects described above, while giving less weight to others. For example, the corporatist argument regarding the provision of compliance by interest groups, after careful evaluation, can hardly be applied to the analysis of European governance: even the most prominent Eurogroups are too weak to ensure the compliance of their member groups with ‘corporatist deals’ struck on the European level. In addition, a long-term assessment of the governance role of EU interest groups depends on the further course of European integration, not least in terms of re-regulation versus market liberalization, and effects of enlargement. The EU is a moving target. Finally, some of the most central aspects
outlined above, such as the possible producer bias of policy-making, could potentially decrease if the European Parliament were to gain additional leverage within the EU: this institution appears to be much more open to general, public interests, than for example the Commission that is faced with considerable rent-seeking interests.

Finally, we turn to the issue of legitimacy, which is at the core of most normative discussions on the role of interest groups in European governance. Although political-economy approaches do not directly address this question, we may still draw some conclusions based on the discussion presented above. Viewed through the lenses of different political-economy approaches, the idea that interest groups should be able to provide an 'alternative' democratic legitimization of the EU -- acknowledging that the current institutional setting does not generate sufficient 'legitimacy' -- appears to be problematic, especially given the weakness of the European Parliament within the EU's policy-making process. Although we did not deal with the mechanisms and processes of political deliberation in this chapter, we have identified a number of features of EU interest group activity on the basis of different political-economy approaches that are detrimental to a legitimizing role of these groups. Among these features are, for example, the rent-seeking behavior of many economic interest groups, collective action problems of public interests, and the over-representation of interests of 'capital' over those of 'labor'. While interest groups may thus fulfill some important governance functions as providers of information, trust and compliance within the current EU, as especially pluralist accounts of interest group activity claim, they are unlikely, in the perspectives we have presented, to constitute an actual pillar for the EU's democratic legitimacy.

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Interest Groups and European Governance: A Normative Perspective

The real world of governing, as well as academic theories about governance, have been changing as the traditional conceptions of state-centric, hierarchical governance become more suspect. In the real world the combination of public skepticism about the capacities of the public sector for effective action, and public demands for enhanced opportunities to influence policy have produced movements away from *etatiste* conceptions of governing toward more collaborative and cooperative (associative in Hirst's (1994) terms) formats for governing. Governments have found\(^1\) that they have the capacity to utilize and co-opt actors in civil society and thereby to improve both the design and the implementation of policies.

At the theoretical level various approaches to understanding the manner in which the political system makes policy and relates to its society have stressed mechanisms for involving societal actors. At the extreme some scholars have argued that "governance without government" is possible, and even desirable (Rhodes 1997, see also Jachtenfuchs 2001). At less of an extreme advocates of "socio-political governance" have identified the increasing role of societal actors in governing and the increasing indeterminacy of policy decisions as a result of that involvement (Kooiman 1993, 2003). The indeterminacy of contemporary governance arrangements produces decision situations not dissimilar to the garbage can model of bounded rationality (Cohen et al. 1972) in which the confluence of events may dominate any attempts at rational planning and planning.

As well as changing the extent to which they may attempt to act autonomously, governments are also changing the instruments through which they will attempt to govern (see Salamon 2001a, Peters forthcoming). The public sector has been moving away from using command and control instruments for governance towards instruments that involve less direct imposition by the public sector and that permit greater negotiation and greater involvement of the affected parties. This change is an obvious extension of the general political trends described above, but the emphasis is at this point is on how the interventions are implemented. For example, rather than having regulations issues by a fully public institution government may use "soft law", such as negotiated pacts, standard setting, as well as some degree of self-regulation for the groups affected (see Scott and Trubek 2002). The choice of these instruments means that government may become apparently less intrusive while at the same time being able to "steer" effectively. These changes in the real world of governing are also associated with changes in the academic theories about policy instruments, reflecting the move toward "New Governance" and theories stressing the capabilities of governments to achieve their purposes in less intrusive, and less costly, manners (Salamon 2001b).

Although the less-structured and more bottom up approaches to governing have become dominant in some thinking about governance there are also some contradictory trends, and opposing demands, on governments. The increased decentralization of much of the public

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1 In many ways this is old news. Scholars (Kraemer 1967, Heisler 1974) have pointed out that in many of the smaller countries of Europe there have been close links between state and society and that governments have used their capacities to co-opt potential awkward elements in society in order to achieve both effective policy-making and social quiescence.
sector, in part a result of the changes described above, and in part a result of changes in administrative dogma associated with the "New Public Management" (see Pollitt and Talbot 2004) have tended to make any sort of steering of society from the center difficult. Therefore, some governments have sought to improve the managerial and strategic planning capacity of government and to enhance the abilities of presidents and prime ministers to impose their own political priorities on the choices made by governments.

Concerns about democracy place an additional set of constraints on the capacity of governments to accept readily an increased role for collaborative methods of governing (see Sorenson and Torfing 2002). The increased involvement of societal groups in decision-making appears to make governing more open and democratic, but it may be only the appropriation of public power for the benefit of limited segments of the society, rather than for any more generalized public good. Advocates of the corporatist and corporate pluralist models of governing (see Rokkan 1967, Olsen 1976) have emphasized the utility of group influence as an complementary form of democracy to that provided through representative institutions. These structures can be a crucial means of involving actors who might otherwise feel themselves excluded. Their inclusion, however, may move policy away.

The above discussion has focussed primarily on the legitimation of policy choices through open and transparent means, and that is certainly a crucial question in any democratic political system. As we consider the role of organized interests in policy making, however, we should also consider the more technical requirements for governing and the role that government can play in enhancing or diminishing that policy capacity. For example, one of important criteria for governing is the capacity to make coherent policies across time and space, and to integrate policies adopted in one organization with those made in others. We would argue that interest groups may have some important benefits for creating this policy coherence, but they may also have important negative consequences.

On the positive side of the ledger interest groups may help in coordinating actions vertically across levels of government, a contribution that may be of particular importance in the European Union (see below) and other complex multi-level governance systems. Most interest groups operate at all levels of government, even if they focus on one or another of those levels. If nothing else, the groups may be able to monitor decisions and implementation at one or another level of government and use that information to influence decisions made at others. Their role is often more active, stressing the same policy priorities at all levels and attempting to create that vertical coordination. Further, interest groups may be central to the emerging Open Method of Coordination within the EU that is a more informal mechanism for integrating national and supra-national policy initiatives, and integrating across sectoral boundaries (De la Porte and Pochet 2002).

On the negative side of the ledger groups tend to be associated with distinct policy preferences and also tend to be associated with particular organizations in the public sector. To these extent that those direct linkages to programmes and organizations are in place they may make horizontal coordination of policy more difficult. Even if an organization were interested in coordinating and perhaps ceding some aspects of policy control to other organizations, the interest groups associated with the policy area are likely to be less keen and

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2 This is, of course, Theodore Lowi's familiar argument (1967) about many aspects of governing in the United States.
to attempt to use their power to maintain greater autonomy for the individual policy. This makes sense in terms of serving the clientele involved, but it is also means of the interest group maintaining its own institutional powers.

1 The European Union

The European Union is a special case of these changes in governance (see Best 2003). To some extent the EU represents an extremely hierarchical model of governing. The EU is a supranational organization dominated by representatives from national governments (the Council) and secondly by a largely unaccountable bureaucracy (the Commission) that continues to respond to its own internal policy ideas and its own priorities. The European Parliament has certainly enhanced its power (Kreppel 2002) in the policy process but remains substantially weaker than parliaments at the national level. Although the EU depends upon the member states for the implementation of its directives, those member states face sanctions if they ignore the EU regulations3, and hence the capacity of the members to impose their own priorities on policies impacted by Brussels is limited.

Democracy is therefore an on-going challenge to the meaning of governance within the European Union. The debate on the democratic deficit has been going on for almost as long as there has been some form of supranational governance in Europe, and that debate is far from being resolved. The assertion of the rights of the European Parliament over Santerre Commission helped to institutionalize something approaching a parliamentary form of government, but there appears still to be a long way to go in institutionalizing conventional formats for democracy. The debate over democratic governance in the EU had waned in importance in the discourse about the EU until the considerations of a new constitutional document began and basic design issues again became central.

The general pattern of shifts in governance described above are actually likely to accentuate the concerns of politicians and citizens who consider the European Union beyond the effective control of the citizens of Europe, and to be a bureaucratic rather than democratic, form of regulating the society. The more collaborative forms of governance may be acceptable in the individual country members because they are a complement to well institutionalized mechanisms for representative democracy. Given that the EU lacks those representative institutions the institutionalization of associative forms of governance may only be seen as a route for powerful social interests to influence policy without the countervailing powers of mass-based representative democracy.

The European Union also has at least one interesting contradictory trend in its governance pattern, notably the demands for "credible commitment" to policies over an extended time from EU institutions. Much of the ethos of governing is shifting toward mechanisms that permit groups and individuals to influence choices at a number of points in the policy process, and also leave a great deal of discretion to "street level bureaucrats" and to other more or less autonomous actors. While that has been the dominant shift in the style of governing across a range of countries and structures, the alternative has been a movement toward delegating in a manner that ensures that the agent is indeed committed to the instructions given by the principal. The expectation is that political leaders can shape policy and avoid the familiar problems of shirking and agency loss (Brehm and Gates 2000). In the European

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3 That is, unless they are the largest countries who apparently ignore regulations like deficit ceilings at their pleasure.
context delegation of many powers to the Commission, and to the European Central Bank, have been seen as crucial mechanisms for locking in policy priorities against threats of drift (Pollack 2003).

2 The Role of Groups

The above discussion of changing patterns of governance has emphasized the role of social groups and their role in the alteration of the former attempts at hierarchical control of society by governments. This role for the civil society is now institutionalized as a central element of policy-making in national governments, especially those in Northern Europe, and has to some extent transformed the meaning of governing there and elsewhere. As intimated earlier, governing now involves more collaboration and co-production of outcomes than the simple imposition of rules from the centre. The question in this paper then becomes the extent to which those conceptions about governing can be moved from the national level to the level of the European Union.

This increased role highlights the existence of two fundamental problems in governing: the agency problem and the commitment problem (see Yesilkagit 2003). The agency problem is the familiar one of how can a principal, meaning in this context the parliament or a minister ensure that its agent—often a bureaucratic actor of some sort—does not deviate from the state intentions of that principal. It is obvious in the emerging styles of governing that the agency problem is likely to be of increasing importance, given that bureaucracies are likely to be the major point of contact between society and government. Thus, the agencies are likely to find it even more difficult to maintain their allegiance to the stated goals of the principal given pressures coming from their political environment.

The commitment problem also relates the role of social groups to governance. Interest groups may have difficulties in securing policy decisions that they want, and once they do win they want to find some way of ensuring that those victories will persist. This is another version of the idea of ‘credible’ commitment discussed above with respect to EU policy choices. The somewhat paradoxical situation that contemporary governance poses for groups is that if they are able to win in parliament or with the political executive that they can be increasingly less certain of the commitment of the implementors of the program to maintain the program. That commitment may depend as much upon local circumstances as upon more general laws defining the policy.

For the European Union these problems of agency and commitment are no less real, but the capacity of social groups to play a meaningful part in the governing process may be defined somewhat differently than at the level of the nation state. There is little doubt that interest groups play an active role as lobbyists in Brussels and often are quite successful in that role. The somewhat disaggregated nature of the European Commission provides interest groups excellent targets for their lobbying activities. Each Directorate General (DG) has a natural set of allies in the interest group universe, and there appears to be something of a symbiotic relationship between group and DG, trading access to the process for political support.

What the European Commission and the EU more generally does not have is its own implementation capacity, at least for the vast majority of its policies. It instead depends upon national bureaucracies to place its programs into operation. Although there are sanctions for countries that fail to read European directives into national law, the ability to sanction deviations at the implementation stage may be more problematic. In the first place assessing levels of deviation of programs as implemented for anything more than the simplest direc-
tives may be difficult, as indeed it can be for assessing the implementation of ordinary national legislation (Peters 2000). The linkage of societal groups to the implementation process in many of the member states may pose yet another barrier to achieving agency on the part of the European Union actors. The design if governance systems is to enhance rather than to diminish the opportunities for local influence over decisions, and local here may be very local. Especially in the more corporate or corporate-pluralist states there are numerous opportunities for the influence of groups to have some influence over policies at the very lowest levels of government, or at local offices of central government administrations. Thus, the social group that is successful in Brussels in having its favorite policies adopted may have to continue its efforts (through monitoring as well as other forms of attempting to have influence) at the implementation stage. Again countries may differ in the extent to which this commitment problem, and the associated agency problem, are real problems, but the movement in the direction of governance does enhance the opportunities for these to emerge.

As well as lobbying, interest groups may have a more direct and legitimated role in the policy process. For much of its history, and to some extent even now, the relationships between interest groups and the Brussels bureaucracy could be described as being "clientela" (see Peters 1999), with the Commission selecting a few groups with which it felt comfortable as the appropriate representatives of social interests. Beginning at least with the Sutherland Report in 1992 the European Commission has sought to open its relationships with groups and to make those relationships more transparent (Mazey and Richardson 2003). This has been done through creating a series of fora that promote relatively open dialogue on policy issues. At a less sweeping level there are some 1,000 or more advisory committees composed of national and group representatives that advise government (Van Schelden 1999). As in so many instances there may have been a clear contrast between the effectiveness of participation and its transparency, with the discussions behind closed doors being more relevant than those reported on open websites.

As the European Union changes its style of governing, along with its member nations, new patterns of involvement of groups in the process are emerging. Another of the particular problems of group involvement in the European Union, alluded to above, is the increasing importance of "soft law", open coordination, and a range of other more informal mechanisms for achieving collective purposes (Héritier 2002). These utilization of these mechanisms represents a special case of the movement toward the governance concept for steering society, but these policy instruments are especially important in the European Union as a means of softening the manner in which it deals with the European society and economy, and to some extent as a means of shifting toward it.

3 Groups and Accountability

The above rather skeptical discussion of the role of interest groups should be supplemented by another set of questions about the democratic capacity of interest groups in governance in general, and in governance in the European Union more particularly. As well as providing involvement for relevant interests in the society, any reasonable model of democratic governance also implies the capacity to hold the actors involved in government accountable for their actions. Accountability in the political process therefore must increasingly involve the ability to supervise the actions of interest groups as they participate. Along with numerous other requirements effective accountability requires transparency and a capacity for
citizens, as well as members of other political institutions, to understand how their representative have acted.

Holding societal groups accountable in governing is difficult, for their members as well as for the society as a whole. The problems encountered by society are perhaps rather obvious. To the extent that policy decisions increasingly are shaped by the actions of autonomous social groups the society as a whole may lose some influence over those policies from the representative institutions of democracy. This loss of control is evidence when making policies at the design stage and the fundamental nature of the policy is shaped by lobbying and other group activities. At that stage there often is countervailing power, with multiple actors representing a range of societal interests all competing for influence, to some extent offering an analogue of democracy. That analogue of democracy may be imperfect, as critics of pluralism and corporatism have argued strongly, but there is some balancing of interests.

The greater problem presented by group involvement for democracy may be manifest itself at a lower level of government. It is at the local level of government at which many important decisions are made that elaborate general rules to move to more specific rules, or decisions are made that implement policy. For example, many policies about labor market policy are made around local labor markets involving the employers and labor officials in that community, often preserving the local industrial structure at some general social cost. In agriculture the same localism may also dominate, preserving local power structures and modes of production while imposing general social costs. The examples might be extended but the general point is that the logic of involving local interests that is central to contemporary governance may produce local capture of the policies, a situation analogous to the familiar capture arguments for regulatory organizations and policies.

Contemporary governance therefore presents one rather paradoxical outcome in the manner in which it seeks to involve social actors in decisions. The mechanisms designed to produce greater democracy and involvement of those societal actors may actually result in patterns of policy-making that are more exclusive and therefore in effect less democratic. Paradoxes of this sort are not uncommon in organizational design in the public sector (see Hood/Peters forthcoming), but this one has become especially important as terms such as involvement, engagement and empowerment become so prominent in the discourse on public organizations. The countries with long traditions of corporatism or corporate pluralism have found it easier to cope with democratic designs in the construction of networks, but those systems without that experience may find it extremely difficult to reconcile openness with long traditions of treating interest groups quite differently.

The general problems of accountability described above are exacerbated by the internal dynamics of the interest groups. Going back at least to Michels (1915) analysis, the problems of oligarchical controls within nominally democratic organizations has been well known. This problem may be especially important for organizations such as labour unions and other true interest organizations in which individuals have something to gain by remaining a member and therefore may be willing to accept some direction so long as the group

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4 Contemporary agricultural policy appears to have these sub-optimal characteristics at the supranational, national and local levels, as the debates in Cancun emphasized rather clearly, but the local level does add a particular element.
continues to produce the benefits. Lipset, Trow and Coleman (1956), for example, pointed to the level of internal democracy that existed in one union, but that this union of highly literate printers was the clearly the exception to this general principle.

The obvious problem that the absence of internal democracy within interest groups presents is that organizations involved in making public decisions may not be held accountable to the broader public, and neither may they be held accountable to their own members. This problem is perhaps less significant at the local level of decision-making discussed above, given simply that the smaller size of organizations and the physical proximity of the leadership and the mass membership makes the group more homogenous. Still, there are important questions of producing effective democracy when such important barriers to internal democracy and internal accountability even at that level of government, and it is difficult for the membership of almost any organization to control its leadership.

If we return to the discussion above of interest group involvement in advisory committees and other structures for intermediation, then it is clear that this form of involvement of social actors in the EU has some of the same problems of accountability. These processes for exerting influence are far from transparent, and even the most dedicated student of these processes would have difficulty in tracing through the patterns of influence and the positions of groups in a wide range of venues. Therefore, it may be even more difficult for the ordinary members of a group, or for citizens at large, to understand what sort of "games" their representatives are playing, and therefore impossible to hold the group accountable for its action. Again, these problems of accountability are not the fault of the individuals who have designed these institutions, but rather may simply be a function of the nature of interest groups and their political role in attempting to influence European policies.

4 Interest Groups and Governing in Europe

Although the manifestations and the intensity differ, almost all wealthy democracies have experienced some changes in the manner in which they govern themselves. This "New Governance", for the want of a better term, involves less direct command and control from the centre and greater involvement for social actors in making and implementing policy. It also involves more interaction among levels of government, whether in formally unitary or federal regimes. The governing system within the European Union has undergone analogous changes, with some special emphases and variations such as the increased use of "soft law" and the open method of coordination. These innovations move the European policy system to some extent away from the bureaucratic stereotype of the system toward an apparently more participatory form of governance.

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5 The implicit contrast is with attitude groups, based on agreement with principles rather than economic interests. A member of an attitude group has little to lose if they leave the group when leadership deviates from his/her preferences--indeed they would lose if they remained a member of a group with which they disagreed.

6 Just as national representatives may play two level games in international diplomacy (Putnam 1988) so too may the leaderships of interest groups when they bargain in Brussels. These leaders need to be considered effective participants in the bargaining and advice process at the committee stage, as well as representing the interests of their members there. In the best of world these two activities will be compatible, but they may also diverge in practice.
One must use the modifier "apparently" above, given that not only for the European Union but for the national systems as well the adoption of these devices of "New Governance" may not be so open and democratic as they appear. Indeed, in some cases the "new governance" mechanisms may institutionalize some constraints on other forms of popular democratic involvement in the system. Therefore, these changes in patterns of governance may help to legitimate the system in the short-term but in the longer term may only create more barriers to the effective democracy that is sought by so many European citizens. In particular these institutional changes may make effective accountability mechanisms more difficult to produce, and thereby undermine what has become in many cases the principal form of democracy in complex, bureaucratic political systems.

The "new governance" is new, and then again it is not. Many European governments have been governing in this manner for some decades, if not centuries. What may be new is that some of the normative implications of this pattern of governing have become more apparent as the mechanisms for linking state and society have themselves become more evident, and the practice had diffused to countries, i.e. the United Kingdom in which it conforms less to established political norms. Further, the use of various "soft law" methods by the European Union has highlighted concerns about accountability and control in a democratic framework. These normative issues are difficult to settle in any definitive manner, and are likely to remain an enduring feature of governing in Europe.

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Amanda Sloat

Governance in the Making: The Future of the EU’s (Thought) Experiment

The much-anticipated White Paper on European Governance, which was published by the European Commission on 25 July 2001 after nearly a year of internal meetings and external deliberations, has been relegated to history’s bookshelf. The governance debate was superseded even before the paper’s publication by the launch of the post-Nice process, which initiated the constitutional convention on the future of Europe. While the white paper was a useful (thought) experiment for interested Commission staff and provided an intellectual framework for the ongoing debate on institutional reform, its scope was limited by politico-legal considerations and it produced few radical proposals for change. That said, it remains important to remember that the governance initiative of Commission President Romano Prodi influenced the Europe-wide discussion about the desired style of policy-making and institutional reform in anticipation of enlargement.

This chapter seeks to recall how these debates began and what the Commission originally envisioned. It begins by examining the politics of the white paper’s formulation, including the origins of the debate and challenges faced during the development of the document. The second section provides a brief overview of the policy developments that have emerged since the white paper’s publication. The final section of this chapter discusses the potential of this vision of governance, situating the white paper within the context of the European convention’s work preceding the next Inter-Governmental Conference (IGC). It demonstrates how the Commission, despite its lack of control over recent debates, has sought to retain an active role and to promote its preferred Community Method.

1 Politics of Preparing the White Paper

In the late 1990s the European Commission launched several initiatives to stimulate public debate on the future nature and direction of the European Union (EU). A group of officials in the Forward Studies Unit (FSU) – an in-house thinktank based in the Secretariat General – began deliberating upon the idea of governance in early 1996. A series of workshops led to the publication of an edited book, Evolution in Governance: What Lessons for the Commission? A First Assessment (1997), that contained insightful theoretical perspectives and provided an impetus for the later white paper initiative. In 1997 the FSU began a related exercise, ‘Scenarios Europe 2010’. Structured much like the governance exercise, 60 Commission officials in five working groups discussed scenarios for Europe’s future in order to guide external thinking about the direction of the EU and to stimulate internal thinking about the effect of policies under consideration. Although these important theoretical exercises influenced the officials involved, neither activity captured the public imagination or gained significant media attention.

President Prodi was strongly encouraged by his senior advisors to make governance one of four strategic priorities for his term of office (2000-05). In March 2000 the Commission commenced a ‘Dialogue on Europe’, which coincided with the beginning of the IGC dealing with issues related to enlargement. It sought to encourage interaction between citizens and EU decision-makers and to stimulate public debate on the challenges caused to Europe by institutional reform. The Commission focused attention on four key questions: 1) What will be the main functions of the EU in the future? 2) How can we hold the EU to introduce
and manage these changes effectively? 3) What impact will enlargement have on the organisation and working of the EU? 4) How can ordinary people be more involved in these developments? By October 2000, 150 debates had been held in member states and over 7000 individuals had participated. Its lessons, particularly in regards to increasing public debate, were expected to contribute to the work of the governance white paper.

This exercise confirmed what senior figures in the Commission already realised: EU reform was urgently required. The work programme for the governance white paper identified the problems of citizens’ disillusionment with EU policy-making (particularly following the resignation of the Santer Commission), low voter turnout in the European Parliament elections, and the ‘no’ vote in the Irish referendum on the ratification of the Nice Treaty (European Commission 2000). It also recognised the need to reform increasingly unwieldy institutions before new member states joined the union. In a speech to the European Parliament on 15 February 2000, President Prodi sought to deepen the debate through the development of a white paper on governance. He announced its two main tasks:

First, it will ask fundamental questions about what policies we need in a European Union of up to 30 members, and how such policies can best be delivered. Second, it will ask what institutions we need for the 21st century and propose a new division of labour between the Commission, the other institutions, the Member States and civil society.

The work programme built on the questions raised by the ‘Dialogue on Europe’, identifying six themes for consideration: 1) broadening and enriching the public debate, 2) handling the preparation and implementation process, 3) improving the exercise of European responsibilities through decentralisation, 4) promoting coherence and co-operation in a networked Europe, 5) strengthening the Union’s contribution to world governance, and 6) strengthening the integration and strategic dimension of Union policies across the continent.

The governance team faced numerous challenges throughout the project (see Sloat 2003). The first challenge – a linguistic and conceptual one – was identified by those involved in the governance exercise led by the Forward Studies Unit, as the editors of the final publication sought to provide some initial guidance for the white paper. Referencing the impact of the White Paper on the Completion of the Single Market, they wrote:

If similar progress is to be made towards political integration, the forthcoming White Paper will have to provide the driving force and thus become the defining act of the Prodi Commission. The difficulty… is that it is not yet clear what the Commission has in mind when it talks about promoting new forms of governance (Lebessis and Paterson 2001: 271-2).

This chapter will argue that the Commission never succeeded in clarifying this agenda, particularly as the interventions of political leaders changed its terms, and therefore lost control of the debate.

Part of the difficulty stems from the nebulous meaning of the word under consideration. Governance became a buzzword after the World Bank first used it in 1992 to stipulate criteria for development aid, while its use spread through political science literature. It has a plethora of meanings, ranging from the minimal state, corporate governance, and new public management, to good governance, a socio-cybernetic system, and self-organising networks (Rhodes 1996). Academics studying the EU have found the term helpful, as it enables them to conceptualise the EU’s unique structure as more than an international organisation but as less than a state (see Hix 1998). While traditional views of government emphasise the territorially bound nation-state, governance focuses on increasingly permeable
state borders and interaction between actors in different political jurisdictions. Governance ‘refers to collective problem-solving in the public realm’, while government ‘refers us to the institutions and to the agents (personnel) who occupy key institutional roles and positions’ (Caporaso 1996: 32). The editors of the FSU publication favoured the definition of Calame and Talmant: ‘Governance is the capacity of human societies to equip themselves with systems of representation, institutions, processes and intermediary bodies in order to manage themselves by intentional action’ (Lebessis and Paterson 2001: 272). The work programme for the white paper encompassed many of these elements, defining governance as ‘rules, processes and behaviour that affect the way in which powers are exercised at European level, particularly as regards accountability, clarity, transparency, coherence, efficiency and effectiveness’ (European Commission 2000: 4).

While the lack of clarity surrounding the word governance makes many anglophones uncertain of its precise meaning – it is indistinguishable from ‘government’ in the 1999 Oxford English dictionary – the more serious problem is its absence from the vocabulary of any other European language (European Commission 2001b). The Commission’s translation service employed a variety of strategies, either using the English word in quotations as it is broadly understood (‘governance’ for Italian), developing a neologism to preserve the native language (gouvernance in French), or finding the most closely related word (regieren in German). The composition of the governance team also created linguistic challenges, as none were native English speakers. The majority were either French or German, in addition to two Belgians, a (francophone) Greek, and a (francophone) Spaniard. Although most were proficient in written and spoken English, they preferred to communicate in French. Not surprisingly, a distinctly French approach that favours the Community Method and regulation seems to shape the final document.

Second, the practical management of this large-scale project caused difficulties. From the beginning the governance team was limited in its ability to develop innovative initiatives by the requirement to work within the confines of the existing treaties. As all proposals needed to be feasible without radically changing the institutions’ design or working practices, the team was unable to ‘think outside the box’ and test novel ideas. In addition, the team was required to complete its deliberations in less than ten months. This time limit proved insufficient for thorough consultation, detailed contemplation of proposals, and the preparation of a final report. While senior officials considered delaying the white paper’s publication, they decided that it was more politically expedient to retain the original deadline – particularly as the ‘post-Nice process’ was carrying the debate forward anyway.

The white paper’s initial work programme (European Commission 2000) was presented as a ‘staff working document’ to emphasise that it was the thinking of civil servants in advance of final College approval. The team was managed by Jérôme Vignon; a former civil servant in the French government, he established the Forward Studies Unit under then-Commission President Jacques Delors in 1989 and served as its director until 1998. The governance team was not located in the FSU (as many observers mistakenly assumed), although four of the team’s nine members had previously worked there. Rather, a separate team was established in the Secretariat General that was directly answerable to President Prodi. The other team members, who had variable knowledge of governance issues, were drawn from other Directorate Generals (DG); each was responsible for managing several working groups that studied related issues.
Vignon established twelve working groups to focus on the six themes identified in the work programme. These groups were composed of officials, who were drawn from DGs relevant to the subject under consideration and had a percentage of their week allocated to the project. The groups were ‘piloted’ by senior Commission officials (mainly Heads of Unit), while a rapporteur kept minutes and drafted the final report. In hindsight, this structure may have been overly bureaucratic as significant efforts were made to prevent groups from overlapping (e.g., two groups examined aspects of sub-national participation and two focused on the involvement of civic organisations) while only four themes appeared in the final paper. Project management was further complicated by disagreements between governance team members and working group pilots, as each had distinct ideas about their group’s remit.

Third, the work of the governance team was overshadowed by political concerns about white paper proposals as other EU institutions jockeyed for more political power and member states put forward their own ideas. For example, the European Parliament (2001) worried about the loss of its representative function if ‘undemocratic’ organisations were more active participants in the policy-making process, while the Committee of the Regions (2000ab) and the Economic and Social Committee (2002) sought a greater role for themselves. The German Länder called for a catalogue of competences, and British Prime Minister Tony Blair proposed a third chamber composed of national parliamentarians.

The intervention of Joschka Fischer, the German Foreign Minister, was especially influential in shaping the direction of the governance debate. He shared his views during a speech at the Humboldt University in Berlin on 12 May 2000. The background to Fischer’s address — and, indeed, the governance exercise — was the failure of the 1997 Amsterdam IGC to make significant progress in reforming EU institutions in advance of eastward enlargement. In particular, European leaders were unable to resolve the size and composition of the Commission, the weighting of votes in the Council, and the extension of qualified majority voting in the Council. The IGC launched in February 2000 was expected to resolve these issues with greater urgency. Fischer argued that the ‘very simple answer’ to these questions of enlargement and institutional reform is ‘the transition from a union of states to full parliamentarization as a European Federation…. [that] will have to be based on a constituent treaty.’ Emphasising the importance of subsidiarity, he proposed a two-chamber parliament (one of national parliamentarians and the other of states/regions), a European executive drawn from national governments (European Council model) or a directly elected (Commission) president, and a treaty that clearly defines the competences of the union and member states. He also floated the idea of an avant garde, a small group of states — led by Germany and France — that pushes integration forward.

While many of Fischer’s ideas were not new, the manner and context of his speech were unique. Anthony Giddens (2000) noted that: ‘Fischer insisted that he was talking in a personal capacity, not an official one. Yet this fact gave what he had to say even greater weight, because he was “speaking frankly”.’ Other academics also commented on the novelty of a politician wading into what had been predominantly an academic debate: ‘[His] was not a speech with electoral returns or the prospects of re-election in mind…. Wide public attention was intended and was, in fact, accomplished’ (Joerges et al 2000). Furthermore, commentators noted how Fischer’s intervention affected Prodi’s handling of the governance debate. For example, a Radio Netherlands report on 27 June 2000 noted how the speech ‘triggered a new discussion in France and Germany…. New rules should lay out the powers and responsibilities of all local, regional, national and European institutions in the Union. That seems to coincide with the still rather vague view of Romano Prodi’ (Veendendaal
Sharon Ellul Bonici, speaking at the launch of the Future of Europe debate in Malta on 17-18 October 2001, claimed: ‘Last February, [Prodi] officially called for a debate on the future of Europe. He had no choice. The debate had already been publicly initiated by [Fischer].’

At the Nice Summit in December 2000, European leaders agreed on a Declaration on the Future of the Union that incorporated many of Fischer’s talking points. It proposed four topics for discussion before the 2004 IGC: 1) how to establish and monitor a more precise delimitation of competencies between the EU and the Member States, reflecting the principle of subsidiarity, 2) the status of the Charter of Fundamental Rights, 3) simplification of the treaties, and 4) the role of national parliaments. As a *Financial Times* article noted, the aims of the governance white paper shifted from their original conception after the new terms of reference – triggered by Fischer’s speech – were formalised in Nice (Norman 2001). Most significantly, possible solutions to the problems raised by Fischer and in Nice required treaty reforms – which were outwith the remit of the governance exercise. The white paper became rather superfluous, as it was unable to propose necessary and far-reaching solutions to the more pressing issues on the European agenda. At best, it could tinker around the edges and critically examine the Commission’s role in the legislative process.

In addition to losing control of the governance debate that it had initiated, the Commission had to fight battles on two fronts. On one hand, it defended its corner against other EU institutions and outside critics by seeking to retain the ‘Community Method’, within which it ‘alone makes legislative and policy proposals’ (2001: 12). The white paper’s tendency to justify the centrality of the Commission’s role may reflect feelings of staff uncertainty, as the governance initiative coincided with a period of internal reform led by Commissioner Neil Kinnock in reaction to the resignation of the scandal-prone Santer Commission (1995-99). Regardless of the cause, many academic commentators were quite critical of this approach. For example, Kohler-Koch said this plea is ‘[i]n part, an endeavour to regain lost ground, in part it is an attempt to expand and even redefine [its] constitutional role’ (2001: 3). Scharpf believed ‘that the emphases and the omissions seem to reflect a vision that is defined by both the institutional self-interest of the Commission and its opposition to Member States, and, at the same time, by a remarkable lack of concern about the real challenges confronting the Union and its Member States’ (2001: 1). Similarly, Héritier (2001) cited a pattern that ‘reflects an attempt on the part of the Commission to assert and reposition itself in the system of interinstitutional decision-making and, indeed, to regain lost ground.’

On the other hand, an internal war was being waged within the Commission due to contrasting cultures: the ‘utilitarians’ wanted the Commission to complete its tasks efficiently in light of the changed political reality, while Vignon sought to retain his original academic and bureaucratic approach (Norman 2001). In the weeks before the white paper was published, the utilitarians won: senior officials in the Secretariat General took responsibility for writing the final version (seemingly undermining the consultative nature of the initiative), the legal service left its fingerprints on the document by scrutinising the extent to which the Commission was making legally binding commitments, and the College of Commissioners delayed by several hours the press conference announcing the paper’s publication with their requests for numerous rewrites. Consequently, the white paper contained a watered-down set of proposals that fell into four broad categories: 1) improving citizen’s involvement in shaping and implementing EU policy, 2) improving the quality and enforcement of EU leg-
islation, 3) developing a more effective role in global governance, and 4) putting the concept of governance into practice by reforming EU institutions and working practices.

2 Policy Developments after the White Paper

When Brussels resumed business after its August 2001 holiday, the white paper had already been subsumed into the post-Nice process. The governance team was disbanded and Jérôme Vignon remained sidelined, while an official in the Secretariat General (uninvolved in the original exercise) was given responsibility for its follow-up. A period of consultation, which lasted until 31 March 2002, enabled the public to provide its reactions to the document. The reformed governance team (now called the Secretariat General Task-Force AU 2 Institutional Questions and Governance) received 260 responses from a wide range of interested actors (e.g., political authorities, civil society, socio-economic actors, academics), which focused primarily on the themes of ‘better involvement’ and ‘better regulation’. Most respondents welcomed the initiative, though some questioned its orientation and proposals. For example, they criticised a ‘vision that is defined by the institutional self-interest of the Commission and the role of the executive’, felt the ‘solutions proposed are largely inadequate and the causes of the difficulties barely considered’, and viewed the paper’s format and approach as ‘technocratic’ (European Commission 2002d: 8).

Several policy proposals emerged from the white paper during 2002, as the Commission published two series of documents that drew from governance discussions, attempted to improve EU legislation, and sought to implement proposed reforms of European governance. On 5 June 2002 the Commission published ‘European Governance: Better Lawmaking’ (2002a) along with communications that outlined action plans for 1) simplifying and improving the regulatory environment, 2) promoting a culture of dialogue and participation, and 3) systematising impact assessment by the Commission. Their overall aim was to produce a basic legislative framework for all three institutions that is simpler, more effective, and better understood. The fourth communication foreshadowed additional proposals, which were developed further and published on 11 December. These initiatives, which focused on the openness, effectiveness, and accountability of the way in which EU legislation is implemented, included: introducing tripartite contracts (2002f), collecting and using expertise (2002g), defining criteria for the creation of regulatory agencies (2002h), reforming comitology (2002i), and establishing priorities in vetting the application of the law (2002j).

The Commission also published draft minimum standards of consultation during the initial follow-up phase in June (2002b). Over 88 interested parties submitted responses during the consultation period, welcoming the proposed guidelines and suggesting minor modifications. The final proposals were presented six months later during the second phase of governance-related developments (2002e). These proposals, which applied from the beginning of 2003 to all major initiatives, provide a general framework for consultation that includes transparency, access to consultations, feedback to contributors, and a minimum eight-week response period.

With the publication of these proposals the Commission has completed its governance exercise, as it seems unlikely that additional initiatives will emerge from the white paper. The recent implementation of these new policies means it is too early to judge their effectiveness and impact on EU decision-making. However, the final section of this chapter will examine the effect of the governance debate on subsequent efforts (particularly by the con-
stitutional convention) to continue the governance debate and to resolve remaining institutional challenges.

3 Future of European Governance

It became clear during the early months of the governance exercise, as this chapter has suggested, that the white paper would be surpassed by political events. After making little progress on institutional reform at the Nice IGC in December 2000, European leaders agreed to adopt an additional statement at the conclusion of the Belgian presidency a year later to continue the governance debate. The Belgians proposed the idea of a convention in order to consider the outstanding questions in a more structured and systematic fashion, which European leaders endorsed in the Laeken Declaration of December 2001. Unlike the governance white paper, the convention would have the authority to consider treaty revisions and a possible constitution. Another key difference would be the predominant role of politicians rather than civil servants, as the convention would include a representative of every member state government, two representatives of every national parliament, sixteen countries (who are fully involved but cannot block member state agreements), and observers. Members of civil society would meet in a separate but parallel forum.

The European Commission’s contribution to the Laeken Council on 5 December 2001 illustrates the extent to which the Commission was displaced during the governance debate and yet still wished to steer convention deliberations. It called for the Council to adopt a broad mandate, arguing that the declaration should establish an operational link between the convention and the wider debate on Europe's future. It recommended that the convention should consider what member states should do together in the future union, as well as how to improve the democratic legitimacy and effectiveness of the union. The Commission’s contribution stressed the importance of the Community Method, describing it as ‘indispensable for achieving better democracy and effectiveness in an enlarged Union’ and pledging that its renewal ‘will be the overall objective of the Commission's contributions to the convention’ (2001d).

The Belgian presidency wished to ‘widen the agenda’ beyond the four questions raised in the Nice Declaration, but faced resistance from other member states. In the end they incorporated the Nice questions into a broader (though fewer than desired) set of topics: 1) a better division and definition of competences in the European Union; 2) simplification of the treaties; 3) more democracy, transparency and efficiency; 4) moves toward a constitution for European citizens. Many issues discussed in the governance white paper were raised again in the Laeken Declaration, including the need for the EU to speak more clearly with one voice in international politics, to address the democratic deficit and disillusionment felt by its citizens, and to reform its institutions in preparation for enlargement. It is illustrative of the white paper’s limited impact, as well as the complexity of the questions, that they remained on the EU’s political agenda. For example, Laeken raised the need to better define and organise the Union’s competences – a political hot potato avoided in the white paper. It also considered the creation of a ‘European public area’, seeking to increase the democratic legitimacy and transparency of the institutions, involve national parliaments more closely, and improve the efficiency of decision-making post-enlargement.

One of the most significant differences, however, was that the Commission was not in control of the process this time. Belgian academics remarked upon ‘the limited involvement of
the European Commission: although it has two representatives in the Convention, it is not mandated to initiate, let alone steer, the debate in a “European spirit” (Vos and Baillieul 2002: 22). However, it still desired an active role in the convention and a central role in EU policy-making. Its December 2002 ‘Communication on the Institutional Architecture’ reiterated the necessity of retaining the Community Method. It emphasised the need to ‘maintain the European Commission in the form intended by the founding fathers of Europe, as an independent institution working for equal treatment between the Member States and embodying the principles of coherence, synthesis and concern for the general interest’ (2002c: 4). The document proposed numerous measures to increase the Commission’s role, including: active participation in drafting a constitutional treaty, the retention of its exclusive right of initiative, a greater say in foreign affairs, sole authority for ensuring European-level implementation of legislative decisions, and the power to take decision on breaches of EU law.

After seventeen months of debate that failed (again) to capture the attention of the public or the media, the convention published its final text on 18 July 2003 – just over two years after the publication of the White Paper on European Governance. During the Rome IGC in October 2003, representatives of the current 15 member states and the 10 incoming states debated the document in full. Italian President Berlusconi hoped to resolve remaining differences by the end of 2003, enabling all 25 members to sign a treaty introducing the constitution on Europe Day (9 May) 2004.

Although it is beyond the scope of this chapter to discuss the work of the convention in detail, it is worth briefly considering its conclusions to illustrate the way in which deliberations have progressed. The draft constitution contains a mixture of contested and straightforward proposals, which have moved away from some of the more intellectual debates of the governance white paper to a greater focus on the large-scale institutional reforms that are necessary for policy-making in an enlarged union. This can be mostly explained by the wider remit enjoyed by the convention to propose treaty changes, not to mention the increasing urgency of reform. For example, the draft constitution creates the posts of president and foreign minister, simplifies decision-making by reducing individual members’ powers of veto, gives a larger monitoring role to national parliaments, seeks to simplify the legislative process, and creates two simple types of European law.

Although convention chair Valéry Giscard d’Estaing (another Frenchmen in charge of governance discussions) pleaded with governments not to undo the draft constitution, many issues remained contentious. For example, European leaders disagreed about the powers of the Council president. They disputed voting reforms: the constitution proposes a double majority of member states and population, through which some states (Spain and Poland) would lose power. In addition, leaders disagreed about the operation of the European Commission. The convention had sought to reach a compromise between large and small states by proposing a two-tier system whereby everyone has a commissioner but only the inner tier vote – and then every five years countries rotate across the tiers. However, no state relished the idea of being on the outer tier. When this book went to press at the end of 2003, it remained unclear how and when these issues will be resolved.

In conclusion, the topics of good governance and the reform of European institutions have dominated EU debate during recent years and seem likely to remain on the political agenda for the near future. Although the questions have been clarified and honed by numerous governance exercises, both working groups of Commission officials and councils of European leaders have struggled to find answers to the twin challenges posed by citizen dissatisfac-
tion and impending enlargement. They have also been unable to generate public interest in their attempts to do so. The white paper, in particular, failed to meet the expectations of many both within and outside the Commission. The blame for this failure could be spread widely, as this chapter detailed flaws in the exercise’s remit, structure, and operation. Nevertheless, the governance project served as a useful ‘thought experiment’ for EU officials, generated an important debate among Europe’s intellectual elites, led to several policy initiatives, and provided a necessary precursor to the work of the constitutional convention. It now remains for Europe’s national leaders to take the difficult decisions necessary to ratify convention proposals and the draft constitution in advance of accession in May 2004. For the sake of Europe’s future it is time to stop deliberating and instead to start acting.

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Irina Michalowitz

Lobbying as a Two-way Strategy: Interest Intermediation or Mutual Instrumentalisation?

1 Introduction: Lobbying as a two-way Process

Who determines European lobbying behaviour? At first sight, this question seems banal, because lobbying is obviously carried out and organised by private interests. However, European public actors show themselves particularly open to outside input and extremely willing to engage in interactive processes with private actors. Hence, EU lobbying appears to be a two-way process that may follow the logics of influence and membership as developed for the analysis of collective action problems by Philippe Schmitter and Wolfgang Streeck (1999). Interest groups and other kinds of lobbyists are interested in access to the decision-making process of public actors and public actors are interested in the compliance and expertise of lobbyists. However, lobbyists have to meet certain institutional demands according to the “logic of influence” to satisfy the wants of their constituents (“logic of membership”) and to be successful. In order to gain access to public decision-making private actors have to comply with certain institutional demands. As governmental actors exercise a certain leverage over the institutional setting, they might play an active role in structuring the relationship between private and governmental actors. Constituents want to see their lobbyists’ influence. Hence, public actors may be able to determine by whom and how to be influenced.

If this is so, then the question who actually determines lobbying behaviour could point to surprising effects on EU decision-making. Do European institutions have an active influence on lobbyists and their behaviour? If this is the case, EU lobbying behaviour could be interpreted as a reaction to the logic of influence and the logic of membership. Lobbyists can be seen as stuck in between those two logics. Lobbying essentially comprises an exchange of information – demanded by governmental actors – and influence – granted by governmental actors and demanded by the clients of lobbyists. Lobbyists may therefore be dependent on how well they manage to satisfy both logics. However, governmental actors have a stronger position because they are the only actors who can actually grant influence. At the same time, they can gain information from a number of different lobbyists who compete over influence. If governmental actors are more than just passive targets of lobbying, and also determine how and who lobbies them thanks to the lobbyists’ dependence on the logics of influence and membership, lobbying behaviour could be a more important element of European decision-making than anticipated.

By closely analysing the relationship between a selection of EU private and public actors, answers to these questions from a new perspective are sought in this contribution. The examination will go beyond collective action, because the answer does not only involve Euro-groups and their relationships to European governmental actors, but also other, non-collective types of lobbyists, namely in-house lobbyists and political consultants. At the same time, the study of public actors is restricted to the European Commission and the European Parliament (EP). The Council is excluded since Council officials have a mandate that is very closely tied to that of their national governments, so that lobbying on the Council level in Brussels (i.e. COREPER and the Member States’ Permanent Representations), in
comparison to lobbying the EP and the Commission, is less crucial and therefore less relevant for this chapter’s research focus.\footnote{This is not to say that lobbying national governments may not have an impact on Council votes. However, the work of the Council apparatus in Brussels is so closely linked to the national member state governments that it can be safely said that the Brussels lobbying analyzed in this article plays a lesser role in this institution.}

The analysis is based on the core literature of EU lobbying and on an original data set collected in 56 qualitative interviews with lobbyists across a diverse array of sectors and lobbying types, with regard to the question how these different types of lobbyists are used, and why this is so.\footnote{Explanations on the methodology follow in the section covering the empirical data set.} Descriptive information on internal decision-making processes within the Commission and the Parliament are partially based on personal experience and on recorded conversations during a nine-month period of work in a public affairs office in Brussels.

The following structure serves to develop the chapter’s argument:

Firstly, the different types of lobbyists and their work are looked at in order to determine what kind of pressure is actually exerted on European institutions. By identifying the current lobbying situation in the EU and interpreting it in terms of the logic of influence and the logic of membership, conclusions can be drawn about potential origins of the European lobbying market’s character. Within this context the question is addressed whether EU public actors are responsible for the existence of this lobbying market.

Having established that they can be responsible, I shall investigate how they influence the lobbying market. In the second section, the European Commission and the European Parliament are thus examined in order to assess if and how they actively use lobbyists and lobbying information. The question is tackled whether these public and private actors find themselves in a hierarchical relationship with public actors served by private actors, or in a relationship of equal partners who quarrel about the results of decision-making.

On this basis of the gathered empirical evidence, the impact these findings have on EU decision-making is analysed in a third part. This pertains, in particular, to how lobbyists deal with the different means by which institutions handle their activities.

In the concluding section, I shall reflect upon whether the current practice serves the common good in an effective manner, or if democratic decision-making is confronted with homemade dangers.

\section*{The Status quo of EU lobbying: Eurogroups, In-House Lobbyists and Political Consultants}

Do European institutions have an influence on lobbying behaviour? According to the general literature on collective action, we can observe two logics that interest groups have to comply with in order to be successful. Firstly, they must obey the “logic of influence”. According to this logic, interest groups have to fulfil demands of their lobbying targets, which will grant influence in return. These demands mainly concern different types of expert information. Governmental actors are, for instance, interested in technical information about specific sectors, industry branches or about the public support with regard to planned measures (see Bouwen 2002). Hence, private actors are influenced by the political system or the institutions they target (Schmitter and Streeck 1999: 19).
Secondly, interest groups have to obey the logic of membership. They are compelled to satisfy the needs of their members in order to obtain the resources necessary for their work. Their members primarily seek influence over decision-making processes, and interest groups are influenced by the views of their members of how this can be achieved (Schmitter and Streeck 1999: 19).

Lobbyists seem to fulfil a mediator role between the two logics, because they are hired in order to obtain influence, and they do so by disseminating information. We can assume that lobbyists seek a balance between the two logics in order to secure their existence. If influence is not obtainable because either the lobbyist has not been able to satisfy the governmental actor or influence is not granted for other reasons, the lobbyist cannot satisfy the logic of membership, and his position is likely to be at risk. The more balanced the two logics are, the more secure the position of the lobbyist is likely to be, i.e. the lobbyist ideally satisfies the needs of a governmental actor, receives influence in return, and with this influence, he can satisfy his members’, clients’ or employers’ interests. If this is the case, lobbyists are influenced by the degree of equilibrium between the two logics, and we can take this as a starting point in analysing the relationship between public and private actors on the European level. In order to do so, we will start out by examining the status quo of EU lobbying. Who are the lobbyists lobbying Brussels, and what is their relationship with the institutions they lobby in?

The first striking observation is that there are different types of lobbyists who seem to fulfil different functions of lobbying. The most identified interest representatives in Brussels are Eurogroups, public affairs offices staffed with their own individual representations (in-house lobbyists) and/or hired commercial lobbyists, – or political consultants (Bouwen 2002). Eurogroups are sectoral or cross-sectoral umbrella associations. In-house lobbyists are lobbyists employed by individual companies or national interest groups in order to pursue their specific interest representation, and political consultants are commercial lobbyists.

Eurogroups generally consist of smaller, either national or other member–units and concentrate in their work on technical and/or political lobbying aspects of European legislation (Sidenius 1998). Most of them represent a large range of European member states within the sector they cover. They provide their members with a representative forum of their interest sector, with a certain presence in Brussels, with information services and with contacts with European Union officials. They are a platform for information exchange amongst their members and they produce position papers and other documents that are given to the EU institutions, constituting their active lobbying part. Through such groups, members can obtain information on various actors’ positions in formal consultative or even decision-making committees, e.g. in the comitology system.

While the representativity of Eurogroups is an important factor in EU interest intermediation, groups also suffer from a number of disadvantages. They depend on their members’ interests, because only the members can eventually agree or disagree on a proposed position. Interest aggregation is often difficult, and the groups can only reach lowest common denominators. Furthermore, differences occur between national association members and

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3 This also comprises the way interest groups are shaped by their members’ characteristics: heterogeneity amongst the membership, for instance, will lead to a contention of individual members that the group’s activities need to be restricted, because the individual members’ interests would otherwise be less fulfilled than those of others.
direct company members especially in business associations.\textsuperscript{4} Despite these differences, private actors join Eurogroups because these organisations are the preferred partners of the European institutions. As interest aggregation is difficult for the members, institutions do not have to deal with a variety of different interests themselves, but receive an already discussed compromise.

However, these weaknesses have been interpreted as the main reason for the establishment of a second lobbyist type in Brussels. On the one hand, Eurogroup members perceived that it is difficult for associations to sufficiently represent their interests. On the other hand, they wished to be present in Brussels themselves. Hence, more and more enterprises as well as national associations - mainly from the business sector - established their individual public affairs offices in Brussels (Coen 1997). Most of these offices are small; the majority consists of two to four staff members, i.e. a director, a secretary/assistant, and possibly one or two additional assistant managers and interns.\textsuperscript{5}

The third major lobbyist type concerns commercial political consultancy services. Political consultants as a means of interest representation are often mentioned in literature on European lobbying but scarcely examined in detail. There are two reasons for this. First, academia has so far concentrated on collective rather than individual representation. Second, political consultants are seen as a rather complementary means of lobbying (Coen 1997:103).

The importance of commercial lobbyists seems to grow with the extent to which companies lose interest in being represented themselves and pay more attention to the costs of intensive self-lobbying.\textsuperscript{6} Their use is apparently rooted in cultural traditions – whereas Anglophone lobbying actors in Brussels are more used to and more likely to employ political consultants, actors of Germanic origin are more likely to rely on their Eurogroups and to see little value in political consultants (Kohler-Koch 1997).

Political consultants appear in Brussels in two forms. Either they are rather large consultancy firms – partially purely governmental affairs firms, but often part of law firms or media/PR consultancies – or they are individuals who cover a specialised area on their own. Within the category of consultancy firms, a distinction has to be made between those that purely cover governmental affairs and those that offer political advice amongst other services, such as media/PR consultancies, law firms and divisions of economic business.\textsuperscript{7} Differences in the functions consultants can perform are, on the one hand, due to this difference in manpower and background, and, on the other hand, due to the needs of their clients. Political consultants are used by private actors pursuing business interests, but also by those who pursue public interests. Public–interest consultants have therefore established themselves as well in Brussels, and some nongovernmental organisations (NGOs) use consul-

\textsuperscript{4} On Eurogroup functions and weaknesses, see also Greenwood (2002)
\textsuperscript{5} In some cases, in-house lobbyists may decide to work jointly in form of issue or ad hoc alliances or coalitions. These categories are sometimes used synonymously to explain an alternative type of collective action that mostly arises from a sudden need in connection to a specific issue and that can be characterized as a form of joint activity mainly of large companies, either additionally to or instead of participation in a Eurogroup (Pijnenburg 1998: 303).
\textsuperscript{6} Whilst David Coen (1997: 102) states: “[…] the decline of the hired lobbyist began with the realization by large firms that they were capable of their own lower cost participation in the policy process …”, this observation can be formulated more positively with regard to the role of consultants.
\textsuperscript{7} Categorisations can be found in several EU directories, such as the *European Public Affairs Directory* (published annually by Landmarks).
tancy firms that otherwise mainly work for business interests. In addition, some consultants have specialised in association management and are hired by Eurogroups or by clients with the request to establish one (Kohler-Koch 1997).

This text can only pinpoint trends that speak for the co-existence of these lobbying types. As for head-counts, the probably most accurate current number of interest representatives stems from Greenwood and Webster (2000). Having evaluated seven EU Public Affairs directories, these authors count 914 business associations of 1347 Eurogroups, and 247 in-house lobbying offices of companies in Brussels. However, these counts can include double listings (some interest groups have joint interest representations), and the Public Affairs Directories are not always sorted in consistent ways – NGOs interviewed by the author, for instance, turned out to be political consultancies rather than interest groups.

When considering the successful co-existence of these different types of lobbyists in light of the logics of influence and membership, they can be interpreted as the establishment of a much-organised market for lobbyists. The existence of an organised market can be related in two ways to the equilibrium between the logic of influence and the logic of membership. Firstly, the existence of different lobbying types according to their functional division demonstrates a great degree of professionalisation in lobbying in Brussels, which satisfies the logic of membership. Organisation can also be seen as a response to a lack of equilibrium between the two logics (i.e. governmental actors do not grant influence). If the satisfaction of institutional interests prevails without lobbyists gaining influence, organisations could be a tool used by lobbyists to satisfy the logic of membership by arranging ways to respond to the institutions that enable them to exert stronger influence on the overall decision-making process. Hence, secondly, the characteristics of the different forms of lobbying point to a potential effort of balancing the two logics by using forms of lobbying that are better able to respond to the logic of influence and by simultaneously using different lobbying types more responsive to the logic of membership.

<table>
<thead>
<tr>
<th>Offer</th>
<th>Connection to logic of membership and influence</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Eurogroups</strong></td>
<td></td>
</tr>
<tr>
<td>Representation</td>
<td>More likely to serve logic of influence</td>
</tr>
<tr>
<td>Sectoral weight</td>
<td></td>
</tr>
<tr>
<td>Interest aggregation</td>
<td></td>
</tr>
<tr>
<td><strong>In-house lobbyists</strong></td>
<td></td>
</tr>
<tr>
<td>Direct lobbying</td>
<td>Serves both, but more likely to serve logic of membership</td>
</tr>
<tr>
<td>Connection to the Nation State/officials of the same nationality</td>
<td></td>
</tr>
<tr>
<td><strong>Political consultants</strong></td>
<td></td>
</tr>
<tr>
<td>Professional mediating services advice</td>
<td>More likely to serve logic of membership</td>
</tr>
</tbody>
</table>

We will look at the current situation by now focussing on two public actors who are particularly important to lobbying activities: the European Commission and the European Parliament. Invitations to lobbyists such as those found in the White Paper on European Governance (Commission 2001) or the quasi-institutionalised consultation practice in both institutions suggest that there is a need for external input and that this external input is shaped in its form by the institutions themselves. Whether or not this is the case and to what extent this has implications for lobbyists will be the focus of the next section.
How should we interpret the existence of an organised market for EU lobbying? How can public actors be responsible for lobbying behaviour? What exactly is their relationship to lobbyists? Do they influence them as they wish or is their input blocked? Are they service providers or negotiation partners? This section focuses on the European Commission and the European Parliament and their reception of interests in order to come to more informed conclusions with regard to these issues.

With regard to the European Commission, this institution is very open about its interest in interacting with private interests – for instance, with its active support of the creation of Eurogroups or official documents such as the White Paper on European Governance.\(^8\) Its initiating role in the legislative process and its openness can be seen as core factors that make this institution highly attractive to private interests.

Differences in terms of access provision and processing of information occur on three different levels of decision-making within the Commission. External input is largely processed and sought after on the lowest level – i.e., the desk officer level. At this stage, lobbying is apparently most likely to be influential. The desk officer level refers to the start of a legislative process. Once the decision to take legislative action has been taken, a desk officer on the lowest level of the Directorate General responsible for the subject matter is put in charge for drafting a first proposal. This level is primarily responsible for the technical and administrative accuracy of the proposal.

The finished draft first passes through the hierarchy of the Directorate General, until a modified version enters the second level, which consists of the Commissioners’ cabinets. The cabinets are responsible for preparing draft proposals for presentation to the highest Commission level – the College of the 20 Commissioners (Rometsch 1995: 160).

The small bureaucratic apparatus of the Commission was frequently mentioned – which partially explains a need for external information provision on all levels. At first sight, the Commission thus seems to be a target that will easily accept a lobbyist’s arguments.

However, the Commission takes an active part in structuring external input. Before a planned regulation is formulated in a draft, a consultation process is initiated which invites a number of preferred interest groups to comment on the legislative plans in order to ensure their practical implementability at a later stage (Aspinwall and Greenwood 1998: 4). However, external interests are no longer actively invited throughout the rest of the process within the Commission and do not re-enter the policy-making process until an official proposal is offered to the Council. Instead, the Commission seeks to keep lobbyists out of the decisive stages of the negotiating process. Private actors can only stay involved if they manage to present fresh information that is relevant to the decision (Michalowitz 2002b: 43-8).

When evaluating these findings, we can see that apparently, the Commission is an active rather than a passive target. When a lot of input is inserted, the Commission seems to stay in

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8 As for the support of the creation of Eurogroups, interactions were even restricted to them for a while, but this could not be maintained due to efficiency reasons (Pfeifer 1995, Hey and Brendle 1994).
charge of deciding when and where this input is accepted. Let us look at the Parliament to see if this is also the case in the second important lobbying target.

The increased power of the European Parliament has turned this institution into a lobbying target of importance similar to the Commission (Corbett, Jacobs and Shackleton 1995: 235). Indeed, we find a weaker but similar strategy to integrate outside input. The Parliament can issue amendments to Commission proposals treated in co-operation and co-decision procedures. Amendments are drafted in parliamentary committees. A rapporteur will be put in charge of organising amendment proposals, which are first agreed upon within the committee and then put to a vote in the plenary. This means that core lobbying targets are found on three levels: the rapporteur and his counter-parts (shadow–rapporteurs of opposite parties), key figures within the committee and key figures within the parliament. Furthermore, political groups and intergroups, committees as well as the plenary play a role. The rapporteur and his counter-parts as well as the most influential committee members are generally the most important lobbying targets and the ones most interested in additional input. The kind of input they get and that is appreciated by them depends – to a certain degree, not exclusively – on the political background. For instance, Greens will be more receptive to environmental groups than conservatives.

On these levels, we also find an active steering role of lobbying targets. Regardless of the type of interest, rapporteurs need external input in order to estimate the adequacy of the existing Commission proposal and in order to draft parliamentary amendments – which makes them a preferred lobbying target. However, instead of passively awaiting lobbying efforts, rapporteurs are likely to initiate a consultation process with fellow Members of Parliament (MEPs), preferred interest groups or lobbyists, and other persons they deem to be helpful in yielding information. Once the amendments are drafted and negotiations begin within the committee, these consultations will stop, and bilateral talks between MEPs and lobbyists will depend on the initiative of the private actors.

Both the Commission and the Parliament communicate clearly what they want from lobbyists. Generally, the receptiveness of Commission departments seems to depend on the representativity of the source, and on the substantiality of the material. Representativity is highly valued because decisions will have to be applicable in all member states and for all involved parties, which means that a single company or NGO opinion can rarely be regarded as sufficient evidence for the inclusion of an argument. On the other hand, the received material must be substantial.

Preferred contributors for the Parliament, as for the Commission, will be those that deliver high-quality information in an appropriate manner. This mainly addresses so-called ‘technical do’s and don’ts’: providing information that does not exceed two pages, that is written

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9 The increase in power has not taken place in all procedures but comes from the increased application of the co-operation and co-decision procedures, which force the other institutions to integrate the Parliament’s view. The third procedure - the consultation procedure - is the oldest legislative procedure. In these cases, the Parliament is rather weak because it can only consult. On the changing role of the European Parliament, see e.g. Roederer-Rynning 2003.

10 A rapporteur is a committee member who is assigned to chair and prepare the committee’s handling of a particular issue. Their committee counterparts are “shadow rapporteurs” who do the same, but unofficially, for different political groups in the committee. For the appointment of rapporteurs, see Mamadouh and Raunio 2003.

11 Interview quote of a Green MEP, conversation in 1999
in an understandable language and, at best is already formulated as an amendment. The same rules are true for the entire committee and for the plenary, where information should be kept even more to the point (Ludford 2001). Two additional factors are to be considered: party affiliation and nationality.¹²

Table 2: Public actor demand for information

<table>
<thead>
<tr>
<th>Demand for information of key public actors</th>
<th>Type of information</th>
<th>Initial stage</th>
<th>Later stages</th>
<th>Decision-making</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Commission</strong></td>
<td>Mainly technical expertise; implementability</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Desk officer</td>
<td>technical</td>
<td>active</td>
<td>passive</td>
<td>closure</td>
</tr>
<tr>
<td>DG</td>
<td>technical</td>
<td>active</td>
<td>passive</td>
<td>closure</td>
</tr>
<tr>
<td>Cabinet level</td>
<td>political and technical</td>
<td>passive</td>
<td>passive</td>
<td>closure</td>
</tr>
<tr>
<td>College of commissioners</td>
<td>political</td>
<td>passive</td>
<td>passive</td>
<td>closure</td>
</tr>
<tr>
<td><strong>EP</strong></td>
<td>Mainly about support by constituency; country-related public or industry support</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rapporteur/ shadow-rapporteurs</td>
<td>political and technical</td>
<td>active</td>
<td>passive</td>
<td>closure</td>
</tr>
<tr>
<td>Key MEPs in Committee</td>
<td>political and technical</td>
<td>active or passive</td>
<td>passive</td>
<td>closure</td>
</tr>
<tr>
<td>Key MEPs in plenary</td>
<td>political</td>
<td>active or passive</td>
<td>passive</td>
<td>closure</td>
</tr>
<tr>
<td>Others (political groups etc.)</td>
<td>political</td>
<td>active or passive</td>
<td>passive</td>
<td>closure</td>
</tr>
</tbody>
</table>

Both institutions thus show strong efforts to steer and shape the input offered to them. These practices can be related to the logics of influence and membership. Institutions apparently welcome being targeted by interest groups, because this enables them – in line with the logic of influence - to obtain information services. The logic of influence also enables them to demand a certain lobbying behaviour - these two institutions are not passively awaiting lobbyists, but they try to keep control over the way external input is communicated, and how much input is exerted.

In order to relate this interpretation to lobbying behaviour, one more point has to be considered. The institutions are not free to decide how much influence they return as a reward to

¹² Since the MEPs are elected representatives of their national constituency, their mandate and their chance of being re-elected stand in close connection to the interests of their voters. Industrial lobbyists might therefore rather lobby the European People’s Party (EPP) than the Greens, and British industrialists might find more understanding when speaking with British MEPs than with the Greek counterparts. Some lobbyist types appear to be better able to cope with these factors than others. One MEP, who had been interviewed for the purpose of the study and whose views are described in more detail in the latter part of the text, attributed a greater degree of efficiency to political consultants in comparison to other lobbyist categories: “They were certainly very efficient, they had sort of a staged process. [...] I quite like it if someone comes and talks generally, and if I am interested and they ask if they could prepare an amendment, and say they visited other political groups and they are quite interested, that is quite good. They [political consultants, I.M.] know when and to do it at the right time.”
services, even if they wanted to. They cannot make decisions independently of each other in most cases in which lobbyists are involved, because they need each other’s agreement in order to get a measure passed. The Commission needs to ensure that the EP does not wish to amend the measure at stake. The EP can only amend, but not draft completely new legislation. It can furthermore only insert amendments that convince the Council, or over which a compromise can be reached. This is often influenced by the Commission opinion issued after the Parliamentary amendments have been drafted. Governmental actors are the only ones who can make a binding decision, but their ability to grant influence depends very much on the decision-making procedure. \(^\text{13}\) Influence is dispersed among the individual bodies. Hence, influence obtained over one part of an institution does not guarantee the influence of private actors on the overall process. Since lobbyists have to deliver their information if they want to obtain any influence at all, the institutions can make use of the situation.

What does this mean with regard to the logic of influence, the logic of membership and the relationship between EU governmental and private actors? The Commission and the European Parliament are found to not only be targets, but active participants in an interaction with external interests. The two institutions need external input. \(^\text{14}\) However, they take an active role in clarifying how they want this demand to be satisfied by temporarily closing the process and by actively inviting lobbyists from whom they seek to obtain information.

The crucial point in this relationship is that they seem to use lobbyists, but do not necessarily reward the services they are supplied with by external interests (i.e. by granting influence). According to Schmitter and Streeck, the logic of influence is characterised as a relationship that consists of a true exchange – external interests provide public actors with information, and they receive a reward in return for this information (Schmitter and Streeck 1999: 19). \(^\text{15}\) This reward does not necessarily seem to be granted by the European institutions that have just been analysed. Particularly they seek to shut out interests at stages that are especially important in the course of the decision-making process. Hence, no true exchange is found on the European level, although it is implicitly agreed between the involved public and private actors. From a viewpoint of democratic theory, this is certainly positive because we can assume that governmental actors still have control over their decisions rather than being captured by special interests. However, with regard to the initially outlined importance of the logic of membership we can also assume that such behaviour causes reactions.

In this context, some of the questions raised in the introductory section can be addressed. The above outlines suggest a hierarchical relationship between public and private actors, and an institutional preference for actors who are representative and who can deliver influence. If the aims of the two sides are compared – lobbyists achieving influence in order to fulfil the logic of membership, and public actors seeking to get input and to thus make lobbyists satisfy the logic of influence, it is necessary to consider that they do not strive for common goals – lobbyists have special private interests, public actors strive for public satis-

\(^{13}\) Consultation, co-operation, codecision. For interdependencies between the institutions, see Shackleton and Raunio 2003.

\(^{14}\) For another analysis with the same reasoning, see Bouwen 2003: 378-381.

\(^{15}\) This kind of exchange model for interest intermediation has been taken up by several authors, and has recently been revived by Bouwen (2002)
faction. This may not necessarily lead to a conflict, but a battle over power with regard to the decision-making process has to be expected.

We can hence expect that lobbyists try to overcome the hierarchical structures and the activist role of their lobbying targets in order to deal with the logics of influence and membership. In this context, the organised market of lobbyists appears in a new light, and it becomes interesting to look at lobbying behaviour again. If the European institutions play such an active role in steering lobbying behaviour, the lobbying market organisation can be interpreted as a reaction to this practice. This hypothesis will be examined empirically in the next section.

4 Lobbying Behaviour as a Reaction to Problems with the Logic of Influence

What is the impact of the findings for European decision-making? Why is the fact that both sides of the interaction, as outlined above, are interested in lobbying meaningful for the way lobbyists lobby?

In this section, I examine how lobbyists adapt to the conditions they find in European decision-making, based on empirical evidence. This evidence consists of an analysis of 56 expert interviews with EU lobbyists and four actors from the EP and the Commission conducted over a period of nine months in 1999/2000. These semi-structured interviews were conducted with four representatives of Eurogroups, ten representatives of national associations active in Brussels, 15 in-house lobbyists of companies, 11 political consultants, ten regional offices, three Commission officials and one MEP. They had been selected under consideration of the inclusion of different sectors and interest types, specialist and public interests, a sufficient coverage of all agent categories and the inclusion of different nationalities in each category. The core questions were:

- What are your main tasks?
- What can you do that the other categories cannot provide?
- Do you/do your members (clients) use other agents, and if they do, why?

In the evaluation for the particular purpose of this chapter, analysis will be limited to the assessment of the role attributed to Eurogroups, in-house lobbyists and political consultants by the respondents.

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16 To be a bit more specific: Seven out of the 40 interviews with fully private actors (excluding regional offices) were conducted with public interest representatives. These seven consisted of two political consultants (one individual and one consultancy firm), one representative of a national association’s Brussels office, two consultant-like Eurogroups, and two Eurogroups in the traditional sense. Overall, 17 of the interview partners were Germans, 12 had a British origin, 5 were French, 4 came from the Netherlands, 4 were Spanish, and one interview partner was selected each Greece, Italy and Norway. One interview was conducted with a representative of a US-American company. Four additional interviews were conducted with members of political institutions. As the overall amount of conducted interviews was bound to be too small to derive any kind of truly representative insights, the stratification was only aimed at covering all necessary categories – North/South, large/small, national/multinational, public/business interest, centralised/decentralised; sector diversity –, without claiming to provide an equal proportion among the different groupings. Accessibility also played a role.
4.1 Lobbying Functions

While unable to carry out a quantitative analysis with 56 interviews here, seven functions popped up throughout the responses as being most important for lobbying, and different capacities were attributed to the three lobbyist types to fulfil them. These seven functions are representativity, professionalisation, strategic advice, image provision, lobbying others, the delivery of expertise, and contact provision. These functions with varying details have also been identified by Greenwood (2002) for Eurogroups, by Jauß and Lahusen (2001) for political consultants, and by Coen (1997) for in-house lobbyists. They have not been analysed in relation to each other, which makes this additional investigation valuable and allows for a comparison between the lobbying types and their tasks.

The main points made by respondents will be presented in the following, which led to this categorisation and to its relation to the balance of the logics of influence and membership. Evidence and further explanations with regard to the exact wording of responses are given in the footnotes.17

Under the factor representativity, the ability of a lobbyist to credibly maintain that his presented position was an argument put forward by a large number of affected interests was subsumed, i.e., that a sufficiently large number of citizens is represented by this position. Accordingly, respondents mainly attributed this to Eurogroups and stated that the provided representativity was the main reason to use them. They valued umbrella groups because they provided a certain degree of representativity to positions, and because they could serve as mediators between decision-makers and the individual group members.

Only one of the respondents was not affiliated with an umbrella organisation, and he explained this with the fact that no adequate umbrella association existed in his case. Some companies stated they could not use their associations in certain issues due to the high competitiveness within the association. These companies stemmed from highly competitive sectors that dealt, for instance, with questions of liberalisation and thus combined members with very heterogeneous interests.

Professionalisation referred to a need voiced by the respondents for EU lobbying to be organised more strategically. This meant, for instance, to work via political profile surveys, to seek strategic advice for lobbying campaigns, and to employ professional advisors to organise public affairs.

The factor strategic advice referred to the ability of a lobbyist to understand the context of a lobbied issue and to accordingly advise private actors to structure their lobbying. This differs from the factor professionalisation in a way that it is more specifically focused on the advice function, whereas like the professionalisation factor, advice is one among many other qualities that enhance an actor’s ability to contribute to the professionalisation of a lobbying strategy.

Both factors were mostly attributed to political consultants and to experienced in-house lobbyists. Political consultants provided these functions more than other agents did. As ex-

17 The following outlines will not quantify how many times specific factors were mentioned by which interview respondents because this would require us to go into the study in more detail than is possible in this chapter. However, quotes from individual respondents are presented. For more detailed information, see Michalowitz 2002a.
plained by all interviewed consultants, their main function was to advise their clients on how and where to lobby, based on their long-term experience of the institutional proceedings and the informal decision making in European legislation. Depending on the background of the firm, this did not only involve strategic advice, but also, for instance, campaign management or the drafting of a comment on a regulatory directive. They also served clients by assessing the way of lobbying their clients have chosen in a political profile survey. They thereby served to analyse the overall standing of their clients in the institutions they lobby and helped to make decisions about future strategies.

Another specified function was that of *image-building*, signalling an interest in EU decision-making to officials. As mentioned by interview partners, EU institutions are more likely to grant access to private actors if they sense a serious interest in EU affairs. This was a function in-house lobbyists were deemed most likely to fulfil, because they stand for the willingness of a group or company to invest in EU policy-making.18

The ability to *lobby others* referred to the suitability of lobbyists to lobby MEPs or Commission officials on behalf of other MEPs or Commission officials – when institutional actors cannot openly persuade others to agree with their position, lobbyists can serve as secret allies. The four respondents with a public actor background mainly highlighted the importance of this particular function. However, *lobbying others* also refers to the willingness and ability of lobbyists to lobby other lobbyists or their employers, clients or members on behalf of public actors or private actors. Derived from the private actors’ responses, we can attach capabilities to do so primarily to Eurogroups and in-house lobbyists, due to their higher credibility in comparison to political consultants.

The factor *delivery of expertise* comprised abilities of actors to deliver different kinds of information either to public actors or to their employers. Respondents identified different kinds of specific information expected. An important element of this information was specific Brussels knowledge, referring to the ability of a lobbyist to understand decision-making processes and means of access in Brussels and thus being able to provide their employers, clients or members with sufficient information and to act adequately on their behalf.19 Other respondents spoke of lobbyists providing expertise, specific information and advice. This concerned two types of information aimed at the employers: information and advice about when, where and how to lobby, and about the type of technical issue-information needed. According to the respondents, in-house lobbyists were best able to fulfil this function. Eurogroups were also said to provide the respondents with a large set of information, although this factor was seen as decreasing in importance, due to possibilities of the Internet. However, Eurogroups and similar organisations or networks fulfilled an important indirect information delivery role - especially for business interests. They were

18 Interview partners of companies stated that a global player must be present in Brussels, if only to make a statement of being interested in European legislation and legislators. Particularly the five multinational companies stressed that depending on the size of the enterprise, a company could not afford not to be present in Brussels: “The office has been here since the beginning of the Nineties. The motive: no enterprise can afford not to be present – to only use the Internet would be unprofessional” (German multinational company in-house lobbyist).

19 Respondents stated that arriving at a sufficiently high level of knowledge for this task was not easy: “I gave myself half a year, and it takes longer – one year, one and a half years – it is costly but it is the best way of getting to know the people and be at the forefront of the system.” (Norwegian national association in-house lobbyist).
viewed as a discussion platform and a possibility to gather information about competitors, to hide behind the name of an organisation if the case was likely to be lost or if the member’s own name was likely to have a negative influence on the lobbying impact. These factors reveal specific control possibilities with relation to competitors (for business groups) as well as specific assets of collective action that will not be found in other agent categories (for all types of interest backgrounds).

The factor contact provision referred to the ability of lobbyists to provide crucial contacts to the private actors they were working for, i.e. to the size of their networks. Eurogroups were seen to have an especially large network of contacts with which they could provide their members. Additionally, in-house offices played a large role in networking with governmental actors of the company’s national background in Brussels – both in contact with MEPs and the Permanent Representation\textsuperscript{20} as well as in personal contact with other decision-makers and lobbyists, thus to opening information sources and to establish relations.

4.2 Division of Labour

These functions and capabilities of lobbying types are connected to a division of labour that – in connection with the important factors of lobbying – can be seen as a strategic organisation of interest representation that may have an influence on the hierarchical structures identified for decision-making.

According to the interviews, Eurogroups were seen as agents who are especially capable of providing representativity and access. Eurogroups were named as preferred lobbying agents for issues of a secondary priority, because members were not able to cover all important issues themselves and would thus have to establish a certain hierarchy of coverage. Especially this last factor thus points at one possible division of labour with other agent types. However, a set of negative factors concerning the usefulness of Eurogroups/networks was also mentioned. Associations were seen to suffer from lowest common denominator problems, and to serve as the arena for discussion amongst their members rather than to engage in active lobbying. They were reproached for being too slow and bureaucratic and too often only act reactively instead of proactively. Management and quality problems were named as reasons for problems with Eurogroups. A specific reproach to public interest groups referred to them being too naïve, not informed well enough, and sometimes being too active and thus damaging overall lobbying success.

Hence, other lobbying types appear to be used, alongside the revealed factors, to overcome collective action problems. In-house lobbyists and political consultants control Eurogroups and each other, and they are back-up solutions in case one of the other lobbyists fails.

In-house lobbyists - especially those from comparatively small firms (but still large national actors) and from associations - interpreted their own role largely in relation to Eurogroups. They stated to give support to or to actively work within the association. Specifically, this was true for members of associations with low resources and generally for those with a small number of Brussels-staff amongst the respondents. In-house lobbyists with a stronger background identified this support function as aiming at influencing the association or even to control the association; depending on how positive or negative the relation to other group

\textsuperscript{20} Quasi-embassies of Member States to the European Union.
members was seen. Additionally, some saw themselves as a back-up for the institutions to secure the authenticity of a Eurogroup’s position. We can interpret the role of in-house lobbyists as ensuring that institutional demands are optimally met by strengthening and controlling the Eurogroup, and as establishing a way to get around this activist role. The monitoring and filtering function of the in-house lobbyist seems to provide a possibility for private actors to jump in to obtain influence via an additional road.

In-house lobbyists and political consultants were largely used, according to respondents, because they were more flexible than Eurogroups. Flexibility in lobbying strategies was identified as the ability to quickly change the course of activities in case of changes in the course of decision-making – this was seen as an advantage of in-house lobbyists and consultants vis-à-vis the use of Eurogroups, because the aggregation of interests and the need to find a compromise with other group members could be avoided. The flexibility of jumping into an ongoing process for crisis management was regarded as an asset of consultants at different stages of the process: they can be hired for short-term periods and be fired whenever the task is terminated. Furthermore, political consultants allowed a flexible coverage of issues that arise, if, for instance, a public affairs office does not exist, or if an agreement within the Eurogroup or alliance cannot be achieved as fast as action may be necessary.

Demand for political consultants occurred at different stages of a client’s interest in lobbying. The interviewed consultants themselves stated that they were often hired for crisis management. Furthermore, clients who thought about getting involved in public affairs in Brussels consulted them for start-up help in order to organise their public affairs division properly. Some might engage in a long-term relationship with a consultant or consultancy firm for a certain area of their work, either for the monitoring aspect or also for active lobbying, because they do not possess the expert knowledge on this field themselves or do not see the need of being physically present in Brussels with their own office. Others have a short-term need for a certain monitoring or lobbying field and will hire consultants on a flexible basis.

This implies that political consultants are a back-up to make sure influence can be obtained despite institutional steering efforts that disable influence gaining. This can be seen in connection to their greatest asset, which is a very detailed knowledge and contact network of and within the European decision-making process and its negotiation circles.

Based on these responses we can suppose that private actors use in-house lobbyists, consultants and Eurogroups simultaneously and in combination with each other in order to arrive at an optimal level of satisfying the institutional demand, which is perceived as being

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21 “A large enterprise needs a direct line, otherwise the lobbying within the association is much larger than the lobbying one does oneself, because one has to persuade there as well. […] If you are not represented in the association, you have no influence on what the speaking body of the entire sector is saying. […] But the flow of information is important, so we know what they do and they know what we do. It happens that we work against each other, but then, it is a tool in order to get the association on the right path.” (German multinational firm representative).

22 “The Commission wants both: a proper position of an association facilitates work, and the company shows if it is a delusion.” (German multinational firm representative).

23 Interview respondents certainly also – even to a very large extent - put sceptical views forward when speaking of consultants. These are not elaborated any further because the aim of this chapter is rather to identify the functions that may lead to the use of lobbyists as a reaction to governmental activism.
representativity and group voice, and levelling out disadvantages of associations with their own in-house lobbyists and if necessary, with consultants who may also control in-house lobbyists.

Table 3: Lobbying agent capacities to fulfil lobbying functions

<table>
<thead>
<tr>
<th></th>
<th>Representativity</th>
<th>Professionalisation</th>
<th>Strategic Advice</th>
<th>Image</th>
<th>Lobbying others</th>
<th>Delivery expertise</th>
<th>Contact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eurogroups</td>
<td>strong</td>
<td>medium</td>
<td>medium</td>
<td>medium</td>
<td>strong</td>
<td>strong</td>
<td>strong</td>
</tr>
<tr>
<td>In-house lobbyists</td>
<td>weak</td>
<td>medium</td>
<td>medium</td>
<td>weak</td>
<td>weak</td>
<td>weak</td>
<td>weak</td>
</tr>
<tr>
<td>Political consultants</td>
<td>weak</td>
<td>strong</td>
<td>strong</td>
<td>weak</td>
<td>weak</td>
<td>weak</td>
<td>strong</td>
</tr>
</tbody>
</table>

Source: Michalowitz 2002a: 356

4.3 Potential Influence on EU Decision-making

What do these findings have to do with EU decision-making?

Two elements become important when looking at the outlined lobbying behaviour. When relating these responses on lobbying practices with our observation of an organised lobbying market and an imbalance of the logic of influence and the logic of membership on the European level, we can first connect the seven factors to these encountered problems and conceive them as reaction to the logics of influence and membership. The functions representativity, image provision, lobbying others and to some extent the function professionalisation are functions which serve to comply with the logic of influence and to adapt to the demands of the Commission and the Parliament, and which are important due to the steering power of the analysed institutions. Representative information is demanded by the Commission and the Parliament; lobbyists who can signal the interest of a private actor to the institutions show that information will gladly be provided; the capacity to credibly lobby other institutions on behalf of the initially targeted ones or persuade further private actors is a welcome asset for public actors. Professionalised presentation of material based on strategic advice or other support facilitates work with this information.

The functions delivery of expertise, contact provision and once again professionalisation are functions which serve the logic of membership, and which enable the greatest possible knowledge of steering desires of institutional actors - which again may enable to overcome those steering desires that stand in a conflict to private actors’ interests. Lobbyists who deliver expertise to their employers can help them identify the likely plans of the institutional actors, which enables them to react to them and to phrase information material in a way that private interests are considered. A large network of relevant contacts increases their awareness of potential plans ahead of time and to find leaks during the times lobbyists are kept out of the process. Professionalised lobbying strategies enable them to deliver services to the institutions whilst inserting their own interests in ways that suit the public actors.

We can secondly conclude from the responses that a division of labour exists between different lobbying types that is related to an optimal mix of the lobbying functions described above. Private actors use Eurogroups, in-house lobbyists and political consultants in connection with each other in order to overcome the European Commission’s or the Parliament’s efforts to use lobbyist input more to their own than to the private actors’ benefit by
steering the way input is given. Since we can derive a simultaneous maintenance of lobbying options from the interviews, we can interpret this as keeping different options open in order to react to the institutions. Eurogroups deliver the representativity demanded in the European Commission, and they can more easily maintain towards the European Parliament that they represent common interests than an industrial in-house representative from a single enterprise might be able to. In-house lobbyists and political consultants can deliver specific information during times of process closure to private interests, and they may in so doing obtain access to both the Commission and the Parliament when official consultation processes have been concluded. They may also manage to insert details that are important for their employers but that may not be communicated by Eurogroups due to their membership structure. In-house lobbyists and political consultants are furthermore important to maintain and develop the network of contacts that needs to be activated if the Eurogroup does not work or if institutional reactions show that a different lobbyist may be more useful.

Hence, lobbyists adapt indeed. However, their adaptation is not aimed at satisfying the institutions, but at satisfying the logic of membership by finding ways to make institutions seek their input even at times when they prefer to keep lobbyists out. If lobbyists manage to overcome their lack of influence by adaptation, EU lobbying behaviour might contain a hidden danger for European decision-making because outside influence and institutional decision-making with some outside information cannot be distinguished any more. If we interpret these structures as a reaction to problems with the logic of influence, problems for European decision-making can arise, because public actors may not necessarily be able any more to distinguish their own beliefs from those inserted by lobbyists. As long as public interests and the interests of lobbyists for special interests are the same, this is no problem. Whenever they differ entirely, the institutions can be expected to realise the gap, because their demands are unlikely to be fulfilled satisfactorily. However, whenever there is a slight difference, lobbyists may be able to influence important details that harm the common good by adapting sufficiently with some lobbying functions, and by overcoming the institutional steering efforts by others.

Conclusions: Mutual Instrumentalisation or Service Provision?

In concluding this chapter, we shall return to the questions posed in the introductory section: Do EU institutions influence lobbying behaviour, and if they do, how? What do the findings tell us about the structure of public-private relations on the EU level?

The above outlines have connected the strong organisation of the lobbying market in Brussels and the specific use of lobbyists by their employers, members or clients to Philippe Schmitter’s and Wolfgang Streeck’s logics of influence and membership by interpreting it as a reaction to the active steering role the European institutions take on in EU lobbying. Although no case study evidence or truly representative material (this remains the task for further research) has been presented, the close look at the decision-making process and the interview analysis results of respondents across different sectors and actor types speaks for the plausibility of this interpretation.

Hence, the Commission and the EP have indeed an active influence on lobbyists and their behaviour, in the sense that an organised market of lobbying seems to have developed pre-

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24 For a similar way of looking at these different lobbying types and the relationship between private and public actors (although limited to business interests in his case), see Bouwen 2002, 2003
cisely due to their active influence on lobbying behaviour - private actors adapt to their demands in their use of lobbyists. They try to satisfy institutional demands, but at the same time, they seek to ensure that they obtain influence. In order to do so, they must deal with the institutional tendencies to keep out external influence at important stages in the decision-making process, because failing to remain part of the process would cause a problem with the logic of membership. This implies a hierarchical structure of the relationship between public and private actors that is threatened to be levelled out by strategic lobbying behaviour.

Based on this observation, some thoughts on the role of the nature of this relationship for European decision-making can be developed. Does it serve the common good in an effective and democratically acceptable manner? The apparently hierarchical structures point to an interaction that is in line with democratic values, as politically legitimate actors stay in power of final decision-making. However, the professionalisation of lobbying as a result of institutional activism whilst denying influence might also lead to the danger of institutions being captured, because lobbyists seem to have learned how to adapt to institutional demands in ways that influence and service provision may not be distinguishable any more. If lobbyists in reaction to hierarchical structures and related problems with the logics of influence and membership have found their way around institutional steering capacities, the interaction of private and public actors might be a problem for European democratic governance in cases where public and private interests differ.

The final remark shall address the effectiveness of the relationship: European institutions certainly receive valuable information from private actors, and the professionalisation of the lobbying market can only help to make this information even more useful. It is certainly not necessary to block or to strictly regulate lobbying – different goals can still serve a common good. However, public actors need to raise their awareness for the difference between being influenced and maintaining a working relationship with sufficient institutional independence.

References


Modelling the Political Influence of Interest Groups: Theory and Empirical Evidence from European Agricultural Policy

1 Introduction

Much attention in both lay and academic discourse has been given to the political influence of organized interest groups. However, in the forward to the book “The Organizational State” by Laumann and Knoke (1987), Coleman stated that “[T]here is no political theory which adequately characterized the complex process of policy formation. The interplay of popularly elected representatives and self-elected corporate actors; the juxtaposition of one structure with formal authority and a base in people, with another structure lacking formal authority with a base in interests.”….. “The way policy initiatives come into being and the way policy issues are resolved, these constitute only minimally explored terrain.” He further argued: …“In answering that question [how politics are made], they [Laumann and Knoke] have stripped off the skin which covers the policy-making to expose the anatomy underneath” (Coleman 1987: xiii-xiv).

Of course, since Coleman’s critical statement a lot of further research on the political influence of interest groups has been undertaken. Although some very interesting and though provoking approaches exist nowadays, it still seems that Coleman’s conclusion holds true, i.e. a theoretically consistent and operational theory of the political influence of organized interest groups has not been fully developed yet.

Beyond descriptive and rather abstract studies of interest mediation, i.e. pluralism and corporatism theories (Bentley 1908, Truman 1951, Latham 1952, Schmitter 1974, Lehmbruch 1977, Czada 1994) various positive interest group theories exist.

On the one hand, these correspond to highly sophisticated formal political economy approaches, which apply neo-classical or game-theoretical equilibrium models to analyse the lobbying strategies of competing interest groups or the impact of lobbying on policy outcomes and the welfare of society, respectively. With regard to these approaches, two general forms can be separated in the literature (see Grossman and Helpman 1994). One approach views elections as the general institution in which policies are chosen. Candidates or political parties compete in elections with the commitments to the policies they will enact if elected (Downs 1957, Magee et al.1989). The second approach focuses on the parliament and the government, as the main institutions in which policies are chosen (Grossman and Helpman 1994, Snyder 1991, Groseclose and Snyder 1996). Within the latter approach, rent-seeking (Tullock 1967, Krueger 1974 and Peltzman 1976) as well as common agency models (Grossman and Helpman 1994, Baron 1999) focus on the government or an executive agency assuming lobbying activities aimed at influencing agenda setting, while other models, e.g. Groseclose and Snyder 1996 or Snyder 1991 focus on interest group competition in a majority rule institution, i.e. conceive political influence as forming majorities (see also Baron 1999). A special case in this regard is the theory of Becker (1983) who emphasizes the competition between interest groups and completely neglects political institutions.

Although these approaches certainly contribute to our understanding of lobbying, theoretically they do not lead to a coherent picture of the nature of political influence of organized interest groups. In contrast, different approaches exist implying conflicting hypotheses re-
Regarding lobbying strategies as well as the impact of lobbying on policy outcome and welfare, respectively. For example, rent-seeking models imply that only one interest group actually lobbies a politician in contrast to common agency models as well as the counteractive lobbying model of Austen-Smith and Wright which both imply that politicians are simultaneously lobbied by competing interest groups. Analogously, some approaches imply that interest groups do only lobby friendly political agents, i.e. political agents which already prefer a political position similar to the one of the interest group ex ante to any lobbying strategy (Magee et al. 1989), while others imply that only unfriendly politicians are lobbied (Snyder 1991, Groseclose and Snyder 1996). Additionally, both rent seeking and common agency models imply that the politician has the total bargaining power, i.e. due to the fact that competing interest groups are in a prisoner dilemma, lobbying reduces the welfare of interest groups and increases only the welfare of politicians (Baron 1999: 35). However, other theories imply that the bargaining power of politicians could be reduced to the extent that interest groups can play one politician against the other (see for example Ferejohn 1986, Helpman and Persson 1998). From society’s perspective, lobbying reduces total welfare according to the rent seeking as well as common agency theory (Krueger 1974, Tullock 1967, Grossmann and Helpman 1994, Baron 1999), while the theory of Ball (1995) implies that lobbying can increase the overall welfare of a society, since the welfare improvement of the additional information provided by the interest groups offsets the welfare lost from biased policies.

Furthermore, some theoretical issues have not been fully resolved yet. For example the problem of opportunistic behaviour between politicians and interest groups or the coordination of lobbying strategies among different interest groups with similar policy preferences has not been fully analysed within existing formal political economy approaches. Moreover, most of these approaches are rather abstract and include only a limited number of interest groups and politicians into account. Hence, economic approaches do not allow for direct empirical applications, e.g. the analyses of real lobbying systems such as the lobbying system of the Common European Agricultural Policy.

On the other hand, sociological policy network approaches exist that can be applied empirically, while taking a large set of interest groups and political agents into account. In this regard, Coleman understood the book “The Organizational State” by Laumann and Knoke (1987) as a first step towards a comprehensive theory of political decision-making including both formal governmental actors and informal interest groups. Laumann and Knoke derived and applied the sociological policy network approach to US-policy. Analogously a sociological network approach was applied by Pappi and Knoke (Pappi et al. 1995; Knoke et al. 1996) to political decision-making at the regional and national level in Germany as well as to political decision-making in the European Union later (Pappi and Henning 1999). Doubtlessly, the work of Laumann and Knoke as well as later work by Pappi and Knoke significantly contributed to our understanding of the complex process of policy formation in democratic systems. In particular, it allows for an empirical application to real political systems comprising of a large number of governmental actors and organized interest groups.

However, the classical sociological network approach has not been widely recognized in the political science and the political economy literature. One reason for neglecting the sociological network approach might be seen in the criticism that it does not provide a microfoundation of political influence, but assumes rather ad hoc that interest groups exert specific influence over policy outcomes proportional to the deployment of specific political
resources (see Laumann and Knoke 1987) or proportional to their access to politicians (see Pappi et al. 1995).

In this framework this chapter provides a model of the political influence of interest groups that simultaneously takes multiple interest groups and politicians into account. In particular, it allows not only for simultaneous interactions between multiple politicians and interest groups but also among different interest groups. The model focuses on the provision of politically-valuable resources and assumes that political exchange processes among multiple interest groups and politicians are organized in policy networks. Formally, the model corresponds to a political exchange model including transaction costs. The model has been derived by Henning from a political exchange model originally suggested by James Coleman (1966) (see Pappi and Henning 1998, 1999 and Henning 2000) and combines the sociological policy network approach with the economic approach to the political influence of interest groups. A further advantage of our modelling approach is that it allows for a direct empirical application and test of our theory, e.g. both the political influence of individual interest groups and the resulting impact on policy outcomes can be measured quantitatively.

The rest of the paper is organized as follows. In section 2 we derive our model and main hypotheses with regard to the structure and impact of the political influence of interest groups. In section 3 some empirical evidence is discussed applying our model to the Common European Agricultural Policy (CAP) and section 4 summarizes our main conclusions.

2 The Model and Hypotheses

2.1 Opportunistic Behavior and a Network Organization of Political Exchange: A Transaction Cost Model

Approaches of a positive theory of political influence of interest groups can be subdivided regarding the conception of influence. In particular, one can distinguish approaches focusing on the provision of information (Austen-Smith and Wright 1992, 1994, Ball 1995) and approaches focusing on the provision of politically valuable resources and support as in election (Grossman and Helpman 1994, Krueger 1974, Baron 1999, Laumann and Knoke 1987, Magee et al. 1989, Pappi et al. 1995). Models focusing on the provision of information assume that politicians have incomplete information regarding the translation of policies into policy outcomes. Thus, based on the provided information politicians form specific expectations regarding the translation of policies into outcomes and choose policies accordingly. In contrast, models focusing on the provision of politically-valuable resources like political support assume that politicians have complete information regarding the transformation of policies into policy outcomes, but derive their individual utility beyond policy outcomes from other resources provided by the interest groups.

To model political influence of interest groups we focus on the exchange of politically-valuable resources. Contrary to the transfer of commodities, the transfer of influence resources is complicated by the fact these are not alienable, i.e. actually changing hands between exchange partners. What is exchanged are promises to use part of one’s resource for the other actor, so that the transaction is plagued by problem of opportunistic behaviour and has to be embedded into a trust relationship which ensures promises will be kept (cf. Kappelhoff 1993 and Henning 2002a). As we have demonstrated in another paper (Henning 2002c), trust among two actors emerges the higher the possibility of the actors is to punish deviating behaviour. In particular, the more actors are embedded in a network of continuing
exchange relations, the higher c.p. the potential to punish deviating actors. Therefore, politi-
cal exchange is organized in social networks, which, beyond the political exchange relations,
include also social exchange relations like personal friendship or the long-term exchange
of organizational resources.

Transaction costs imply restrictions on the supply of an actor’s resource since he or she can
profit only from that additional unit offered to another actor for which the price is larger
than the sum of the marginal consumption value of that unit minus the disutility of the
transaction itself. These pairwise different effective supplies result in dyadic exchange
thresholds for a given resource, segmenting the market into “regions” with their own re-
gional equilibria. Formally, we interpret a political control market with transaction costs
analogously to an interregional trade economy with transport costs (cf. the multi-product
spatial equilibrium models of Takayama and Judge 1971: 233-257). Important for the appli-
cation of network analysis to such a system is the possibility to derive dyadic exchange
hypotheses from these „regional“ equilibria, whereas this is not possible for exchange equi-
libria in a perfect market.

2.2 A simple formal Political Exchange Model with Transaction Costs

In order to simplify the transaction cost model, we first assume the existence of a single
influence resource, public support, supplied with transaction costs by interest groups to po-
litical actors. Political control or voting power, however, is treated as a universally tradable
type of commodity like specie money. In addition, let us assume that we have data on pol-
icy preferences of actors, arranged as policy positions of the \( i \in N = \{1, 2, \ldots, n\} \) actors in \( j \in M = \{1, 2, \ldots, m\} \) policy dimensions which we indicate as \( Y_{ij} \), and interest intensities of the
actors in the \( m \) policy dimensions \( (X_{ij})\). The voting power of governmental actors can be
measured by power concepts like the well-known Coleman-Banzhaf index. We postpone
the discussion of how to measure support. For the moment, it suffices to treat the control
matrix as given, which is thought to be partitioned into four subsets: (1) The control or vot-
ing power which political actors \( g \in Ng = \{1, 2, \ldots, p\} \) have of the \( m \) policy dimensions \( (C_{gi}) \),
(2) a control of zero voting power held by the \( h \in Nh = \{p+1, \ldots, n\} \) interest groups, (3) the
respective original endowment of zero support held by politicians, and (4) a share of sup-
port held by each interest group \( (C_{h,m+1}) \). The four subsets are combined to a single control
matrix \( Ce \) of original endowment of all \( n \) actors with the two types of control, either voting
power or support. Corresponding to this control matrix, we need data on an interest matrix
to which an \( m + 1^{st} \) column is added measuring the relative interest each politician has in
public support. Each actor \( i=1, \ldots, n \) has the following nested utility function \( U_i \) over political
control resources \( C_{ij} \) (vector \( c^i \)) and control of support \( C_{im+1} \):

\[
U_i(c^i, C_{im+1}) = \prod_{j=1}^{m} C_{ij} X_{ij}^{q_j} \ * C_{im+1} X_{im+1} \ * \sum_{j} X_{ij}^{p_j} = I; X_{qi} + X_{im+1} = 1
\]

By assumption, the interest in political support \( X_{im+1} \) is zero for those actors who are the
only suppliers of support, i.e. the interest groups. For simplicity, we further assume in the

---

1 In general we use the following notation: Scalars are written in capital letters, vectors are written in
small letters, while matrices are written in bold capital letters.
following that each interest group $h$ has a fixed endowment of political support $C_{hm+1}^e$. Under these assumptions, total support endowment can be normalized to 1, i.e. $\sum_h C_{hm+1}^e = 1$.

Assuming a perfect market, the value of dimension specific control and of support can be derived as in the original Coleman model (1986, 1990, and Henning 1994):

$$v = v^* C^e X$$

Then control demand of actor $i$ in equilibrium is given by:

$$C_{ij}^* = \frac{X_{ij}}{V_j} \left( \sum_{i=1}^{n+1} C_{ij}^e V_j \right)$$

Following the mean voter decision rule (Henning 2000, Pappi and Henning 1998) the collective decision ($\alpha_j^*$) for each policy dimension $j$ is then predicted by:

$$\alpha_j^* = \sum_{i \in N} C_{ij}^* Y_j$$

When we introduce transaction costs for bringing support to the political market, we assume actors will maximize their utility from political control, restricted by the income they receive from the supply of support. We introduce transaction costs assuming the supply of political support on the political market implies a specific disutility for the interest group. Substantively speaking, transaction costs correspond to additional resources that an interest group has to invest to approach politicians. Formally, we assume that transaction costs are a non-decreasing convex function of the quantity of support ($T_{hm}$) supplied on the political market. Thus, supply and demand on the political market can be derived from the following utility maximization:

$$\text{Max } U_h(c^h, T_{hm+1})$$

s.t.:

$$\sum_{j=1}^{m} C_{bj} V_j \leq T_{hm+1} V_{m+1}$$

$$T_{hm+1} \leq C_{hm+1}^e$$

with: $\frac{\partial U_h}{\partial T_{hm+1}} \leq 0, \frac{\partial^2 U_h}{\partial T_{hm+1}^2} \leq 0$

Now, the maximization problem (equation 5) is equivalent to the following maximization (Lopez, 1984):
According to equation (6) it follows that the supply and the demand function of an interest group \( h \) can be directly derived from utility maximization. In particular, transaction costs for the supply of support lead to a positive reflexive demand of support \((Z_{hm+1})\) by an interest group as long as the observed marginal transaction costs \( \frac{\partial \tilde{U}_h}{\partial Z_{hm+1}} \) are greater than the price \( V_{m+1} \) received on the political market. In this case, structural imperfection is a binding restriction and the equilibrium supply \( T_{hm+1}(V_{m+1}) \) is lower than the total endowment \( C_{e_hm+1} \). That is, the volume of supplied support is smaller than, or at most equal to, each actor’s original endowment with support.

Effective supply of support \((T^*_{hm+1})\) can be calculated as the difference between original endowment and reflexive demand of support \((C_{e_hm+1}-Z^*_{hm+1})\), i.e. demand which results from disutility which are no longer counterbalanced by exchange profits. Substantively speaking, reflexive demand of an interest group is proportional to the observed transaction costs.

Since we have assumed transaction costs only for support which is exclusively supplied by interest groups whereas politicians can engage in political control exchange unrestricted by transaction costs, we have constructed a perfect political market at the core of the system and interest groups at the periphery with a distance from the centre varying with resource endowment and transaction costs. The higher the disutility from a transfer of h’s support to the political market, the longer h’s distance from the political core, controlled for h’s endowment. Due to these simplifying assumptions, such an exchange system is analogous to von Thünen’s spatial model (1966). We stress, however, that the transaction cost model is much more general than this special application which we introduce for the sake of presenting the basic idea in a more simple manner. In particular it is straightforward to introduce actor specific transaction costs for all types of control resources.

2.3 Socially embedded Political Exchange: A general Political Exchange Model

Introducing actor specific transaction costs implies that we have to define actor specific transfers of support. Let \( T_{ijm+1} \) denote the transfer of the political support resource of actor \( i \) to actor \( j \). Note further that in the general case brokerage is possible too, i.e. a actor “i” demands support resources from another actor “j” to supply these resources to a third actor “k”. The rational behind brokerage is that actors have different access to each other, i.e. transaction cost might be lower for an indirect transfer from actor \( j \) over actor \( i \) to actor \( k \), when compared to the direct dyadic transfer from actor \( j \) to actor \( k \). Brokerage is a well-
known phenomena that has been identified empirically by sociological network studies (see for example Pappi et al. 1995).

**Individual demand and supply**

To derive individual demand and supply of resources in the general case, assume for the moment that exchange rates among resources are exogenously determined. Let \( V_{ik}/V_{il} \) denote the actor specific relative prices and let \( v^k = \{ V_{i1}, \ldots, V_{im+1} \} \) denote the vector of actor specific prices. Under this assumption the individual demand and supply functions can be derived from the following (expected) utility maximization:

\[
\begin{align*}
    & \text{Max } U(c^i, t^i) \\
    \text{s.t.} & \quad \sum_{k \in M \cup m+1} C_{ik}^e V_{ik} \leq \sum_{k \in M \cup m+1} C_{ik}^a V_{ik} + \sum_{j \in N} \sum_{k \in M \cup m+1} T_{ijk}^* (V_{jk} - V_{ik}) \\
    & \quad c^i, t^i \geq 0
\end{align*}
\]

The maximization problem in eq(7) directly delivers the individual supply and demand correspondences \( c^i(v) = \{ C_{i1}^e(v), \ldots, C_{im}^e(v) \} \) and \( t(v) = \{ T_{i11}(v), \ldots, T_{im1}(v), \ldots, T_{imm}(v) \} \), respectively. Note that despite the assumption of a concave and continuous utility function \( U(c,t) \) eq. (7) defines upper-hemicontinuous correspondences, where supply (\( T_{ijk} \)) will generally not be continuous functions of prices \( v \), i.e. supply will be zero as long as it holds: \( V_{jk} < V_{ik} \).

**Definition of an exchange equilibrium**

Formally, the social exchange system defined above still corresponds to a simple Arrow-Debreu exchange economy (Arrow and Debreu 1954). The exchange equilibrium corresponds to the exchange equilibrium of an interregional exchange economy including transaction costs (see Takayama and Judge 1971), i.e. a social exchange equilibrium is a price vector \( v^* \) that fulfils the following conditions:

\[
\begin{align*}
    \sum_j (T_{ijk} - T_{jik}) + C_{ik}^a - C_{ik}^e & \leq 0 \quad \forall k \in M \cup m+1 \forall i \in N \\
    T_{ijk} &= T_{jik}^*(v^*) \quad \forall i,j \in N \forall k \in M \cup m+1 \\
    C_{ik} &= C_{ik}^e(v^*) \quad \forall i \in N \forall k \in M \cup m+1
\end{align*}
\]

As long as quasi-concave utility functions are assumed, the existence of an exchange equilibrium can be proved applying Negishi’s optimization program approach (see Takayama and Judge 1971). Analogously the equilibrium can be calculated numerically given specified utility functions and resource endowments applying an iterative Negishi programme.\(^2\)

---

2 Of course, the applied equilibrium concept implicitly assumes that individual actors do not take into account the impact of their individual demand and supply on equilibrium prices. Thus, as long as the number of actors is not sufficiently large, this assumption appears restrictive. On the one hand, a lot of empirical applications in fact involve a large number of actors and thus competition among these actors is correctly reflected in our model. However, assuming asymmetric access among actors often implies that some prominent actors with access to most valuable political markets exist.
In the framework of our political exchange model the political influence of interest groups can be defined as the value of political control resources demanded by an interest group in the political exchange equilibrium:

\[ PI_h = \sum_{i=1}^{m} C_{hi} V_i \]

Thus, due to brokerage it directly leads us to the conclusion that beyond interest groups politicians can also have political influence beyond their constitutionally determined political control. Thus, as a rule net political influence can be measured as the difference of political control resources held by an actor in the political exchange equilibrium and before the political exchange, respectively:

\[ PI_j = \sum_{i=1}^{m} V_i (C_{ji}^e - C_{ji}^c) \quad j \in N \]

2.4 Hypotheses implied by our Theory

Overall, the following hypotheses can be derived from our political exchange theory:

1. A political agent is generally simultaneously lobbied by different interest groups as well as by other politicians. Accordingly, one should neither observe that (a) interest group lobby only friendly politicians nor that (b) interest group lobby only unfriendly politicians with opposing policy preferences.

2. Taking external effects of political exchange into account it follows that lobbying activities of different interest groups are strategically interdependent (see Henning 2000, 2002b). On the one hand counteractive lobbying might occur, that is the demand of political control resources of an interest group increases c.p. when opposing interest groups increase their demand of political control resources.

3. Moreover, beyond counteractive lobbying there are also interdependences among control demand of interest groups with similar policy preferences. In particular, external effects of political control exchange among friendly interest groups imply that the demand of political control resources of an interest group decreases (political control of resources decreases / political control resources decrease-c.p. when an interest group with similar preferences increases its demand. This generates a free-rider problem among interest groups with similar interests, e.g. interest groups of the same market chain. To solve the free-rider problem peak-organizations might be created to coordinate lobbying activities.

Hence, these actors certainly exert some market power, i.e. shift exchange rates (prices) to their advantages. Of course, formal solutions exist that allow the computation of a market equilibrium including market power of some actors. In essence, the market power of an actor implies that his broker share, that is the difference between the price paid for received resources and the price received for delivered resources, is higher than the marginal transaction costs observed for the undertaken transfers.

We thank Tom Rutherford from the University of Colorado for providing us with an iterative Negishi-Program(me) as well as a Mixed Complementary Program written in GAMS/Menos to solve the equilibrium numerically (see Henning 2002a).
4. Brokerage is profitable, i.e. beyond exchange relations among politicians and interest groups exchange relations among interest groups as well as among politicians can also be observed.

5. Hence, political influence is not exclusively exerted by interest groups, but also by politicians. This general concept of political influence is captured by the net political influence.

6. Overall, interest groups might exert high political influence, but the final impact on the policy output is rather low, since the influence of various interest groups balances them out.

3 **Empirical Evidence from the European Common Agricultural Policy**

In the following section we present selected results of an empirical application of a reduced form of our general political exchange model to the Common European Agricultural Policy domain to provide some empirical evidence of our theory.

The CAP is a perfect example of biased policy in favour of special interest at the expense of the general public (Koester 1977). Moreover, it is a fitting example for the study of operative EC policy making on the basis of constitutional agreements already reached. And it is not a trivial example, since at least half of the EC budget is spent for this purpose. The interest groups active in the CAP are first of all national farmers’ associations and peak organizations of agricultural cooperatives, but also agricultural trade and food industry associations as well as unions and consumer associations. All these branches of national organizations form their own peak associations at the European level, the most important of which is the Comité des Organisations Professionelles Agricoles, abbreviated COPA.

3.1 **Study Design and Network Data**

As we have justified in detail in another paper (see Pappi and Henning 1999) we conceive the EU-system as a multilevel system which defined as a system of authority fusion among lower and higher level governments, since national governments responsible as singles for policy making at the lower, national level share responsibility with other national governments at a higher, supranational level. Such systems offer more options for the access of interest groups than one level or cooperative federal systems (see Pappi and Henning 1999).

In the following discussion of only the EU system, the term “national politicians“ is used for the permanent representatives and the national governments as Council members and the term “supranational politicians“ for the Commission and the groups of the European Parliament.

The governmental actors are supposed to demand public support \( (C^S) \) and expert knowledge \( (C^E) \), offering control of policy decisions \( (C^P) \) and monitoring information \( (C^M) \). The interest groups, on the other hand, are the suppliers of support and expert knowledge which they exchange for control of those policies in which their members are most interested and for monitoring information. According to our exchange model we assume that actors exchanging political influence resources observe actor specific transaction cost.

The common agricultural policy is governed by the consultation procedure in which only the Commission and the Council of Ministers have a legislatvie voting power. But even the European Parliament as the third governmental actor is not completely powerless, since it determines the budget and enjoys a good brokerage position for operational agricultural
policy. Thus, the first task of our study design was to identify all governmental actors with authority or with a privileged brokerage position as part of our target population.

We are applying the concept of a corporate actor for which a person is selected as a representative to answer our interview questions. Overall, we interviewed 30 representatives of governmental actors standing for the 12 national ministers of agriculture, the 12 permanent representatives, one interview for the Commission and five interviews for the most important parliamentary groups within the European Parliament. Moreover, we conducted 55 interviews with both national and European interest groups. At the European level, all identified peak organizations are included, but at the national level, only farmers’ associations are completely covered; however, the national interest groups from the food industry, agricultural trade and consumers are less represented due to a lack of influence reputation.

Within the personal interviews we collected data regarding the policy preferences of cooperative actors. More precisely, this included the preferred position and interest in various policy issues regarding the so-called MacSharry reform in 1992. Overall, the reform comprised of 6 regulations which we could separate into 67 single issue dimensions. Each single issue dimension was measurable in quantitative terms. For example, very important issues were the intervention price cuts for cereal, beef and milk, respectively (see Henning 2000 for further details). Moreover, we asked about the relative interest of organizations in influence resources and political control, respectively. Beside political control we consider expert information and political support as relevant political resources for politicians, while we assume that interest groups are interested in political control and monitoring information.

Besides the policy preferences we collected network data in our interviews. Overall we asked seven networks questions, i.e. supply and demand of expert information, supply and demand of monitoring information, demand of political support as well as long term social relations and long term coalitions. Using the supply and demand network of expert and monitoring information we were able to derive confirmed exchange networks, i.e. only if an organization “i” indicates that it has demanded information from an organization “j” and the organization “j” also indicates that it has supplied information to the organization “i” is a network tie established (see Pappi and Henning 1999 or Henning 2000 for details). Interpreting confirmed policy networks as empirically observed transfer exchanges among actors we were able to estimate a reduced form of our general political exchange model. On the basis of the estimated reduced form, we were further able to calculate the following variables: (1) actor specific equilibrium prices of the exchanged resources, (2) total income, (3) individual demand of influence and political control resources of actors as well as (4) the resource transfers among political actors, that is the transfers to final demanders of political influence resources as well as intermediate resource transfers among actors and brokers (see Henning 2000 for further details).

4 Results

Political influence in the European common agricultural policy domain

In Table 1 total net political influence, total political control demand and original legislative power of different organizational categories are presented.

4 Note that the MacSharry reform has been decided in the EU-12 in 1992.
Table 1: Net political influence, political control demand and institutional voting power in the European Common Agricultural Policy

<table>
<thead>
<tr>
<th>Category</th>
<th>Net political influence</th>
<th>Category</th>
<th>Political control demand</th>
<th>Category</th>
<th>Institutional voting power</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Organisation</td>
<td></td>
<td>Organisation</td>
<td></td>
<td>Organisation</td>
</tr>
<tr>
<td>Per. Representatives</td>
<td>5.24%</td>
<td>0.44%</td>
<td>5.24%</td>
<td>0.44%</td>
<td>0.00%</td>
</tr>
<tr>
<td>Agr. Ministries</td>
<td>-42.89%</td>
<td>-3.58%</td>
<td>33.77%</td>
<td>2.81%</td>
<td>76.66%</td>
</tr>
<tr>
<td>Commission DGVI</td>
<td>0.87%</td>
<td>0.87%</td>
<td>24.21%</td>
<td>24.21%</td>
<td>23.34%</td>
</tr>
<tr>
<td>EP</td>
<td>3.40%</td>
<td>0.57%</td>
<td>3.78%</td>
<td>0.63%</td>
<td>0.00%</td>
</tr>
<tr>
<td>National farmers</td>
<td>17.34%</td>
<td>0.96%</td>
<td>17.34%</td>
<td>0.96%</td>
<td>0.00%</td>
</tr>
<tr>
<td>National others</td>
<td>0.02%</td>
<td>0.00%</td>
<td>0.02%</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td>Supranational farmers</td>
<td>8.36%</td>
<td>4.18%</td>
<td>8.36%</td>
<td>4.18%</td>
<td>0.00%</td>
</tr>
<tr>
<td>Supranational others</td>
<td>7.29%</td>
<td>0.28%</td>
<td>7.29%</td>
<td>0.28%</td>
<td>0.00%</td>
</tr>
<tr>
<td>SUM</td>
<td>0.00%</td>
<td>100.00%</td>
<td>1.18%</td>
<td>100.00%</td>
<td>1.18%</td>
</tr>
</tbody>
</table>

Source: Henning 2000

As seen in Table 1, interest groups exert important political influence in the CAP, resulting in a total net political influence of 37%, whereas overall political influence results from power outflow of national agricultural ministries given a total net political influence of roughly -43%. However, as expected, political influence is highly asymmetrically distributed across interest groups, where farmers’ interest groups exert most political influence with a total net influence of 26% and non-farmers’ interest groups together exert only a political influence of roughly 7%. Interestingly, beyond interest groups, political actors, namely the groups of the EP and the Permanent Representatives as well as the Commission, also have a positive net political influence in the political exchange equilibrium.

The impact of lobbying on final CAP policy output

Beyond the significant net political influence of interest groups, the question arises to what extent lobbying activities have an impact on the final policy outcome. To answer this question empirically we compare the policy outcomes of the MacSharry reform as predicted by our political exchange model including and excluding political influence resources (see Table 2).
Table 2: Goodness of fit of the policy forecast of the MacSharry reform with the political exchange and the agenda-setter-model

<table>
<thead>
<tr>
<th>Political issues</th>
<th>Model forecasts</th>
<th>Correlation</th>
</tr>
</thead>
<tbody>
<tr>
<td>MacSharry (67 issues)</td>
<td>Political exchange mode with lobbying</td>
<td>Agenda-setter model</td>
</tr>
<tr>
<td>Euclidian Distance to real decision</td>
<td>1,487</td>
<td>3,343</td>
</tr>
<tr>
<td>Improvement of random choice prognosis</td>
<td>58,51%</td>
<td>6,72%</td>
</tr>
</tbody>
</table>

First row = correlation of not normalized decisions
Second row = correlation of (0,1)-normalized decisions

To evaluate the general empirical fit of our political exchange model, we have additionally applied two alternative models. First, a random choice model has been used as a base run model. In particular, in the random choice decisions were forecasted by an independent random choice of policy positions for every policy dimension. Further, an agenda setter model (ASM, see Tsebelis and Garett 1996) was applied. Decision forecasts of the ASM correspond to the proposal that maximizes the commissions’ spatial utility function subject to the constraint that the selected proposal is at least supported by a qualified majority in the council. As Table 2 illustrates, the best empirical fit results by far for the political exchange model supporting our political exchange theory in general. Moreover, the empirical fit of the political exchange model when taking lobbying into account is significantly higher than the exchange model without lobbying. Hence, this indicates the impact of lobbying on the policy outcome of the CAP-reform in 1992. Moreover, analyzing the model forecasts for detailed policy issues it follows that predicted intervention price cuts for cereals, beef and milk are 2-9% lower for the exchange model with lobbying when compared to the political exchange model without lobbying. However, given the fact that the total influence of farmers’ interest groups sums up to 25%, this result also underlies the fact that national farmers partially have conflicting interests, especially with regard to the protection levels of specific commodities. This is conceivable given the different output structures of national farm sectors. Thus, overall biased agricultural protection can partly be explained by lobbying. However, given the fact that national lobbying activities partly offset each other, predicted protection levels remain high in political equilibrium even if lobbying is neglected. Therefore, the observed protection biases cannot be completely explained through biased political influence of the farmers’ lobby (see also Henning 2002b).

Lobbying strategies

To analyze the lobbying strategies applied by interest groups in the CAP empirically, we can use the computed quantitative transfers among political actors, interest groups and politicians. To facilitate the description and analyses of lobbying strategies we focus in the following on the transfer of expert information although our model takes three political influence resources into account. According to our political exchange equilibrium, the final demanders of expert information are politicians, while the original suppliers are interest groups. However, due to asymmetric access brokerage activities might be profitable, i.e. some interests do not deliver their expert resources directly to politicians as a final de-
mander, but use other interest groups or politicians as brokers. Thus, if brokerage occurs, one should observe transfers of expert information among interest groups (I-I-transfers) as well as among politicians (P-P-transfers). Moreover, we separate expert information transfers into final transfers, i.e. transfers from a broker to a final demander of a resource ($T_{ij}$), and intermediate transfers ($V_{ij}$), e.g. transfers among two brokers. Given these definitions one can calculate input ($a_{ij}$) and output ($b_{ij}$) coefficients as well as backward ($a_{i}$) and forward linkages ($b_{i}$) as follows:

\[
\begin{align*}
    a_{ij} &= \frac{V_{ij}}{\sum_{k} V_{kj}}; \quad b_{ij} = \frac{V_{ij}}{\sum_{k} V_{ik}} \\
    a_{i} &= \frac{\sum_{j} V_{ij}}{T_{i}}; \quad b_{i} = \frac{\sum_{j} V_{ij}}{T_{i}}; \quad T_{i} = \sum_{j} (V_{ij} + T_{ij}) = \sum_{j} V_{ij} + G_{i}
\end{align*}
\]

In eq. (11) $G_{i}$ denotes the gain an actor (broker) $i$ realised from trading expert information.

In Tables 3 and 4 (Appendix) the input and output coefficients for aggregated broker and market categories are summarized for the exchange of expert information in the European Agricultural Policy domain. To facilitate reading, consider the first column of Table 3. According to Table 3 the average backward linkages of supranational political agents ($a_{i}$) is 31%, i.e. by average the supranational agents receive 31% of their total turnover of expert information as intermediate inputs from other actors (brokers). Moreover, 25% of total intermediate inputs come from national political actors and 67% of total intermediate inputs come from interest groups, but only 7% from national interest groups. In contrast, all actors receive only 13% of intermediate inputs from national political agents on average (see column total-V in Table 3). Analogously, the input coefficient of 18% for supranational agents in the column “national markets” of Table 3 implies that 18% of total information delivered to national politicians as final demanders is delivered by supranational agents, where the corresponding share on supranational markets is only 3% for the Commission and 11% for the EP, respectively.

Analogously, in Table 4 the first row contains the output coefficients of supranational agents and thus can be interpreted as follows. Supranational agents deliver on average 81% and 19% of their total intermediate transfers to national and other supranational politicians, respectively. Moreover, on average a forward linkage of 15% is observed for this category, i.e. supranational agents deliver only 15% of their total turnover of expert information as intermediate inputs to other brokers, while they deliver 85% directly to final demanders on political markets. Final demand transfers are focused on national politicians given an average output coefficient of 95% for these markets. According to the last row, the result is that only a share of 9% of total intermediate inputs are delivered to supranational political agents, while the largest shares are delivered to national politicians (34%) followed by national farmers’ interest groups with 21%.

Now, according to the input output structures as presented in Tables 3 and 4 the following conclusions regarding the lobbying strategies within the CAP can be drawn: (1) Brokerage is important, giving a share of 41% of total intermediate transfers in total transfers. Brokerage occurs mainly among interest groups (I-I-segment comprises of 57% of total intermediate input transfers) followed by brokerage among interest groups and politicians (circa 24% of total intermediate transfers occur in the I-P-segment, while the brokerage relations
among politicians (the P-P-segment) account for only 19% of total intermediate transfers. (2) Brokerage among interest groups does not only occur among interest groups with similar interests, e.g. supranational peak organizations and their national members, but also among competing interest groups with partly opposing interests. For example, high input output relations can be observed among all supranational peak organizations (see table 3 and 4). (3) Politicians are important brokers of expert information receiving 43% of total intermediate inputs and delivering 51% of total final demand to political markets. (4) Markets are clearly segmented. On the one hand politicians specialise in the delivery of final demand, while interest groups and, in particular, supranational interest groups specialise in the delivery of intermediate inputs. National non-farmers’ organizations which mainly deliver expert information directly to their national ministries can be regarded as an exception to the rule. On the other hand markets are segmented along national and supranational lines, i.e. national (supranational) actors, interest groups and politicians, are mainly engaged in transfers with other national (supranational) actors. (5) Broker shares vary significantly across actors, where COPA/COCEGA is the most prominent brokers with a broker share of 97% followed by the Commission and the EP with an average broker share of 69%. Relatively unfavourable network positions can be observed for national politicians as well as national non-farmers’ interest groups. Since high broker shares reflect both comparatively low transaction costs as well as high market power, this underlies the fact that the CAP is already a highly integrated policy, where important policies are decided on the supranational level (see also Pappi and Henning 1999).

Finally, we want to analyse to what extent interest groups engage in lobbying of friendly or unfriendly political agents or counteractive lobbying strategies. To this end we have constructed a specific conflict index which measures the difference in political preferences between two actors. According to this construction a higher index number indicates greater opposition in policy preferences. We have correlated the conflict index with the direct transfers of influence resources among interest groups and politicians. Hence, if friendly lobbying is a dominant strategy one should expect a negative correlation, while a positive correlation indicates the vice-versa, unfriendly lobbying as the dominant lobbying strategy. However, we derived a very low negative correlation of -0.023, which turned out to be statistically insignificant. Hence, we interpret this as further empirical support of our lobbying model, since this nicely corresponds to our theoretically derived hypothesis 1.

5 Conclusion

Starting from Coleman’s fundamental criticism that a consistent and operational theory of the political influence of interest groups has yet to been fully developed, the paper provides a formal and operational model of political influence that simultaneously takes multiple interest groups and politicians into account. In particular, the model reflects that lobbying activities in terms of an exchange of politically valuable resources generally imply a

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5 Formally, the conflict index corresponds to the weighted absolute differences of actors’ policy positions on the 67 policy issues of the MacSharry reform of 1992. The weight of the difference observed for a single policy issue corresponds to the geometric mean of actors’ interest in this issue. Hence, if both actors have a high interest in a single issue, the difference receives a higher weight compared to the difference for policy issues in which both actors have only little interest. Finally, we have normalized each difference by the maximal difference that occurs for a single issue. Therefore, the normalized conflict index lies between 0 and 1.
problem of opportunistic behaviour which so far has been mainly neglected in the literature. To avoid opportunistic behaviour, political exchange is embedded in social network relations. Formally, the model corresponds to a political exchange model including transaction costs and combining the sociological policy network approach with the economic approach to the political influence of interest groups. Theoretically, the network organization of political influence in contrast to existing lobbying theories implies that competing interest groups can partially cooperate, i.e. engage in brokerage relations. Brokerage relations imply that interest groups not only exchange influence resources directly with politicians but also indirectly through other interest groups or politicians to minimize the transaction cost of the exchange. Moreover, due to the external effects of political control exchange, our model implies that lobbying strategies of different interest groups are strategically interdependent. Negative external effects of political control exchange imply counteractive lobbying, while positive external effects imply a free-rider problem among interest groups with similar policy preferences. To avoid the free rider problem a specific organization of political influence in common peak organizations or informal long-term coalitions among interest groups might be established.

The main results of the empirical application of our model to the European Common Agricultural Policy (CAP) support our theory. Our exchange model including lobbying in particular delivers by far the best quantitative prediction of the policy outcome under the MacSharry reform, where the prediction power of the exchange model clearly decreases if lobbying activities are neglected. Moreover, we observed a strong political influence of interest groups. Interest groups control together 37% of total political control resources in equilibrium, where the main outflow of political control comes from the national ministries which strongly depend on the expert information and the political support of interest groups. Political influence is clearly biased in favour of farmers’ interests. However, due to heterogeneous policy preferences across national farmers’ interest groups the final impact of farmers’ lobbying activities on policy output are only moderate, although still significant when compared to their common political influence. Finally, the lobbying system of the CAP is characterized by a high share of intermediate resource transfers among interest groups and politicians in total resource transfers. Interestingly, transfers do not only occur among interest groups with similar interests, e.g. between a supranational peak organization and its national member organization, but also among competing interest groups, e.g. supranational farmers’ and agricultural trade organizations as well food industry and even consumers’ organizations. The most prominent brokers are the supranational farmers’ organization, COPA/COCEGA, and national politicians, i.e. Permanent Representatives and Agricultural Ministries, illustrating their strong social embeddedness in the political system of the CAP.

References


Lehmbruch, G., Liberal corporatism and party government, Comparative Political Studies 1977 (10), pp. 91-126.


Table 3: Input coefficients: Confirmed Expert information in European Agricultural Policy

<table>
<thead>
<tr>
<th>Brokers</th>
<th>Interest groups</th>
<th>Markets</th>
</tr>
</thead>
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<tr>
<td>Political Agents</td>
<td>National</td>
<td>Supranational</td>
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<tr>
<td>Supranational</td>
<td>9% 10%</td>
<td>18% 11% 3% 16% 11%</td>
</tr>
<tr>
<td>National</td>
<td>25% 30%</td>
<td>33% 20% 63% 35% 26%</td>
</tr>
<tr>
<td>Brokers</td>
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<tr>
<td>sPro</td>
<td>13% 4%</td>
<td>0% 0% 24% 17% 4% 30%</td>
</tr>
<tr>
<td>sTrade</td>
<td>19% 3%</td>
<td>0% 0% 20% 44% 21% 39%</td>
</tr>
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<td>sInd</td>
<td>20% 5%</td>
<td>0% 0% 22% 17% 30% 7% 6%</td>
</tr>
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<td>sCon</td>
<td>7% 0%</td>
<td>0% 0% 6% 1% 6% 37% 2%</td>
</tr>
<tr>
<td>nPro</td>
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</tr>
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</tr>
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<td>nInd</td>
<td>1% 8%</td>
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</tr>
<tr>
<td>nCon</td>
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</tr>
<tr>
<td>100% 100% 100% 100% 100%</td>
<td>100% 100% 100% 100%</td>
<td>100% 100% 100% 100% 100%</td>
</tr>
<tr>
<td>( a_i )</td>
<td>31% 53%</td>
<td>3% 47% 40% 35% 38%</td>
</tr>
<tr>
<td>total IG</td>
<td>67% 60%</td>
<td>100% 100% 100% 100% 100%</td>
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<tr>
<td>Nat-IG</td>
<td>7% 48%</td>
<td>0% 0% 52% 14% 26% 13%</td>
</tr>
<tr>
<td>Profit share</td>
<td>69% 47%</td>
<td>0% 0% 97% 53% 60% 65%</td>
</tr>
</tbody>
</table>

Source: Own calculations on the basis of NACAP data.
Table 4: Output coefficients: Confirmed Expert information in European Agricultural Policy

<table>
<thead>
<tr>
<th>Brokers</th>
<th>Markets</th>
</tr>
</thead>
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<td>Political Agents</td>
<td>Brokers</td>
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<td>national</td>
</tr>
<tr>
<td>National</td>
<td></td>
</tr>
<tr>
<td>sPro</td>
<td>9%</td>
</tr>
<tr>
<td>sTrade</td>
<td>16%</td>
</tr>
<tr>
<td>sInd</td>
<td>10%</td>
</tr>
<tr>
<td>sCon</td>
<td>9%</td>
</tr>
<tr>
<td>nPro</td>
<td>2%</td>
</tr>
<tr>
<td>nTrade</td>
<td>3%</td>
</tr>
<tr>
<td>nInd</td>
<td>2%</td>
</tr>
<tr>
<td>nCon</td>
<td>14%</td>
</tr>
<tr>
<td>total-V</td>
<td>9%</td>
</tr>
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</table>

Source: Own calculations on the basis of NACAP data.
Recent Developments in EU-level Social Policy-Making and Corporatist Governance

1 Introduction

Social policy-making is at the heart of modern public policy-making and has been based on social partnership in many European countries. Both have for long been seen as purely national endeavors. Especially during the Golden Age, corporatist arrangements facilitated the post-war settlement and allowed European countries to develop more or less generous welfare states (Bornstein 1984, Kesselman et al. 1997, Streeck 1998, Goldthorpe 1984). But recent developments since the second half of the 1990s show that the impact of the EU on socio-economic policy-making is becoming increasingly important. While negative integration is still dominant, new coordination mechanisms are evolving to foster positive integration. A new system of corporatist governance is emerging that accepts diversity and encourages semi-voluntary forms of coordination. The new approach, often called the “third way,” achieves a balance between policy convergence and institutional diversity through the use of benchmarking tools and idealizes the maxim of “Europe learning from Europe” (Teague 1999, Kenner 1999). More than ever, a greater emphasis is placed on the participation of the social partners on all levels. Nevertheless, we argue that despite the fact that the social partners are formally granted a greater opportunity to voice their opinions at different stages of policy-making both at the national as well as the European level, their capacity to leverage political influence has actually decreased. The European Employment Strategy is a good example of this new coordination mechanism. Not only does it have a legal basis provided by the Employment Title in the Amsterdam Treaty, but the coordination mechanism itself has been implemented for several years. By focusing on the workings of the European Employment Strategy from 1997 to the present, we will demonstrate that the new system of corporatist governance bestows national as well as supranational actors with the freedom to choose the degree to which they want to include the preferences of the social partners in the policy-making process. Neither recent efforts of constitution-building nor the prospect of enlargement is likely to strengthen the position of the social partners.

In order to explain this development, the first section will answer the following questions: How do the dynamics of negative and positive integration affect the prospect of social policy and social partnership in EU policy-making? Why has the intention of including the social partners in policy-making at the EU-level become increasingly more prominent? The remaining sections will address the following questions: How do new arrangements of corporatist governance affect the position of the social partners? Finally, how do efforts of constitution-building and enlargement relate to this new development?

2 The Predominance of Negative Integration

The discussion of negative and positive integration is useful to analyze the idiosyncrasies of the system of corporatist governance that is emerging in the European Union and to examine the impact this has on the role of the social partners as they attempt to influence the development of a new European as well as national socio-economic political order. Particular attention is given to the relative position of the social partners as well as the factors that
have contributed to the emphasis on greater participation of the social partners in EU decision-making.

The dynamics of European integration across different policy fields is characterized by a fundamental asymmetry between ‘negative integration’ or liberalization, i.e. increasing market integration by eliminating national constraints, and positive integration, which aims at shaping the conditions under which markets operate (Scharpf 1996). The convergence of member states’ interests in negative integration has been facilitated by supranational European law (in fact, the European competition law has a constitutional status since it is part of the Treaty), whereas positive integration is hindered by the impediments facing intergovernmental policy-making. Thus, while supranational institutions foster the creation of transnational markets, social regulation is mainly reserved as a national responsibility since it is easier for countries to agree on the removal of barriers to trade and mobility (i.e. negative integration) than to agree on social policy-making and common institutions (i.e. positive integration).

The prospects for the development of a social dimension in the European Union under the conditions of joint decision-making rules are particularly dire due to two factors (Pennings 2002). First social policies belong to a group of regulatory policies, which are process-related and require intergovernmental agreements for their development, while product-related regulations are pushed forward by the European Court of Justice and the European Commission “behind the back of political processes” (Scharpf 1996: 19). Second, different levels of economic prosperity among member states lead to conflict of interests among the decision-makers (Gomà 1996). Since it is the case that process-related regulations do indeed increase the costs of production, they pit member states with different levels of economic development against each other: rich and high regulatory member states tend to demand higher levels of regulation, while poor and low regulatory member states prefer non-agreements, thus the status quo.

While negative integration will continuously make progress in the long run, positive integration will increasingly fall behind. This will not only undermine the member states’ collective problem-solving capabilities in the area of social protection and will thus eventually lead to suboptimal policy outcomes, but this dynamic also has an impact on the relative position of labor unions in the EU decision-making process. While business associations find a seemingly natural synergy with market-making efforts of member states and supranational institutions, the social forces which have a stake in developing market-correcting arrangements find it more difficult to have their interests be reckoned with (Rhodes 1997, Streeck 1996, Turner 1996). As a consequence business associations have not only been rather successful in organizing themselves, but have also managed to have their interests represented in EU policies, while trade unions still lack both comparable organizational strength as well as political leverage (Green-Cowles 1995, Sandholtz and Zysman 1989, Van Apeldoorn 2000).

It has been argued that the consequences of the asymmetry of negative and positive integration may lead to a downward spiral of competitive deregulation leading to low levels of protection, without any chance for compensating for this by means of social regulation at the European level (Streeck 1997). In that case all member states would be tempted to cut back on the welfare state in order to improve their competitive position (Guillaume et al. 1996, Maduro 2000). For political parties and unions this would mean that they would further lose influence over socio-economic policy-making. It would be increasingly difficult
for the member states to come to an agreement because their interests would continue to move apart. Rich countries would be in favor of high levels of protection, but this would destroy the competitive position of poor countries. The upcoming enlargement of the EU is bound to even strengthen this problem because it brings many relatively poor countries into the EU.

The likelihood of positive integration to eventually catch up is rather limited due to two further constraints. Domestically, the preeminence of national welfare states hinders the development of Pan-European social policies (Banting 1995, Hantrais 2000, Van Kersbergen 2000, Majone 1995, Padoan 2001, Scharpf 1997). While member states can be expected to follow a strategy of “blame-avoidance” in policy areas where substantive policy responses are not possible, with regard to social affairs, there is a political reluctance to give up decision-making prerogatives. This inclination is based on the member states’ interest in preserving one of the most crucial areas of defining statehood. Social policy is viewed as a main source to derive support from citizens and thus gain legitimacy. For instance, Leibfried and Pierson (1995: 21) argue that all member states of the European Union have “identified social policy as a critical instrument for constructing political legitimacy” and thereby fight tenaciously over jurisdictional boundaries. As a consequence, any Pan-European social policies will be perceived more as a competition for support and legitimacy with domestic publics than as an added value in collectively solving policy problems. As such, these initiatives can be expected to be a patch-work of haphazardly implemented initiatives.

Additionally, the EU lacks the necessary financial resources to provide viable alternatives to national social programs. As pointed out by Majone (1993: 160), “the Community does not have, and will not have in the foreseeable future, anything approaching the financial resources required by modern welfare states.” An examination of the most recent budget figures reveals that the EU budget for 2002 was 95.655 million Euros in payment appropriations which corresponds to only 1.03 per cent of EU GNP. The biggest items in this budget are for agricultural expenditure (44.255 million Euros), structural operations (33.838 million) and international policies (6.558 million).¹ In contrast, average government spending in OECD countries for welfare state related items is around 40 per cent of the GDP. Thus the development of distributive as well as redistributive policies on the EU level is severely hampered.

The implication of this observation is that any EU social policies exist at best in parallel to the domestic welfare states. Thus, the kind of policy regime that can develop is one that must at least represent the lowest common denominator among the member states and will not strain the EU budget. In the past, this has been achieved through the “community method” in which the Commission proposed legislative initiatives and the member states retained their decision-making power by voting in the European Council. Typically, this regulatory mechanism resulted in a large number of directives and regulations (Héritier 2002, Trubek and Trubek 2003). For instance, in the area of health and safety at the workplace or gender equality the EU has produced a catalogue of minimum legal standards. The overarching objective at the time, was to achieve the harmonization of social rights and a minimum standard of social protection across Europe (Cullen and Campbell 1998, Scharpf 2002). Recently, a new policy style and focus has been developing in the European Union,

¹ For figures see Commission of the European Communities (2002).
as emphasis is placed on social goals to be achieved through soft law and technocratic sup-
port. This has not only led to a widening of issues that are being deliberated on the EU
level, but also to an increase in the number of actors which are involved in the process.

Streeck provides a plausible explanation for the recent importance of social policy on the
EU level and the greater participation of the social partners in policy-making. He observes
that the preservation of national sovereignty in an internationalized economy gives rise to a
historically unprecedented coalition of nationalism and neo-liberalism (Streeck 1996: 68).
Instead of weakening, the net effect of the EU is to actually reinvigorate notions of national
interest. For the sake of national democratic sovereignty, any country can choose to devolve
responsibility for the economy to the market and thereby limit the reach of politics on the
economy. The disengagement of politics from the economy can then be presented to the
domestic publics as the only economically rational political response to economic interna-
tionalization. Along similar lines, half-hearted efforts at creating a social dimension through
soft law and new governance mechanisms in the European Union can be seen as a conven-
ient way to effectively shirk the responsibility bestowed by the citizens onto the national
governments, in order to provide a modicum of security against the effects of transnational
markets. This is particularly the case, as long as institutional arrangements make it possible
that social interests opposed to the development of Pan-European social policies only need
to find one national government which shares their concern, whereas the proponents of such
policies for the most part need at least the support of a qualified majority of member states,
if not unanimity.

As a consequence of the pressures of economic internationalization, member states are keen
to allow themselves various degrees of participation in the social policy regime that is
emerging in the European Union. The main variants of this kind of voluntarism are cohe-
sion by exemption, unity by subsidiarity, governance by persuasion, choice or diffusion
(Streeck 1996: 77). These forms of voluntarism imply a shift of social policy-making from
the state to ‘civil society.’ A greater emphasis is being placed on the participation of the
social partners in social policy-making both at the European as well as the national level.
Streeck represents the strategic options as follows:

Table 1: Types of strategies in transnational social policy

<table>
<thead>
<tr>
<th>Class</th>
<th>Types of strategies</th>
<th>National</th>
</tr>
</thead>
<tbody>
<tr>
<td>Labor</td>
<td>Protection against competitive</td>
<td>High national competitiveness</td>
</tr>
<tr>
<td></td>
<td>deregulation</td>
<td></td>
</tr>
<tr>
<td>Business</td>
<td>Negative integration</td>
<td>Competitive deregulation</td>
</tr>
</tbody>
</table>

Source: Adapted from Streeck 1996

He argues that this configuration of interests and strategies implies that business is in a
stronger position relative to labor interests, because it can pursue its preferences by either
not acting at all or by continuing to act exclusively at the national level. The rationale of
this is that the interests of business are best served by non-demanding market-making poli-
cies (i.e. negative integration) or by non-decisions, which both are most likely to be pro-
duced by intergovernmentalism on its own. Labor, on the other hand, can only pursue its
interests by action instead of non-action and is hamstrung by the logic of non-decision
inherent in the intergovernmental system.
Consequently, the asymmetries between negative and positive integration and the difference of influence of the social partners seem to strengthen each other. This also implies that the rise of Euro-corporatism has always been seriously hampered by factors like weak unions, the resistance of business and a lack of state capacity (Streeck and Schmitter 1991). Hence, the dominance of negative integration ensures that the erosion of national sovereignty will not be compensated on the supranational level. The combination of these factors has stimulated pluralist instead of corporatist policy-making in the EU (Traxler and Schmitter 1995: 208). That the EU has evolved into a quasi-pluralist polity is remarkable since at the national level the majority of member states are traditionally more inclined towards statist or corporatism. Pluralism is rather exceptional in Europe and more likely to be found in the Anglo-Saxon world. This is one of the basic findings of the work of Esping-Andersen on welfare statism in the OECD in which he contrasts the Scandinavian and Continental countries with the Anglo-Saxon world (Esping-Andersen 1990).

Nevertheless, we must be cautious to simply juxtapose pluralism and corporatism (Teague and Donaghey 2003). Although the EU is predominantly pluralist, it is simultaneously opening up possibilities for coordination. Especially since the 1990s, there has been an increase in cooperation and consultation between interest groups on all levels and the EU decision-making bodies. The EU has increasingly stimulated new forms of coordination and cooperation between labor and business, although these have not been supra-nationally imposed, but merely facilitated. The supra-national industrial relations regime is designed to match and complement the national systems. This development is parallel to the changes one can observe on the national level of the member states. In the 1990s, most European corporatist national systems have become more voluntaristic and less compulsory. As will be shown below, the open coordination policies intend to build on flexibility in order to achieve socio-economic goals without overriding national competences.

3 How the Role of Social Partners is ‘informalized’ by OMC

This section seeks to illustrate how and why the role of interest groups in socio-economic governance has become weaker instead of stronger since the early 1990s by examining the workings of the dominant type of governance in this field: the Open Method of Coordination (OMC). We will discuss how the participation of the social partners is implemented at the national and EU-level and how it has changed during the last ten years.

To the extent that corporatist governance exists in the EU, it operates mainly in a pluralist mode, since the social partners are just one of many interest groups that are being consulted and have no formal say in the decision-making process other than giving advice. The role of member states and lobby groups is formalized through management and advisory committees respectively. The EU incorporates three layers of social partner participation. Firstly, the Commission is obliged to consult business and labor before submitting social policy proposals. Secondly, business and labor can be entrusted by member states with the implementation of Directives. Thirdly, business and labor can request the Commission to initiate negotiations instead of traditional EU legislation. This means that the social partners have become formal co-actors since the 1990s.

However, we should not overestimate the importance of corporatist institutions at the EU-level. The lack of corporatism in the EU has often been demonstrated by pointing to the Social Dialogue, which was formalized by the Social Protocol appended to the Treaty of Maastricht (1991). This led to only five agreements on work councils, parental leave, part-
time work, burden of proof in sex discrimination, and fixed-term work, all of which only had a very small impact on individual member states (Streeck 1998, Falkner 2000). The institutionalization of the Social Dialogue in the Maastricht Treaty has been interpreted as a reinstatement of veto power. In effect, it returns social policy to unanimous decision-making between the social partners. This was mainly advocated by the organized employers who feared that the growing importance of qualified majority voting would gradually extend to social policy-making (Streeck 1998).

Although corporatist governance exists to some extent, it should not be regarded as the beginning of a process which reflects the corporatist institution-building which we have seen in many European countries since the 1960s (Schmitter and Lehmbuch 1979, Pennings 1997, Scharpf 1996). Corporatism at the national level means that shared interests are expressed by cooperative relations between social partners. They are incorporated (to varying degrees) into the process of policy-formation and implementation. This means that institutional arrangements of interest mediation have been created in order to reach socio-economic decisions via negotiation between or in consultation with peak-level organizations of employees and employers. A ‘shadow of hierarchy’ is always present, meaning that the state will maintain decision-making prerogative and therefore, by having the final say can overrule the social partners, although this is more of an exception than a common practice (Streeck and Schmitter 1991).

When we compare these characteristics of corporatism with patterns of decision-making in the EU, we can conclude that there is not much of a similarity. The employees and employers are not perceived as ‘partners’ and are not as such institutionally embedded in the decision-making arenas (Marginson and Sisson 2002). No socio-economic issues are put into the hands of social partners as is, or was done, in several European countries since the 1960s (Streeck and Schmitter 1991, Traxler and Schmitter 1995). Instead, the Commission, the Council and the national governments are the decisive actors. In the distribution of powers between EU institutions the Commission proposes, the Council disposes, the Parliament advises and the Court rules. Employees and business can only advise and react to what these actors have decided, whereas in corporatist nations it is quite the other way around. Furthermore, as demonstrated in the first section on positive and negative integration, business is clearly a more dominant and influential actor at the EU-level than employees.

The corporatist model in which government, employees and business operate as more or less equal negotiators is clearly not applicable to the EU. Social policy-making is still in the hands of member states and will not be shifted to the EU-level. However, new forms of corporatist governance are emerging which allow new EU-coordinated social policy-making and this also will affect the (traditional) position of the social partners at the national level. The most prominent form is being developed under the name of the Open Method of Coordination (OMC) (Scharpf 2003). OMC was formally introduced by the Lisbon Summit (2000) in the field of social policy, but was also operational in the fields of national fiscal and employment policies before that.²

For example, the Amsterdam Treaty (1997) holds an Employment Title which stipulates that member states participate in policy coordination around a common strategy defined by

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² The conclusions of the Lisbon Summit (23 and 24 March 2000) are on the EU Council’s website at: http://ue.eu.int/en/summ.htm
the Council. The Lisbon Summit produced a tangible commitment to achieve by 2010 an increase in the rate of total employment to seventy per cent (sixty for women), an increase in the overall employment rate for older workers (55-64 ages) to fifty per cent, and to promote life-long learning and to foster employment in services. As far as social protection is concerned, it expanded OMC to new policy areas like poverty, social exclusion and the modernization of social protection. Since then, the extension of the OMC to pension reform and health and elderly care is being discussed.

Originally, OMC was designed for policies of positive integration because it avoids binding legislation that would jeopardize salient interests of member states. In contrast, the policies of negative integration are imposed in the supranational-centralized mode. It now seems to be the case that an intensification of negative integration can only take place with a subsequent enhancement of positive integration. During the past decade social policy objectives have become more important, which is reflected by the fact that the Treaty represents a number of common social policy ambitions, such as high levels of employment, the raising of the standard of living and working conditions, social protection, social dialogue and the fight against social exclusion (Hemerijck 2002b: 19). This new common concern stems from the fear of social polarization and a race to the bottom due to tax competition or social dumping between competing economies.

This consensus is enhanced by a shift of political parties on the left which are softening their demands for a social Europe. In addition, the right understands that when economic integration would proceed without intensified social policy-making, it could harm the democratic legitimacy of the process of Europeanization. Large groups would be deprived of economic prosperity if the liberalization of markets would be the main and exclusive goal of the EU-Member States (Hemerijck 2002b). Others have argued that it is the liberalization process itself that creates economic gains which is a necessary precondition for upholding or even increasing the level of the welfare state in the medium-term future. In both types of reasoning social and economic policy-making are tightly interconnected.

The OMC is expected to become more important since the diversity in social systems will remain high and become even greater. Due to the institutional differences between welfare states and the enlargement with candidate countries, the development of one single European social model is impossible. The OMC is designed to cope with the diversity between systems because it does not impose a single formula on the member states, but it uses a contextualized method of benchmarking based on consultation and feedback (Nick 2003, Scott and Trubek 2002). The OMC does not seek to impose common polices, but stimulates member states to share policy experiences and practices (Mosher and Trubek 2003). Crucial for the OMC is policy learning, i.e. to learn from the best practices through peer-review. By depoliticizing, the OMC has the potential to facilitate consensus-building on issues which would otherwise have led to dissent.

The OMC should, of course, not be interpreted as some kind of Euro-corporatism. Nevertheless, it has some resemblance with corporatism in that it is iterative, the focus is on policy learning, the social partners are involved, and there is a shadow of hierarchy. The main difference is that there are no direct sanctions that can be imposed by the EU if a member state would not oblige to the common policy goals and that there is no risk of a joint decision trap since there are no formal negotiations. As is argued by Hemerijck, this same strength may also become its weakness since the lack of real sanctions may cause the coordination of social objectives to become futile (Hemerijck 2002a). Whereas some see in the
OMC a new way to solve social problems, which would otherwise remain unsolved, others fear that the OMC is too soft and cannot prevent neo-liberal forces to dismantle the welfare state (Trubek and Mosher 2001).

The main consequence of the OMC is that the juxtaposition of positive and negative integration is becoming more and more outdated. Social protection is increasingly seen as a productive factor. Social cohesion and economic competitiveness are not perceived as opposites, but as interdependent goals (Scharpf 2002). This may be an important shift, but it does not mean that the role of interest groups such as trade unions will necessarily become stronger. On the contrary, recent evaluations of the OMC have shown that this procedure is not particularly open to these groups and scholars therefore have urged the procedure to be opened up (Jacobsson and Vifell 2003).

4 How the Open Method works: The Example of the European Employment Strategy

This section utilizes the European Employment Strategy (EES) to show that the changes introduced in the wake of the new corporatist governance have not managed to provide the social partners with a firm legal basis which would allow them to negotiate credible commitments. While the social partners now have the ability to give their opinion on a wider range of issues than ever before, soft law, deliberative mechanisms, and the appeal to best practice can only go so far in allowing them to have their voice heard. This section will briefly describe the origin and the coordination mechanism of the EES and then examine the role of the social partners in the EES both on the national and the EU level.

The origins of the EES date back to the mid-1990s with the White Paper on Growth, Competitiveness and Employment (1993), which identified among other policy goals flexible labor markets, vocational and life-long training, and part-time work. With the Essen summit in December 1994 and through subsequent Council summits, a multi-annual surveillance process was launched to provide a mechanism by which these policy goals could be implemented. Member states eventually agreed to give this coordinating mechanism greater prominence by including a separate Employment Title in the Amsterdam Treaty (Arnold and Cameron 2001). The Luxembourg Special European Council meeting (Luxembourg “Jobs” Summit) in November 1997 launched the implementation of the EES and adopted the first set of annual Employment Guidelines. As part of this coordination process, member states have been documenting the implementation of the employment guidelines through annual reports (National Action Plans, NAPs) since 1998 and their actions are now subject to monitoring by the European Commission and the Council. Every year, since 1999, both European institutions publish a Joint Economic Report and Employment Recommendations, which are adopted in the Council by a qualified majority. In both documents, the national efforts are assessed and critically evaluated. This represents a remarkable new development, since member states are now committed to accepting Europe-wide employment guidelines from the European Commission, which are being implemented using the OMC (Arnold 2002).

One of the key pillars of the EES is the adaptability pillar which calls for the development of a strong partnership at all levels - European, national, sectoral, local and enterprise- to achieve the modernization of work and the adjustment to structural change. The European

3 The White Paper is available on: http://europa.eu.int/en/record/white/c93700/contents.htm
4 On the efficacy of “politics of shame” see Lake 1993.
Commission has ascribed all along an important role to the social partners in implementing, monitoring and evaluating the EES. The social partners themselves even have much welcomed the opportunity to contribute to the EES right from the beginning. They viewed the mechanism as an opportunity to push forward their respective interests. While this new emphasis on the involvement of the social partners is certainly a positive aspect, it has to be remembered, however, that their actual influence is limited by the willingness of national and supranational actors to allow them to participate. One can expect that the degree to which they are being taken into consideration is contingent on the degree to which the positions of the social partners agree with the pre-determined interests of the various institutional actors (Ball 2001). Current research suggests that both on the national as well as the European level, the social partners have by and large been left on the margins (Deakin and Reed 2000, Falkner 2000, Foden and Magnussen 2003).

On the national level, the EES should ideally involve many levels of government. Social partners as well as public officials are encouraged to cooperate in drafting the National Action Plans. While, it does not seek to invoke major changes in the organization of industrial relations, it does resemble a new system of corporatist governance that aims at increasing the participation of sub-national and local actors, in particular the social partners. Nevertheless, the involvement of the social partners at the national level in the EES has been rather uneven (Pochet 2002, European Commission 2002). Research suggests that the NAPs have only contributed to a genuine consultation between the social partners and governments in countries with economy-wide agreements (Finland, Ireland, and the Netherlands) or those with experience of tripartite bargaining (Sweden, Austria, Denmark, Luxembourg) (Rhodes 2003, Jacobsson 2003). Furthermore, even in those countries where consultation has taken place, the impact of the social partners was still only of limited nature, since governments view the NAPs as documents, which illustrate national policies of the past couched in the language of future policy action. The influence of the social partners is even more limited in the remaining countries, where at best formal and empty forms of consultations take place with the social partners (Léonard 2001).

Instead of including the social partners in the decision-making process, for the most part, member states treat the drafting of the NAP as a highly centralized procedure in which almost exclusively a small number of officials from a few ministries present the governments’ policy priority of the past year. Instead of treating it as an action plan, it is merely viewed as a report to Brussels (Jacobsson 2003). The knowledge about the NAP or about the EES generally has not been well disseminated in the labor market administration, at the national, regional or local levels (Jacobsson and Schmid 2003). As pointed out by one French official, “only a happy few are aware of the process.”5 Thus, the EES has to a considerable extent developed into a transgovernmental cooperation procedure with insufficient involvement of relevant policy actors in the member states.

On the European Union level, the new process of policy making in the area of employment policy has formally brought the social partners as well as the European Parliament, the Economic and Social Committee and the Committee of the Regions into the decision-making process. These actors are granted an advisory role in the decision-making process. But, parallel to the experience of the social partners on the national level, also on the European level, they lack political influence and leverage. The Commission, just as much as the na-

5 Quoted in a report by the European Association for Territorial Excellence (2002).
tional governments, can choose to listen to or ignore the demands by the social partners. Research documenting the strategic opportunism with which the Commission selectively draws and mobilizes different actors from civil society in order to further its policy influence (Cram 1997, Greenwood 2003) suggests that for the EES the Commission also selectively utilizes the social partners to further its own realm of influence. Thus, the potential influence of the social partners on the shape and content of the EES has been seen as rather negligible (Foden and Magnusson 2003).

Overall, the Commission is the institution that has gained the most as a consequence of the new system of governance (Cameron 2001, Szyszczak 2000, Zeitlin and Trubek 2003). Given its central role in drafting employment guidelines and recommendations, the Commission has managed to be the central actor who defines the policy priorities and targets that are ultimately adopted by the European Council. The main venue that the Commission can use to leverage such influence is through a new committee which was created as part of the coordination process as outlined in the Treaty of Amsterdam. The Employment and Labour Market Committee, which has been renamed the Employment Committee since the last reform of January 2000, was established with the intention of facilitating the coordination of employment targets. In effect, however, the committee has enhanced the role of the European Commission, since it hardly ever changes the draft of the Joint Employment Report and the Employment guidelines that it receives from the Commission. Unlike in the past, the working group in the Council or the COREPER no longer revisits the decisions taken by the members of the Employment Committee. Under this new arrangement, the Commission’s proposal is by and large adopted by the Council in the end. The strengthened effect of the Commission’s influence is particularly striking with regard to the employment recommendations, which can be rather harsh and critical for some member states. Most changes requested by members in the Employment Committee of the proposed employment recommendations appear to be merely cosmetic and not analytical for the most part. For instance, when given the opportunity to edit the recommendations the year before last, several representatives merely changed the phrase “structural labor market problems” to the slightly more benign version “labor market problems.” Apart from such cosmetic amendments, though, the Employment Committee fully adopted the draft of the recommendations from the Commission.

The European Parliament is the institution that has lost the most as a consequence of the new system of governance in the area of social and employment policy-making. Given the fact that the new coordination mechanism does not follow the traditional legislative procedure, the Parliament cannot formerly participate through the provisions of the codecision procedure. Instead, the Parliament is merely granted an advisory role; that is to say the Commission is encouraged to take the point of view of the Parliament into consideration when drafting employment guidelines and recommendations.

It is important to note that the coordination process introduced with the employment strategy exists in parallel and in addition to domestic provisions. In this sense, the European employment strategy does not aim to replace the domestic efforts as much as it strives to complement them. Its overall objective is to enhance positive integration through voluntary convergence in a policy area in which the Community method cannot be applied and the traditional intergovernmental method is not sufficient to achieve tangible commitments.

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6 We are grateful to Paul McGrade who mentioned this point in an interview on January 30, 2001.
from member states. For the most part, in this convergence process the social partners have not been sufficiently included by the member states or the supranational actors. More than anything, the EES has developed into a transgovernmental cooperation procedure with familiar features of the classical arrangement of “pooled sovereignty” within a multi-level system of governance (Keohane and Hoffman 1991). In this arrangement, the member states’ domestic priorities exist next to and in parallel to the political priorities of the European Union, and thus the European Employment Strategy can be understood as a “positive-sum-game” driven by the logic of opportunistic voluntarism (Kowalsky 1999). The role that is given to the social partners in this mechanism both on the national and the European level, however, is purely based on pre-determined interests of the various actors.

5 The Impact of Constitution-building and Enlargement on socio-economic Policy-making

Two important and interrelated developments will affect the type of socio-economic policy-making during the next decennia. These are the enlargement of the EU and the building of a new EU-constitution. One major goal of the constitution is to build an institutional fabric which is well equipped to support governance in an enlarged EU. Complexity and diversity will have to be reduced in order to enable efficient decision-making. The diversity in socio-economic policy-making will certainly increase in an enlarged EU due to the many characteristics of bargaining and industrial relations.

Some of this diversity is revealed when we compare the accession countries with the existing member states. The collective bargaining process is much more centralized in the current EU members (n=15) than in the candidate countries. The poor development of sectoral bargaining is caused by the weak institutional capacities of the central actors (both states and social partners) and the unstable institutional framework. One of the consequences is the relatively low level of bargaining coverage (i.e. the degree of workers that have their working conditions set by collective agreements). In the current Member States of the EU, trade union membership greatly varies: between 80% in Scandinavia and 10% in France. The union density is below EU average in the largest candidate countries. On the industrial level, sectoral employer’s organizations have a strong bargaining role in most EU countries. Exceptions are Ireland, Luxembourg and the UK where collective bargaining essentially occurs at the company level (Carley 2002).

Employee participation, which is a key feature of industrial relations in most EU member states, is underdeveloped in the candidate states. Works councils are still an exception, since in most candidate countries the sole channel for representation is through trade unions. However, the requirement to implement the Community acquis has prompted most candidate countries to introduce works councils.

Related to the problem of diversity is the problem of consensus-building. A new constitution should facilitate decision-making, but in order to achieve this, first a consensus on the decision-making procedures (and goals) should be reached. The way socio-economic issues are have been treated by the Convention in 2002/2003 which served to prepare the IGC on the constitution illustrates some of the observations made above. The Convention was dominated by MEP’s and the impact of interest groups was minimal. Amongst these interest groups, only business interests were able to emphasize the importance of economic competitiveness which led to the adoption of a new article. Furthermore, the Praesidium was initially unwilling to admit a Working Group on Social Policy, because it feared that the integration of social goals and harmonization would attract many vetoes against parts or
possibly even the entire constitution. When such a Working Group was finally admitted, it remained internally divided on a number of issues. The group recommended the inclusion of the values of social justice, solidarity and equality, in particular equality between men and women. It also recommended a large number of social objectives to be included in Article 3 of the Constitutional Treaty. The group was divided on the important topic of the decision-making rules to be used on social policy issues. A vocal minority opposed any automatic extension of QMV to social security and employment relations. However, for most other members progress towards a majority system should be made.\footnote{See for the final report of Working Groups IX: http://european-convention.eu.int/}

The Praesidium of the Convention did not adopt most of the recommendations of this Working Group because it feared a veto from the UK (and probably more countries) against that Constitution if it were to incorporate new social legislation (Norman 2003). This fear stems from the fact that it would be difficult for the EU Member States to come to an agreement on social issues, largely due to their partially opposing interests. Relatively prosperous EU countries would probably favor comparatively high levels of protection, but such strategies might destroy the competitive position of poorer EU members. The upcoming enlargement of the EU can be expected to exacerbate these problems because it will bring many relatively less well-off countries into the EU. In addition, this asymmetry would inevitably lead to a veto being cast in EU decision-making, since a small minority of EU states would be able to block positive action (as the Council must proceed with qualified-majority or unanimous decisions in this field). In comparison, the blocking of negative integration by decisions of the Commission or the Court of Justice would be much more difficult to achieve, since this would require larger majorities in the process of EU decision-making. The strategic and pragmatic behavior of the Praesidium resembles that of the Commission in the creation of the European Employment Strategy: It is selectively looking for support and strategically de-emphasizes what could be rejected (Arnold 2002).

Clearly, EU member states currently disagree on the extent to which the new European Constitution should deal with issues such as labor market policies and social policy. These issues, however, are at the core of how citizens may perceive the legitimacy of EU policy-making. Social policy is the human face of the EU and provides an important basis for legitimacy. The public in many countries expects a balance between social and economic goals. Yet, this wish is not easily reflected in decision-making since both between and within member states various actors hold different views on the extent to which the EU should intervene in and stimulate common socio-economic policy-making and markets should be regulated.

\textit{6 Conclusion and Discussion}

We have discussed social policy-making and corporatist governance in the ‘past’ (up to the 1990s), the ‘present’ (from 1990s up to 2003) and the ‘future’ (starting with the Convention on the European Constitution). The developments in these timeframes suggest a trend towards a slight enhancement of social issues and the participation of the social partners on the decision-making agendas, but only as long as the Member States maintain their firm grip on the final outcome. This is reflected in the process of the OMC which is non-binding and flexible in order to give member states ample room to maneuver.

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The OMC, a new and flexible system of semi-corporatist governance in social and employment policy, and its impact on the prospect of participation of the social partners in the member states is given a mixed assessment in the existing literature. There are some that see the OMC as an innovative arrangement that will finally bring about a greater balance in the political leverage that business and labor can exert. They therefore expect an increase in positive integration which could lead to long-sought policy changes in an area that has consistently evaded any progress. Here the emphasis placed is on the benefits of sharing national experiences in a European forum and on the potential for learning. This consequently could result in greater adaptability of the system to meet current challenges. However, others view the OMC as yet another attempt to undermine the pressures of political accountability member states face both from the public at large as well as organized interests. As such, the OMC might well turn out to be a smokescreen behind which the welfare state might gradually be dismantled. The concern is that by compromising efforts to mandate uniform social and employment standards, the Union inadvertently might contribute to the gradual erosion of Europe’s commitment to a distinctive social model.

The argument developed here is that we indeed are witnessing a fresh impetus towards positive integration in the European Union. The OMC has clearly succeeded in bringing a range of social policy issues onto the agenda of the European Union. However, national and supranational political actors do not extensively consult the social partners during the various stages of decision-making. Instead, the pattern that appears to be emerging is one in which the preferences of the social partners are amplified by the various actors, contingent upon their pre-defined sets of interests. The degree of freedom the political actors reserve for themselves is quite understandable, since governments are not prepared to create a semi-corporatist system of governance in the European Union which would leave decisions concerning costly social issues to the social partners. Being simultaneously under pressure from an internationalized economy and the subsequent challenges of political accountability, governments are keen on increasing the role of the social partners in order to find a new socio-political order which potentially has the greatest appeal both to the public as well as organized interests. Consequently, the instances in which social partners are being given the opportunity to voice their opinion have increased in the last decade, while the national and supranational political actors maintain the freedom to choose the degree to which they want to include these preferences in the decision-making process.

Both the drafting of the constitution and the completion of the next round of enlargement can have a decisive impact on the institutional fabric and functioning of the EU polity. However, whereas the economic integration was more or less completed by the Maastricht Treaty and almost entirely preserved by the newly drafted version of the constitution, positive integration has hardly evolved. On the one hand, this is understandable because there would be a high risk involved in adding controversial social issues to the constitution which could potentially jeopardize the prospect of it being agreeable to the member states. On the other hand, there is also a risk in not promoting positive integration because when European integration remains so heavily lopsided, the problem of legitimacy will remain and become even more pressing. Hence, supranational actors are confronted with a dilemma. A vast majority of governments currently prefers a situation in which the Constitution simply reflects the status quo by integrating the earlier Treaties into a new text without making major revisions. Ideally, this strategy should prevent a situation in which the outcome would be a non-decision on the Constitution, due to clashing interests among the key actors.
This situation makes the role of the OMC even more important. Given its non-binding and voluntaristic character, it appears to be the only opportunity left to promote new social goals in addition to those which were agreed upon in earlier rounds of negotiations (Scharpf 2002). However, it is too early to state in a definite manner that the OMC has at present the potential to turn into an effective mode of governance which strengthens societal actors and changes the balance of influence in favor of consumer interests. The OMC is neither binding nor very open to the participation of civil society to have such an impact. The OMC fits into the trend towards more voluntaristic and less mandatory national industrial relations which reflects the increased bargaining power of the employers (Streeck 1998). Furthermore, the OMC is merely a coordinating procedure and the exact shape as well as potential impact of the policy outcomes strongly depends on the preferences of the key actors, in particularly member states, which are, as our discussion on positive and negative integration shows, grosso modo biased towards negative integration.

From a normative point of view, this poses us with the problem that the deliberations concerning the balance between social and economic issues, which invariantly dominates most postwar national elections, is not a conscious decision on the European Union level made by the public in general nor by civil society, but instead is a negotiated transgovernmental outcome with a strong participation of supranational actors. In this respect, democracy in the EU polity remains to be based more on output-legitimacy than on input-legitimacy.

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Specialization pays off: Interest Group Influence on EU Pre-negotiations in four Member States

1 Introduction

When Chancellor Gerhard Schröder single-handedly blocked the adoption of the End of Life-Vehicle Directive in the European Union (EU) in 1999, carmakers celebrated the non-adoption of an environmentally friendly piece of legislation as a major success. Most observers quickly concluded that Germany profited from the machinations of its powerful automobile industry. The accusation that the CEO of Volkswagen and President of the European Automotive Manufacturers’ Association, Ferdinand Piëch, had personally intervened particularly fuelled this interpretation. According to widespread rumours, Piëch had urged Schröder, a former supervisory board member of Volkswagen, to stall the passing of this piece of legislation. The German blockade came as a major surprise because the Council of Ministers had already agreed on an environmentally-friendly position that the German minister of the environment, Jürgen Trittin, had strongly supported (Wurzel 2000). Piëch’s intervention was only successful in the short run, however, as the carmakers could not prevent the acceptance of a slightly watered-down directive in the end.

Although peddling for influence undoubtedly backfires on some occasions, we have strong grounds to assume that interest groups are powerful in European legislation. Obvious reasons for their possibly disproportional role are the absence of EU-wide discussions on legislative proposals and the lack of scrutiny to which the deliberations of the Council of Ministers, still the most important legislative actor in the organisation, are exposed. In this chapter, we study the influence that competing interest groups are able to exert at the domestic level in four EU member states. Because most of the 15 legislative proposals that we examine activated both producer and consumer organisations, our analysis mainly highlights this cleavage. We compare the relative power specialized and more general consumer and producer groups possess in Germany, Finland, the Netherlands and the United Kingdom.

Analytically, we follow the footsteps of Olson (1965) and analyse whether or not specialized interest groups possess an advantage over public interests in the domestic pre-negotiations on legislative proposals by the European Commission. We find especially for Germany and the Netherlands that privileged interests groups are key actors in these domestic pre-negotiations, while the asymmetries are not as pronounced in Finland and the United Kingdom. Our analysis thus contradicts the expectation of some pluralist and neocorporatist interpretations that the European Union is likely to move towards a balance of

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power between contending interests (e.g. Falkner 1998, Gorges 1996, Grote and Schmitter 1999, Schmitter and Streck 1992). We argue against this backdrop that the lack of transparency in EU decision making will most likely aggravate the asymmetries between “private” and “public” interest groups. The counter-measures the European Commission (2001) outlined in its White Paper on European Governance are, in our view, not sufficient to overcome these mounting problems.

Our article is structured as follows: Section 2 introduces the relevant literature from which we will derive our hypotheses. Next, we will present the research design and the data set on which we rely. Section 4 presents the statistical analysis as well as some illustrative evidence from the cases under examination. We offer a critical summary of the results in the conclusion.

2 Interest Group Influence in the EU: Review and Hypotheses

Interest groups can use, by and large, two main channels to influence legislative outcomes within the European Union. Many studies contend that the supranational access path has grown in importance over the past few years (e.g. Andersen and Eliaesen 1993). The number of studies that analyse the interactions between EU actors and interests groups in a rigorous fashion has grown in line with this development at an accelerating rate. While Crombez (2002) offers a succinct analysis of the optimal proposals interest groups can make in European legislation, Broscheid and Coen (2003) focus on the attempts by the European Commission to garner useful information from the interest groups through the creation of “fora”. The second channel through which interests groups can influence European legislation are the national pre-negotiations on the legislative proposals that the European Commission formally makes. Because the Council of Ministers is arguably still the most influential collective actor, the lobbying of member state governments remains important for our understanding of EU lobbying. Coen’s (1997) massive survey of the lobbying activities of large European firms confirms that most multinationals simultaneously use both routes to influence legislation. Adshead (1996: 599) similarly writes in a case study of lobbying in Ireland that “(I)n seeking to influence policy, Irish interest groups do not rely exclusively on either national or EC level policy, rather, the two approaches are seen to be mutually reinforcing.”

While we do not want to downplay the importance of the supranational access path, we focus in this application on the interactions between contending interest groups and government actors in the domestic setting. Studies that examine the system of interest group intermediation are rare. Most of these analyses remain largely descriptive, reflecting a general trend in the literature on the role interest groups and lobbying play in European integration (e.g. Greenwood 1992, 1992, Mazey and Richardson 1993). Because we do not know of any systematic comparative study in this realm, a wide gap between theoretical aspira-

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2 Practitioners support this point of view. Jean-Marc Lepeu, the former general secretary of ACEA, stated in the beginning of the 1990s “that lobbying at Commission-level was twice as effective if you already had national support and had lobbied at the national level.” (Forum Europe 1993: 11)). In an interview, a representative of a member country of the EU emphasizes: “From our point of view, policy is not made in Brussels, but in the capitals of the Member States. If you want to influence policy, you must look first of all at the Ministers and ministerial officials in the Member States. They produce policy positions” (Stern 1994: 131)).

3 The edited volume by van Schendelen (1993) offers for instance some country-specific studies.
tions and empirical evidence exists. The main scientific challenge to which we attempt to live up in this article is thus to move ahead and to test extant arguments.

To assess the power of the lobbies, we follow the spatial model of politics and assume that interests groups try to move a legislative proposal towards their own ideal points. It is accordingly our assumption that interest groups and other relevant actors evaluate the utility of a legislative proposal. The smaller the loss, the larger is the influence of an interest group. This definition obviously begs the question, famously raised by Barry (1980), whether or not taking a pivotal position amounts to “luck” rather than “power”. This problem is, however, not as large as it could be because we explicitly rely on a comparative research design. Hence, it seems quite unreasonable to expect that some actor type is generally luckier than another one in placing itself in a pivotal position, especially considering that many of the interest groups included in our sample lobby on different legislative proposals.

While economists have dealt with the question of interest group influence largely from a theoretical viewpoint, some applications in political science have tried to estimate the power of interest groups (for reviews see Potters and Sloof 1996, Baumgartner and Leech 1998). Because only a few studies use recent advances in the theory of interest groups (e.g. Sloof (1998), Grossman and Helpman (2001)), the canonical starting point for most empirical studies remains Mancur Olson’s (1965) pioneering analysis on the difficulties of collective action. In this study, Olson introduced the important dichotomy between “specialized” and “general” interest groups or, to use his terminology, “privileged” and “latent” interests. Because specialized (or “private”) interests face smaller collective action problems than general (or “public”) interests, we should expect influence asymmetries between the two types of interest groups.

Political scientists and economists have tested the empirical relevance of this hypothesis both experimentally and quasi-experimentally. In a critical survey of Olson’s work, Green and Shapiro (1994) try to point out that neither branch in the social sciences supports the hypothesis sufficiently. Although there is often more collective action than one could predict from the collective action models, a host of studies confirms that the severity of the political organisation is a positive function of the number of individuals that could profit from the provision of a public good (Ostrom 1999). Marwell and Oliver (1993) (see also Sandler 1992) argue that the individual decision to contribute to the provision of the public good does not depend primarily on the size of the group but rather on the heterogeneity of resources and preferences among its members. Be that as it may, we assume in the following that public interests are at a disadvantage in the legislative process of the European Union.

At the level of the European Union, the empirical evidence in favour of the Olsonian hypothesis is equally scant. Some studies have found evidence for asymmetries between capital and labour, while other studies assume that governments play an active role in interest intermediation and partly offset the influence of sectoral interests. Falkner (1998, see also

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4 For a recent survey see Ursprung (2000).
5 The literature on collective action is large. Sandler (1992) offers a useful survey, while Schmidt-Trenz (1996) extends the analysis to account for principal-agent problems.
6 The two authors treat the research program Olson initiated consequently as one of the “pathological” cases of rational choice reasoning.
Gorges 1996) for instance expects that the European Union will move towards a corporatist system of interest intermediation in which state actors help labour and capital organisations to come up with consensual solutions. Others assume that the EU is instead developing into a pluralist system in which the competition between contending interest groups will grow (Schmitter and Streeck 1992). The common denominator of both attempts to classify the system of interest intermediation in the European Union is, however, that the influence asymmetries between contending interest groups are not exceedingly large.

We will test in the remaining part of the paper whether the Olsonian hypothesis or rather the convergence hypothesis finds empirical support. Our statistical analysis will rely on the detailed information that we have gathered with structured interviews in four member states of the European Union. Our data set particularly includes information on the preferences that domestic stakeholders had on 15 legislative proposals that the European Commission initiated. We will analyse the utility loss that four types of interest groups experienced during these domestic pre-negotiations: 1) specialized producer interest groups; 2) general producer interest groups; 3) specialized consumer interests and 4) general consumer interests. We expect in line with Mancur Olson that specialized interest groups possess an advantage over general ones and that producer interests are more influential than consumer interests.

We also assume that the influence of interest groups will vary across the four member states under examination. In line with a large bulk of literature, we have included one state that allegedly follows the pluralist tradition of interest intermediation (Great Britain) and three states that have, to different degrees, adopted corporatist patterns of interest intermediation (Finland, Germany, the Netherlands). According to Siaroff’s (1999) survey of 23 rankings, the Netherlands are the most corporatist country, followed by Germany, Finland and the United Kingdom. The states under examination differ additionally in their institutional structure. If we also take the institutional characteristics of a country into account, the dichotomy between majoritarian and consensus democracies seems to be most useful. Lane and Ersson (1997) use four rankings by Lehmbruch, Schmidt and Lijphart and establish that Finland can be considered to be the most consensual country of the four states under examination and the United Kingdom the most majoritarian one. The institutional structure makes in so far a difference as the access of some interest groups to decision makers should vary across them. We will test in the following whether public interest groups are better represented in Finland than in the two continental countries. Although his argument is historical rather than institutionalist, Katzenstein (1985) argues that Scandinavian corporatism favours labour, while continental systems of interest intermediation are biased in favour of capital interests.

3 Research Design and Operationalisation

This chapter examines competing theories of what kind of actors influence the bargaining stance of the member state government in the Council of Ministers. Our empirical analysis is based upon the National Decision Making in the European Union data set (NDEU). The

7 The overall rank out of 15 countries examined, the mean scores and the standard deviation of these four countries are as follows: Netherlands: 4th, 4.0, 1.0; Germany: 6th, 3.5, 0.9; Finland: 7th; 3.3, 1.0, United Kingdom 12th, 1.5, 0.8
8 The scores established by Lehmbruch, Schmidt, Lijphart 1984 and Lijphart 1991 are as follows: Finland: 1, 1.65, 1.49, 1.47; Netherlands: 2, 1.58, 1.69, 1.40; Germany: 1; -0.11; -0.68; -0.07; United Kingdom: 0, -1.3, -1.16, -1.25.
15 proposals included in our analysis are based on a sample of around 70 proposals that have been selected within a larger research project. This larger set of cases represents a stratified sample of the legislative proposals of the European Commission from 1997 to 2000 (Bailer and Schneider 2002a, 2002b, Schneider and Bailer 2002). The proposals had to be controversial enough in order to be included and the sample had to represent the variety of legislative procedures within the European Union and the policy areas within which the European Union is active. The 15 proposals are the set of cases that have been attributed to a research team at the University of Konstanz to collect further information. The topics covered a wide spectrum from health onto consumer and fisheries issues and most often activated the cleavage between producer and consumer interest groups.

The indicators used in this article are based on the standardized interviews which four collaborators conducted in the EU member states under examination. The interviewers asked experts which issues within a proposal were controversial. Next, they inquired about the relevant stakeholders, the location of the reference points and the ideal points of the participating actors. The reference point applies to the scenario given when no agreement is reached in the course of the European legislation process. We also obtained information on the saliency attributed to an issue, the use of threats and promises, and the power of every stakeholder.

As previously indicated, we expect that interest groups evaluate how much they will possibly gain or lose from a certain proposal. The direct influence of an actor is accordingly operationalised through the utility loss that the final negotiation position of the government generates. The utility loss measures the difference between two absolute differences, namely the difference between the ideal point of an actor (POS) and the initial position of the leading ministry (IP) and the difference between the ideal point and the final national position (NP), i.e. \( L = |POS-IP| - |POS-NP| \). Similar measures have been used by Mokken et al. (2000), Bailer and Schneider (2002a, b) as well as Schneider and Bailer (2002).

To make the proposals comparable, we normalized the possible outcomes on a scale between 0 and 100. Our analysis evaluates the utility loss an actor endures on a specific issue.
under contestation.\textsuperscript{12} The important explanatory variables used were several dummy variables summarizing different actor groups. The most important distinction is the one between specialized and general interest groups. If an interest group formulated an opinion in less (more) than 40 per cent of all issues raised in its own country, it belonged to the former (latter) type of interest group. As indicated, we also distinguished between consumer and producer interest groups. We identified what kind of interests an organisation represents through country-specific lists of interest groups and the corresponding secondary literature on interests groups.\textsuperscript{13}

Our analysis also controls for the possible variation of interest group influence across the four countries under examination. Using the United Kingdom as the reference category, we include country dummies for the other three states in some of our statistical results. We employ an OLS regression to account for the impact actors have on the change from the initial proposal to the final negotiation position. Because the positions actors take on an issue possibly correlate among each other, we controlled for the clustering of positions within an issue. It should, however, be noted that the results of the reported fixed effect models and of the unreported standard OLS models only differ marginally.\textsuperscript{14}

4 \textit{Actor Groups and their Influence on the domestic Pre-negotiations}

This section offers both qualitative and quantitative support in favour of the Olsonian thesis that specialized interest groups possess an advantage over public interest groups. We start the analysis by first comparing the proposals and then move on to a descriptive analysis of the different actor types.

To assess the influence of interest groups, it is first necessary to assess whether or not the proposals induce serious conflict in the domestic pre-negotiations. As the evidence presented in Table 1 (Appendix) demonstrates, day-to-day decision making in the European Union is much more consensual than case studies suggest that only focus on what their authors consider to be landmark events of regional integration (e.g. Moravcsik (1998)). Even if we focus on Commission proposals that created a minimum level of controversy, many cases did not involve a shift between the initial and the national position of the leading ministry. Furthermore, several of the proposals were only contested in some of the countries under examination.

Table 1 (Appendix) shows for the 15 proposals under examination how many controversial issues they raised, how many actors expressed an opinion on the proposal and how large the variance between the positions of the actors was.

The table reveals that the level of controversy a legislative proposal by the European Commission creates varies greatly between proposals and between countries. Among the most controversial proposals seem to be the attempts by the Commission to regulate electronic

\textsuperscript{12} The alternative would have been to calculate the utility loss over the whole proposal and not only over the different issues. The results that we obtained for this unit of analysis are similar and can be obtained from the authors upon request.

\textsuperscript{13} Other coding rules for the interest groups were not practicable for the purpose of classifying them in relation to our research question.

\textsuperscript{14} If actors were behaving strategically rather than sincerely as assumed in this paper, the positions they take within a proposal would correlate among each other. This would violate the requirement that cases should be independent of each other.
money institutions and electronic commerce. Both proposals score high on the number of contested questions and activated stakeholders. The proposal to harmonize taxation on savings income led to a fierce reaction by interest groups in the United Kingdom in particular. 18 stakeholders formulated a position and tried to influence the Blair government which finally supported the successful attempts by Luxembourg to stall or at least to delay this decision making process. Other proposals – especially the one regarding the control of the North-East Atlantic Zone - are, however, so minor that it only induced three stakeholders in the Netherlands to formulate their own opinion. A further indication of this trend towards non-controversial pre-bargaining is that explicit strategic action is the exception rather than the norm. According to the interviews conducted in the capitals of the four member states, explicit threats are a very rare event.

Two reasons can obviously account for the non-controversial nature of many of the decision making processes: a low saliency of the contested issues or the formal or informal agenda setting power of the leading ministries. Table 2 provides summarized information on different actor types and shows how large their average loss is over all proposals under consideration. We also include aggregate data on how many times a specific actor type was activated, how much the positions varied and how large the average attributed power to an actor is. The analysis also allows us to compare how the interest groups scored in comparison to two types of government actors and another state actor: the leading ministry, which officially is in charge of the domestic pre-negotiations, other ministries involved in the decision making process and the national parliaments.

Table 2: Summary information on different actor types

<table>
<thead>
<tr>
<th>Actor Type</th>
<th>Number of actors</th>
<th>Standard dev. positions</th>
<th>Attributed power*</th>
<th>Utility loss*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leading ministry</td>
<td>117</td>
<td>41.63</td>
<td>88.88 (18.37)</td>
<td>-12.04 (14.56)</td>
</tr>
<tr>
<td>Normal ministry</td>
<td>110</td>
<td>38.75</td>
<td>63.45 (24.92)</td>
<td>-3.22 (17.48)</td>
</tr>
<tr>
<td>Parliament</td>
<td>37</td>
<td>43.63</td>
<td>47.70 (32.33)</td>
<td>-1.92 (19.57)</td>
</tr>
<tr>
<td>Spec. consumer interests</td>
<td>51</td>
<td>45.97</td>
<td>42.05 (29.95)</td>
<td>+4.51 (14.60)</td>
</tr>
<tr>
<td>Gen. consumer interests</td>
<td>36</td>
<td>36.68</td>
<td>49.72 (20.77)</td>
<td>-3.33 (22.45)</td>
</tr>
<tr>
<td>Spec. producer interests</td>
<td>154</td>
<td>43.40</td>
<td>43.47 (23.14)</td>
<td>+4.54 (22.44)</td>
</tr>
<tr>
<td>Gen. producer interests</td>
<td>109</td>
<td>38.99</td>
<td>50.50 (23.25)</td>
<td>+1.56 (16.83)</td>
</tr>
</tbody>
</table>

*Note: Numbers in parentheses are standard deviations.

The findings in Table 2 show that producer interest groups become active more frequently than consumer interest groups. This is a first indication that private interests possess a strategic advantage over public ones and become more easily involved in the domestic pre-negotiations. The average attributed power of producer interest groups, however, is not much larger than the one of the corresponding consumer interest groups. The marginal difference is, in our view, to a great extent a consequence of the unequal capacity for collective action. Because producers are more often present in the political scene than consumers,

15 We asked the experts how large the capabilities of an actor were in the policy field under consideration. The range spans from 0 (negligible actor) to 100 (very powerful actor).
our sample also includes a disproportional number of producer organisations with relatively little power. Furthermore, the results that we obtained for our influence measure – the average utility loss – demonstrate that “power” remains an elusive concept. In considerable contrast to the power measure, general consumer interests lost at the average in the domestic pre-negotiations and the general producer interests only turned out to be marginal winners. Specialized interest groups, however, were able to gain more from these domestic negotiations.

The most important actors, however, seem to be the government ministries. While the leading ministry as the agenda setter must accept losses during the domestic negotiations, it is typically considered to be the most powerful actor. It would therefore be misleading to conclude that the ministries lose most from the domestic pre-negotiations because the utility loss measure is not very conclusive in this case. Baltz, König and Schneider (2003) argue based on this finding that interest intermediation still largely follows an étatiste rather than a pluralist or corporatist tradition, as is often claimed. The results also indicate that governments often do not act unitarily, but that ministries fight over the negotiation stance that the government should adopt in Brussels.

Although the descriptive evidence yields some indications on the structure of interest intermediation in the European Union, it does not provide a real assessment of the Olsonian hypothesis and the competing pluralist and corporatist convergence thesis. To test the competing claims, we conducted multivariate regressions. In contrast to Baltz, König and Schneider (2003), we focus on the four interest group types as the main explanatory variables. The first model considers only the interest group types and the possibility that actors’ strategic positions influence the individual performance in the pre-negotiations. We measure the possible strategic positioning through the distance of an actor’s position from the median position. The second full model also controls for the different countries under consideration. Table 3 only illustrates the estimations with the cases where the negotiation stance did not correspond to the initial position of the leading ministries. The inclusion of the issues in which the two positions coincide and in which the leading ministry was accordingly a perfect agenda setter does not change the results substantially.\footnote{These results can be obtained from the authors upon request.}
Table 3: Fixed-effect OLS regression models on the influence of interest groups on domestic pre-negotiations

<table>
<thead>
<tr>
<th>Actors:</th>
<th>(1)</th>
<th>(2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Specialized producer interests</td>
<td>17.27***</td>
<td>19.06***</td>
</tr>
<tr>
<td></td>
<td>(2.73)</td>
<td>(2.66)</td>
</tr>
<tr>
<td>General producer interests</td>
<td>11.91***</td>
<td>11.36***</td>
</tr>
<tr>
<td></td>
<td>(3.37)</td>
<td>(3.26)</td>
</tr>
<tr>
<td>Specialized consumer interests</td>
<td>16.87***</td>
<td>18.11***</td>
</tr>
<tr>
<td></td>
<td>(5.08)</td>
<td>(4.90)</td>
</tr>
<tr>
<td>General consumer interests</td>
<td>5.27</td>
<td>5.25</td>
</tr>
<tr>
<td></td>
<td>(4.37)</td>
<td>(4.27)</td>
</tr>
<tr>
<td>Finland</td>
<td>13.96***</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(4.83)</td>
<td></td>
</tr>
<tr>
<td>Germany</td>
<td>21.79***</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(4.43)</td>
<td></td>
</tr>
<tr>
<td>Netherlands</td>
<td>24.83***</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(4.62)</td>
<td></td>
</tr>
<tr>
<td>Difference to Median</td>
<td>0.16***</td>
<td>0.15***</td>
</tr>
<tr>
<td></td>
<td>(0.04)</td>
<td>(0.04)</td>
</tr>
<tr>
<td>Constant</td>
<td>-14.34***</td>
<td>-34.24***</td>
</tr>
<tr>
<td></td>
<td>(1.74)</td>
<td>(4.36)</td>
</tr>
<tr>
<td>N</td>
<td>437</td>
<td>437</td>
</tr>
<tr>
<td>Adj. R²</td>
<td>0.14</td>
<td>0.20</td>
</tr>
</tbody>
</table>

Note: Entries are regression parameters. Standard Deviation in parentheses. Significance levels are denoted as follows: *=p<.1, **=p<.05, ***=p<.01.

The results in Table 3 reveal that with the exception of the general consumer organisations all other interest group types are able to move the negotiation outcome towards their preferred direction. But the impact they have on the negotiation stances differs considerably. Specialized producer interest groups are, in general, the clearest profiteers in the domestic pre-negotiations on EU legislations, while specialized consumer interests are also moving the outcome in the direction they prefer. The legislative gain of the general producer organisations is smaller by comparison. These results are all in line with the Olsonian conjecture that private interests are more influential in public policy making than public ones. The expectation that there is a balance of power between different types of interest groups only receives some support. While specialized consumer interest groups exert an influence, the general ones do not. Further, the influence of the producer organisations is larger than the one of the corresponding consumer groups. A further result is that the negotiation process favours those actors with an extreme position. This indicates most likely that at least some of the positions seem to reflect strategic considerations rather than the sincere preference of an interest group.

Table 3 also leads us to assume that lobbying success will vary across the four countries under examination. We test the hypothesis that the Finnish system of interest intermediation differs from the continental ones with a country-level analysis of the impact that interest

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Note again that the parameter estimates are comparable because the interest groups are coded as dummy variables and because the dependent variable is normalized on a scale from -100 to +100.
group types have on the government negotiation stance. Table 4 reports the results of four fixed effect OLS models.

Table 4: Statistical models on the influence of interest groups in four member states

<table>
<thead>
<tr>
<th></th>
<th>Germany</th>
<th>Netherlands</th>
<th>Great Britain</th>
<th>Finland</th>
</tr>
</thead>
<tbody>
<tr>
<td>Special producer interests</td>
<td>27.07***</td>
<td>22.69***</td>
<td>-10.29**</td>
<td>13.94**</td>
</tr>
<tr>
<td>General producer interests</td>
<td>2.19</td>
<td>22.96***</td>
<td>4.59</td>
<td>24.02***</td>
</tr>
<tr>
<td>Special consumer interests</td>
<td>15.97**</td>
<td>10.48</td>
<td>8.01</td>
<td>27.91**</td>
</tr>
<tr>
<td>General consumer interests</td>
<td>5.75</td>
<td>5.62</td>
<td>-10.38</td>
<td>-</td>
</tr>
<tr>
<td>Difference to Median</td>
<td>-0.12**</td>
<td>0.30***</td>
<td>0.82***</td>
<td>0.23**</td>
</tr>
<tr>
<td>Constant</td>
<td>-6.52***</td>
<td>-16.30***</td>
<td>-34.51***</td>
<td>-22.92***</td>
</tr>
<tr>
<td>N</td>
<td>196</td>
<td>132</td>
<td>29</td>
<td>80</td>
</tr>
<tr>
<td>Adj. R²</td>
<td>0.25</td>
<td>0.33</td>
<td>0.56</td>
<td>0.14</td>
</tr>
</tbody>
</table>

Note: Entries are regression parameters. Standard Deviation in parentheses. Significance levels are denoted as follows: *=p<.1, **=p<.05, ***=p<.01.

Table 4 shows that specialized interest groups possess an advantage at the national level of EU legislation. Whereas in Germany and in the Netherlands the overall pattern of influence exertion remains stable, we can observe differences for Great Britain and Finland. Because many issues were not controversial at all in the former country, we should not exaggerate the largely insignificant results. It is interesting, however, that taking an extreme position pays off in all countries with the exception of Germany. In Finland, consumer organisations exert the strongest influence while specialized producers remain a relatively marginal political force. This result supports the observation of Katzenstein (1985) that the Scandinavian system of interest representation favours interest groups of the political left rather than the right. In Germany and the Netherlands, exactly the opposite seems to be the case although specialized consumer interests are a force to reckon with in the former country. We will illustrate in the following the differences between the four countries in comparative case studies focusing on the attempt of the European Commission to introduce the End-Of-Life Vehicle Directive (Com 97 358). The aim of this proposal was to reduce the amount of waste from cars.

Germany: The end-of-life vehicle directive was heavily debated between the representatives of the car producing industry, the consumer organisations and environment protection groups like BUND and Greenpeace. The proposal also activated representatives of the recycling and shredding industry as well as waste management companies. The most important issues that emerged in the public debate were the responsibility for the waste management of old vehicles and the proposed ban of some metals that were used in the process of car construction. The representatives of the car industry argued that many jobs would be...
lost if the European Union would adopt the position of the “environmentalists” headed by Jürgen Trittin.

Figure 1 illustrates the domestic conflict and the relative positions of the relevant actors in Germany on this proposal on a one-dimensional continuum.\(^{19}\) Although the final outcome, the national position of the leading ministry resulting from the domestic pre-negotiations, is still near the position of the consumer and environmental organisations, the producers have been largely successful in moving the position away from the proposal of the ministry of environment. It was furthermore helpful that other state actors like the Ministry of Economics supported this decision. It should also be noted that this move to the right was not sufficient for some carmakers. Once the pre-negotiations were completed and the proposal was about to be adopted in Brussels, the chairman of Volkswagen personally intervened. The u-turn by Chancellor Schröder forced his Minister of Environment to fight for a position in complete contrast to his original proposal.

**Figure 1: Relative actor positions in Germany on the End-of-life-vehicles-directive (Com 97/358)**

![Diagram showing relative actor positions](image)

*Netherlands:* In the Netherlands, the national stakeholders agreed on the scope of this regulation mainly because the proposed EU-Directive copied the Dutch regulations on the question of producer responsibility. Understandably therefore, the Dutch government lobbied hard at the EU-level when the European Commission drafted this directive.

Only one issue was debated in the national context. The debate concerned question whether or not old-timer cars should be included in the directive. The extremes in this debate were set by the association of old timer collectors, favouring an exemption on the one side and the Ministry of Environment on the other side, which wanted to include them in the directive. The other stakeholders, mainly comprised of other state actors like the Ministry of Economic Affairs and the Ministry of Transport and Traffic and producer interests of the car recycling and dismantling companies were stuck in between, but remained closer to the position of the association of the old-timer fans. Although this private interest group fought hard, the Ministry of Environment was able to withstand this opposition. As the general statistical analysis has shown, it is the exception rather than the rule in the Netherlands that

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\(^{19}\) Because every actor and the final outcome had the same numerical position on each of both issues, we can represent the conflict on one dimension.

\(^{20}\) State1 = Ministry of Environment (=leading ministry); State2 = Ministry of Transport; State3 = Economics Ministry; State4 = Federal Chancellor’s Office; Cons1 = BUND; Cons2 = consumer organisations; Cons3 = Greenpeace; Prod1 = German Automobile Club (ADAC); Prod2 = car dismantlers (IGA); Prod3 = shredding industry (BDSV); Prod4 = waste disposal company; Prod5 = association of car importers; Prod6 = association of German automobile producers (VDA); outcome = national position of leading ministry after domestic negotiations.
private interests are not more successful in their lobbying for a policy change. Figure 2 summarizes this bargaining process.

**Figure 2: Relative actor positions in the Netherlands on the End-of-life-vehicles-directive (Com 97/358)**

<table>
<thead>
<tr>
<th>Cons1</th>
<th>Prod2</th>
<th>State2</th>
<th>Prod1</th>
<th>Outcome</th>
<th>State1</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>20</td>
<td>40</td>
<td>60</td>
<td>80</td>
<td>1</td>
</tr>
</tbody>
</table>

**Great Britain:** This member state was insofar an exception as the environment directorate within the Department of Trade and Industry (DTI) held the responsibility of negotiating the directive. In all other member states the department of the environment was the leading ministry.

Domestic stakeholders were at loggerheads over five issues, two of which were of minor importance. The first issue was similar to the Dutch case the wish of the old timer fans to exclude historic vehicles from the directive. Although this fight seemed superfluous since no one wants to get rid of an old-timer, the Association of Historic Vehicles Owners nevertheless demanded such an exemption. The private interest group feared that Denmark could win its fight for another definition of end-of-life vehicles, which would extend to some historic vehicles. The lobbying effort was ultimately successful because the member states conceded to mention this exception. A similar problem occurred with motorcycles. The Commission proposed to include them in the directive while the motorcycling industry opposed this wish for obvious reason. In Great Britain, the government and all domestic stakeholders agreed with the wish to define the scope of the directive narrowly.

Two other proposals by the Commission targeted heavier interests. They consequently experienced a fiercer domestic discussion than the issues involving the old-timer lovers and the motorcycling industry. The first controversy arose over the question of a ban on the use of heavy metals. The Commission and environmental groups were in favour of this proposition, while the steel and the automotive industry supported by the industry directorate of the lead department, the Department of Trade and Industry (DTI), opposed this. The position which the British government finally adopted on this issue was based on a compromise proposal by the DTI environmental directorate. It suggested to ban heavy metals but to allow for exemptions if no alternative is available. These exemptions will be reviewed regularly.

Even more contentious was the question on who should pay for the recycling of end-of-life vehicles. The Commission proposal foresaw that the producers pay for all costs after the directive takes effect. This would also include cars already produced and sold. The environmental groups supported this position; the industry was, conversely, only prepared to

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21 State1 = Ministry of Environment (=leading ministry); Prod1 = association of car dismantling companies; Prod2 = association of car recycling companies (ARN); Cons1 = association of old timer collectors; State2 = Ministry of Economic Affairs; State3 = Ministry of Transport and Traffic; Outcome = national position of leading ministry after domestic negotiations
pay for all the cars produced after the directive comes into effect. The lead department suggested a somewhat different approach. Influenced by the automotive industry’s position, it favoured to give member states the discretion to decide on the amount to which the industry should pay. Although this approach was rather flexible, it was disputed within the DTI because the industry directorate supported the automotive industry.

Another problem was how the solution to the producer responsibility should be implemented. This issue was only a matter of controversy between the Commission and the domestic stakeholders. The government favoured an approach which allowed for voluntary agreements between governments and industry on the implementation of some of the provisions of the directive. Even the British environmentalists supported this approach which is rather unusual given the opposition and scepticism of most environmental groups in other member states towards the tool. In the end the Commission failed in its defence of its position and voluntary agreements were allowed, but only for a limited number of articles.

This proposal is a fitting example for the attempts of the British government to find solutions that represent the interests of all or at least the most important stakeholders. We used multidimensional scaling in Figure 3 to reduce the dimensionality of the conflict space to two rather than five dimensions.\footnote{Note that not all actors had positions on all issues under contestation. Such actors were thus interpreted as being indifferent between the initial position of the leading ministry and the reference point. Their position on such an issue thus represents the mean of the distance between the reference point and initial position of the national ministry. The reference point would be the outcome in case that the proposal would not pass the Council negotiations, in this case with no prior European legislation thus meaning the prevailing national status quo.}
Finland: As Finland has no car-producing industry, the directive was not heavily disputed. The main state actors were the Ministry of Environment and the national parliament. The proposals also activated the car importers association, the Finnish Federation of Nature Conservation, the recycling industry and the Finnish federation of car dismantlers. Although there were some other state actors involved (e.g. Ministry of Trade and Industry), their position did not markedly differ from the ones of the other governmental agents. The Finnish discussion on the Commission only boiled down to the question of who should be responsible for an old vehicle.

The extant Finnish legislation held the last owner of a car responsible for the final recycling of the car. Car importers favoured this solution and only wanted to see the new principle of producer responsibility applied to newly sold cars. The Federation of Nature Conservation, supported by the Ministry of Environment and Parliament and also tacitly by the recycling and dismantling industry, favoured the more consumer-friendly proposal of the European Commission. This coalition was broad enough to convince the government that producer responsibility should be the new principle.

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23 State1 = Initial Position of Environment Directorate (leading ministry); State2 = Car Division (Industry Directorate); State3 = Department of the Environment, Transport, Regions; Prod1 = motor industry; Prod2 = steel industry; Cons1 = motor cycle group; Cons2 = historic vehicle group; Cons3 = Friends of the Earth; Commission = EU Commission; Outcome = National position of leading ministry after domestic negotiations
**Comparison and European negotiations:** Although most governments were rather accommodating in the domestic pre-negotiations, the End-of-life vehicle directive was one of the rather controversial pieces of legislation in the European arena. As we have initially indicated, the producer interests were successful with the last minute lobbying in postponing the date for the obligatory take-back of old cars until 2007. Yet, the more environmentally conscious countries were more or less able to convince the producer-friendly states to prohibit the usage of lead, mercury, cadmium and hexavalent chromium in vehicles that were put on the market after July 1st 2003.

The case studies on the end-of-life vehicles directive resemble more or less the pattern from the statistical analysis (with the exception of the rather consensual intermediation in the Netherlands). In Germany the specialized interest groups of the auto industry heavily lobbied on this proposal and had some influence on the bargaining position of the leading ministry although they did not succeed in pushing through their maximum position of stopping the introduction of the directive and its more or less consumer- or environmental-friendly result in the end. The domestic negotiations in Finland and the Netherlands were, by contrast, much more consensual. This is largely due to the fact that both states do not possess an important car industry and that the EU largely followed the Dutch example in its attempt to “Europeanize” this field of legislation. Although the decision making process in Great Britain seems to have more in common with the German case, the leading ministry nevertheless adopted an intermediate position between the extremes rather than giving in to one side.

**5 Conclusion**

While a multitude of models analyse the possible influence of interests groups on public policy, only few systematic tests of the theoretical propositions exist. The discrepancy between the theoretical aspiration and the scarcity of empirical results is particularly pronounced for the field of European Union politics. In this article, we tried to close this significant gap with an analysis of the Olsonian hypothesis that specialized interests are better represented and are more influential than public interests. Our analysis of the domestic negotiations of “average” Commission proposals confirms the existence of severe asymmetries in EU lobbying. Although we can observe strategic advantages of specialized interest

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24 State1 = Ministry of Environment (=leading ministry); State2 = Parliament; Cons1 = Finnish Federation of Nature Conservation; Prod1 = recycling industry; Prod2 = car importers; Prod3 = Finnish Federation of Car Dismantlers; Outcome = national position of leading ministry after domestic negotiations
groups in all four member states under examination, the gains that private interests can make in Germany and the Netherlands exceed the influence of specialized interests in Finland and the United Kingdom.

Our results partly contradict the pluralist and (neo)corporatist expectation that the process of European integration leads to a balance of power between contending interest groups. Although government actors play an important role in the formation of a negotiation stance, they frequently give in to one side and do not always counter-balance the influence of other member states. Only the Finnish consumer interest groups seem to be as powerful as the producer organisations.

Sectoral interests will remain superior in the European Union as long as the decision making processes in the Council remain intransparent. An intensification of the public discussions on EU legislation would probably also loosen the firm grip that distributional coalitions exert on public policy making in the European Union. The Commission has tried to develop some instruments which would strengthen the public involvement and participation in the EU decision making process. Yet, the White Paper does not guarantee that the organisation will sincerely try to move away from these anomalies. It is quite conceivable that the governments of the member states rather prefer to continue their tradition of backroom door policy making. As long as this unhealthy habit is allowed to prevail, we can expect sectoral lobbying to pay off in the domestic as well as in the European arena.

References
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### Table 1: A comparison of the proposals across four countries

<table>
<thead>
<tr>
<th>Proposal</th>
<th>Number of Issues</th>
<th>Number of actors*</th>
<th>Standard deviation</th>
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<tr>
<td>End-of-life vehicles Com (97) 358</td>
<td>D 2 Fin 1 NL 1 GB ∅</td>
<td>D 13 Fin 6 NL 6 GB 8</td>
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<td>39 40 40 44 41</td>
</tr>
</tbody>
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*Highest number of actors per issue taken in case that the number of actors varies within a multi-issue proposal
Jan-Erik Lane and Svante Ersson

The Impact of Trade Unions on Social Policy in EU Member States

1 Introduction

This paper raises the question of trade union influence on social expenditures by governments. Social expenditures play a large role in the budget of the modern state covering a number of allocative and distributive items. One may assume that many factors influence the size of such expenditures as measured in terms of the percentage of GDP. Here, we wish to illuminate whether and how trade unions matter.

The key distinction that we wish to make pertains to the mere size of trade unions as reflected in the trade union density index on the one hand and the status of trade unions in the negotiations system on the other hand. Trade unions may be powerful because they represent a high proportion of employees. Or trade unions may be powerful because they have a formally accepted position from which they may negotiate with the government or the employers’ association. Although these two aspects of trade unions often indeed go together, there are countries where this is not the case. Thus, we must enquire which aspect matters most for the making of social policy.

Trade unions are part of civil society, which tends to flourish the richer a country becomes. However, the OECD countries display sharp differences with regard to how trade unions are organised and how they interact with the employers and government. Below we will explore these differences in order to determine whether alternative modes of institutionalisation matter for social, educational, and health spending. In principle, trade unions would favour social spending, but we seek to explain empirically the impact of such associations.

We will show that the pressure for social policies comes from within the society and derives from the strength of organised interests as well as from the interactions between the state and interest organisations. European integration will not eliminate these differences, as EU social legislation has not been successful in establishing a European welfare state (Burrows and Mair 1996). One may only expect that the incorporation of the former communist countries from Eastern Europe will weaken the pressure for the harmonisation of EU social policies Europe (Weiler, Begg and Peterson 2003), as the mechanism for enhancing social policies is basically absent in the Brussels setting. Organised interests are certainly present in Brussels but they operate on the basis of another logic, namely that of lobbying.

Currently the field of social policy is vast, especially in the set of OECD countries where Wagner’s Law fully operates. Below we explore the influence of one aspect of civil society – trade unions – on governmental policies in social matters defined in a broad sense.

2 Social Budget-making

All governments recognize social obligations in relation to their population. State budgets typically contain substantial sums of money reserved for social care, health, and income maintenance. Whether education should be included in social spending can be debated. Only if a government is completely destitute will it fail to provide any social services. Although social services do not fit into the key category of public goods, which is considered to be the classical task of the state, they are clearly equally relevant for policy making. Sev-
eral social services demand a considerable percentage of the state budget because they are often provided in huge quantities.

The reason that education, health, social care and income maintenance are not considered as parts of public goods is that they can essentially be provided by the market. However, despite the fact that all these services can be provided for individually and that people must pay for them, thus satisfying the requirements for market allocation, governments are willing to allocate considerable spending to national education, health care and income protection. Wagner’s well-known law of public expenditures states that governments will increase their spending on social services as the affluence of society increases over time. Below, however, we will examine the differences between advanced countries in terms of social ambitions.

Since social services may be both public and private, most countries offer a combination of both where the size of the government sector and the size of the market sector depend on a number of considerations including policy path dependency. The literature on political economy suggests that the position of trade unions in a country matters for the making and implementation of social policy. Thus, it has been suggested that trade unions matter for social policy, especially if corporatist institutions prevail. Trade unions would favour the allocation of public expenditures to social purposes for a variety of reasons. Firstly, budgeting for social services and education could bring jobs to trade union members, as professionals in education and health care tend to engage in collective action. Secondly, the outcomes of social services are interesting from the point of view of trade unions, as they value equality in general and security in particular. Trade unions fear the vagaries of the market economy, which may be reduced by means of social policy. It has been suggested that open economies call for substantial social spending in order to compensate for the economic fluctuations that world trends impose on single countries.

Thus, we expect to find a positive connection between the position of trade unions in a country and the size of public expenditures for social and educational causes as a percentage of the GDP: The stronger the position of the trade unions, the larger the relative size of the social budget, all other things equal. Yet, the position of trade unions may be measured in two ways:

- **trade union density** - the number of employees enrolled in unions as a percentage of the work force; and
- **“Drittelparität”** - the public recognition of trade unions as a major partner in society along with employers and the government (tripartism).

We wish to determine whether trade union density or *tripartism* matters more in relation to social budget-making. This analysis requires a number of distinctions which in turn demand access to specific data that only the OECD statistics can offer. Thus, we will analyse trade union power and social expenditures in the set of OECD countries (from at most N = 30), focusing upon the 1990s.

Social spending may be public or private. Rich countries may use the state or the market to allocate social services. The same applies to social insurance. As the late Aaron Wildavsky emphasized in one of his pioneering articles, Wagner’s Law on a positive relationship between affluence and the size of the public sector is only a rather rough approximation (Wildavsky 1985, 1986). Affluence constitutes a necessary but not a sufficient condition for large public expenditures, as Wildavsky claimed during his search for the decisive factors
that lead a country to favour public ahead of private social expenditures. We suggest that a strong position of the trade unions in a country is one of the sufficient conditions for large-scale social spending. However, one must make clear whether it is trade union membership or the trade union bargaining position that matters most.

There are a number of studies focussing on determinants of social spending (Schmidt 1997, Cusack and Fuchs 2002, Kittel and Obinger 2003) as well as studies dealing with the issue of the impact of corporatism and trade union strength on economic performance (Hicks 1999, Kenworthy 2002). But few studies researching the impact of unions on social spending have targeted the difference between trade union strength and trade union position.

3 The Data

Table 1 in the appendix presents the indicators employed in the empirical analyses below. It covers a set of measures of both dependent and independent variables. Firstly, we have a set of measures concerning social ambition covering total public spending, total private spending, transfer payments as well as education and health expenditures. It is a well-known fact that these aggregates can be measured in different ways, while social expenditures consisting of thousands of minor items which may be aggregated according to different methods. Secondly, we have a set of measures on the position of trade unions in a country, including a few indices on corporatism, which tend to blend the two basic dimensions we are researching, namely trade union membership and “Drittelparitat” or tripartism.

Let us take a closer look at the dependent and independent variables before we examine the interactions between variables. The data on our OECD set comes in the form presented in Table 2 (Appendix). The country variation in social spending as well as public spending on education and health is displayed in this table; here we follow the OECD’s definitions for these items. The table also contains additional information on trade union density around 1995 as well as the occurrence of tripartism. Differences can be observed between the EU set, the overseas countries and the developing countries.

On average, trade union density around 1995 was slightly higher in the EU-set of OECD-countries than in the non-EU-set. Tripartism, though, seems to be more prominent among EU-countries. Trade union density is low among the overseas countries, which also display low tripartism. The developing countries fall somewhere in between the welfare states (continental Europe) and the welfare societies (Anglo-Saxon countries).

The level of public social spending is generally much higher than what is spent on education or health in relation to GDP, as it also includes social security. In 1995 the highest figures for public social spending could to be found in the Nordic countries Sweden, Denmark and Finland, whereas Korea, Mexico and Turkey had the lowest levels. The difference between the largest social spender and the smallest is a phenomenal 30 per cent of GDP. The set of EU-countries displays higher levels of social spending than the non-EU set within OECD. The different indicators on social spending do, however, co-vary to a quite large extent, independent of whether they are measured as gross or net expenditures. Public spending on education and health co-vary only weakly with public social spending. Is the variation between countries in public social, educational and health spending truly higher where either trade unions are strong in terms of size or in terms of bargaining position? Does this hypothesis withstand a more rigorous empirical test?
4 Overall Social Spending

Social categories of spending range from broad allocative items such as primary and secondary education as well as health care including a myriad of minor expenditure items such as different forms of social care to big social insurance items: income redistribution. Social services are in principle private goods meaning that they can be allocated by the market. This also takes place in many of the rich countries where there are for instance markets for doctors and various forms of care. However, social spending does in fact remain for the most part public in many OECD countries. When this occurs, social expenditures make up the most considerable portion of the GDP of the country in question (see also Atkinson and van den Noord 2001).

One of the reasons why the social budget may comprise as much as one third of GDP are the many categories of social insurance, which tend to be public obligations in most OECD countries. Here we find a number of larger and smaller items of expenditure, which are classified in different ways in various countries, though. There is a problem of strict comparability across the OECD set of countries despite the fact that great efforts have been devoted to making the statistics comparable. Social insurance can be handled by private mechanisms despite being based on public obligation, which leads considerable confusion. In Table 3 (Appendix) we list the countries according to the main categories in the OECD statistics.

The level of public social spending varies between EU-countries and non-EU countries. Looking at the relative numbers in Table 3 (Appendix) we also note the occurrence of a weak Wagner effect as Turkey, Mexico and South Korea as well as the Czech and Slovak Republics demonstrate considerably less public social expenditures in proportion to their GDP. The Swiss Sozialstaat is correctly identified here. However, as affluence reaches a certain level the Wagner effect abates. Instead we find two clusters of countries:

- < 24 per cent of the GDP: Iceland, the United States, Australia, New Zealand, Japan, Ireland, Spain, Portugal, Greece, Luxembourg
- > 24 per cent: France, Italy, Germany, Switzerland, Austria, Norway, Denmark, Sweden, Finland, the Netherlands, Belgium.

This classification coincides with Wildavsky’s observation that rich countries either rely mainly upon the state to provide social services or they allow a considerable scope for markets to provide these services. Thus, we have three basic categories of OECD countries in terms of their social ambitions: (a) developing countries; (b) welfare societies; and (c) welfare states. Let us now turn to data about education spending in order to establish whether we can make the same distinctions.

5 Educational Spending

Educational spending is mainly public in advanced countries, although private education exists in many of them. Primary education as well as secondary education belongs to the classical state obligations towards citizens whereas higher education hardly constitutes a right to the same extent. In the field of higher education many private alternatives are available and state higher education may be primarily funded by tuition fees. Table 4 (Appendix) shows the country distribution on various items of educational spending.
We note in Table 4 (Appendix) that public spending for education is much larger than private educational spending, including countries which favour private universities and colleges such as the United States. Most of the rich countries spend about 5 per cent of their GDP on education, public and private included. Furthermore, there is no distinct variation among the OECD countries according to whether they are EU-members. However, one type of variation between countries may be analysed more in depth. Why do some countries spend only approximately 3 per cent while other countries spend as much as 7 per cent of their GDP? Do trade unions matter? Let us now look at health care spending as a separate category.

6 Health care expenditures

In every society there is a mixture of privately and publicly arranged health care. Public health care expenditures tend to be larger than private health care expenditures, as the government concentrates on the delivery of the expensive services (Musgrove, Zeramdini and Carrin 2002). All in all, health care comprises about 8 per cent of GDP in OECD countries. However, the variation between the most expensive health care system and the least expensive one is huge – see Table 5 (Appendix), which covers both private and public health care costs. The costs for health care have increased continuously during the post-war period. They now constitute a major bulk of the public social expenditures. However, private health care spending may loom large in societies with huge markets for health care. Table 5 (Appendix) indicates an immense variation between countries in health care spending, both public and private.

Private health care expenditures are quite substantial in the OECD countries, especially in the US. However, in most countries health care is more public than private, but there seems to be no major difference between EU- and non-EU countries. Public health care expenditures extend from 4 to 7 percent of the GDP – an immense budget item. The so-called welfare states cluster in the upper limit of public expenditures for health care whereas the so-called welfare societies tend towards the lower limit. Do trade unions matter? The distribution between public and private is altogether different from what we found on education in Table 4. While private education is rare, the scenario changes when it comes to health care. In a few countries private health care is of the same size as publicly provided health care. Private health care is substantially cheaper than public health care, but more advanced treatment may require public institutions. Yet, the general impression is that health care is public, requiring often 8 per cent of GDP – an immense amount of the budget.

Now, does trade union organisation – membership or position – matter for social spending, the budget for education and the public health care effort? Let us first explain why it is vital to separate between two aspects of the organisation of trade unions which are a vital component in any civil society.

7 Trade Union Position

Trade unions are among the organizations of industrial societies, as they were instrumental in channelling the interests of the working classes during the modernization of the economy. Trade unionization spread as the economy matured meaning that both white collar groups as well as agricultural labour mobilized. In post-industrial society the spectrum of trade unions is even more multifaceted since numerous groups with tertiary education are organized.
We might ask whether the post-industrial society has weakened the trade union movement as compared to the classical period of modernization when trade unions often had to fight for their right of association. The answer probably depends on the country in question, as there is strong evidence of path dependency in the evolution of trade unionization in a country over time. What Table 2 (Appendix) shows is that there is immense variation in the position of trade unions among OECD countries, when measured by membership data (trade union density) or tripartism (ILO 1997, World Bank 1995, see also OECD 1994, 1997, Golden, Lange and Wallerstein 2002, EIRO 2002).

Various indices of corporatism have been suggested in order to capture the role organized interests play in the political process, including the trade unions (Lehnbruch 1984, Lijphart & Crepaz 1991, Siaroff 1999). Identifying the extent and intensity of corporatist practices is thus no easy task, as the different corporatist indices illustrate.

Depending on what measures of corporatism used and which time period for trade union position included, different patterns of co-variation may be disclosed. A major conclusion from this inquiry is that the trade union position needs to be analysed along three dimensions: membership strength, bargaining position and extent of corporatist practices. These three aspects of trade union power do indeed go together to a large extent, although there is also considerable variation meaning that centralisation in bargaining and corporatism are strongly linked with trade union density.

It is, however, also the case that tripartism occurs almost independently of trade union density. We may therefore separate two sets of pure type countries with several countries that fall in between:

- **Group 1 (low density, weak tripartism):** Japan, the US, Switzerland, Portugal
- **Group 2 (high density, strong tripartism):** Sweden, Norway, Finland, Denmark

Figure 1 displays this independence between trade union density and tripartism.

*Figure 1: Tripartism and trade union density*

From Figure 1 it is evident that trade unions may hold a powerful position in society on two entirely different grounds: membership strength or legal recognition (tripartism). Only in some countries do trade unions achieve a strong position on both these dimensions. Given this independence between trade union density and tripartism, we investigate which matters most for social and educational spending.
8 The Union Link: Trade Union Density and social Budget-making

Starting with trade union density we may conclude that it is a positive determinant of social spending. The more members the trade unions attract relatively speaking, the stronger the public social effort. Trade union membership and public social spending as a percentage of the GDP goes together independent on what measures are used. Yet, the link is not perfect, meaning that there are deviations from strict linearity as this connection was higher in the 1980s than was the case in the late 1990s. It is also possible to establish a similar link between both educational expenditures and public health care expenditures and trade union density. Trade union density co-varies positively with public spending on education and health, whereas the relation is reversed when taking into account private spending on these items.

Thus, there appears to be a connection between trade union density and social budget-making.

This link is illustrated in Figures 2 and 3. Figure 2 shows how trade union density goes together with trade union density in the mid 1980s, whereas Figure 3 displays the same relation for the mid 1990s.

Figure 2: Trade union density and public social spending in 1985

![Figure 2: Trade union density and public social spending in 1985](image1)

In 1985, as shown in Figure 2, there is almost a linear relationship between trade union density and social budget-making. The data for 1995 in Figure 3 covers more countries and the picture is more mixed, since there are changes in both trade union mobilization and in public social spending over time. The figure illustrates that public social spending may be high even where trade unions do not mobilize many members. This is what breaks the linearity in the link between trade union density and public social spending. Why is it so? Do these countries score high on tripartism? This is a finding which would be compatible with our main argument that trade union density is not the only factor to be examined.

Figure 3: Trade union density and public social spending in 1995

![Figure 3: Trade union density and public social spending in 1995](image2)
Next we look at bargaining position which may be determined by different measurements. On the one hand we have indices that measure the centralisation of the bargaining process including the level of corporatism (Lehmbruch 1984, Lijphart and Crepaz 1991, Siaroff 1999, Plasman and Rycx 2001, Compston 1994, 1995). On the other hand we have the tripartism index, which identifies the legal position of the trade union (World Bank 1995).

It is obvious that the trade union position is conducive to large public social expenditures, regardless of how it is measured, whether as bargaining level, coordination among social partners or degree of corporatism. This, however, is not true for public spending on education or health. The tripartism indicator displays a somewhat different pattern since it goes together with both public social spending and public spending on education and health. Thus, when one argues that trade unions or civil society enhances social expenditures, it is important to look not only at trade union membership but also include other aspects of trade union position. Figure 4 indicates that tripartism goes together with public social spending.

Figure 4: Tripartism and public social spending as a percentage of GDP

Trade unions may occupy a central position without having extensive membership. The existence of tripartism may also secure a strong position for the unions. In either case, based on membership size or on a strong position, the unions may claim social programmes for their members and the population.

10 Conclusion

Trade union density is only one sufficient condition for extensive social spending. It is not a necessary condition as governmental social effort may also be high when trade union density is low. In this case, tripartism may matter. In fact, trade unions may take advantage of two power bases, trade union membership and “Drittelparität”. Both of these power bases are conducive to large public social spending. Table 6 tests for the impact of these institutions on social spending while controlling for membership in the EU. The findings from the regression analysis show that trade union density and tripartism may matter for public social spending to a certain extent, but less so for public spending on education or health. The tripartism indicator only has a weak impact on public social spending, whereas trade union density matters for public social spending and spending on education. The variation in public health spending has less to do with trade union strength. We are only able to trace an impact on EU-membership in terms of public social expenditures.
**Table 6: Regressions: Public social, educational and health expenditures in 1995 and Trade union density and tripartism**

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**Sources: See Table 1 (Appendix).**

We may thus conclude that trade union density and tripartism have an impact on public social spending. There is still a noticeable impact of trade unions on public spending on education. Tripartism, on the other hand, only influences social spending but not public spending in education and health. Alternative modes of trade union institutionalization matter for various kinds of public spending. We may also have established that EU has a positive impact upon social spending by governments, reflecting the adherence of the EU countries to the welfare state model.

Social spending is linked with modernisation – a wise prediction that Wagner made about the emerging industrial society. Trade unions emerged in the wake of industrialisation. We may conclude that they have been one of the major agents of social change through the making and implementation of public policies. But how do things stand in post-industrial society? Will civil society in countries experiencing balanced and sustained economic growth and and rapidly increasing wealth make social spending a high priority? We suggest that this depends partly on the trade unions in civil society. Both trade union density and legal position matter.

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Cusack, Th./Fuchs, S., Ideology, institutions and public spending, Wissenschaftszentrum Berlin für Sozialforschung (Discussion paper P 02 – 903), Berlin: 2002


**Appendix**

*Table 1: Public social policy expenditure and trade unions: variables, indicators and sources*

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
<th>Source</th>
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<tr>
<td>EDPR95</td>
<td>Private expenditure on education as % of GDP 1995</td>
<td>OECD Education at a glance (2001)</td>
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<td>EDPU95</td>
<td>Public expenditure on education as % of GDP 1995</td>
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</tr>
<tr>
<td>EDTO95</td>
<td>Total expenditure on education as % of GDP 1995 (=public + private expenditure)</td>
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</tr>
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<td>Gross public social expenditure in % of GDP</td>
<td>Adema (2001)</td>
</tr>
<tr>
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<td>Public health expenditure as % of GDP in 1995</td>
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</tr>
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<td>Private health expenditure as % of GDP in 1995</td>
<td>OECD Health Data (2001)</td>
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<tr>
<td>HTE95</td>
<td>Total health expenditure as % of GDP in 1995 (=public + private expenditure)</td>
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<td>NTS95</td>
<td>Net total social expenditure in % of GDP 1995</td>
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<td>Tripartism = summary index of number ILO conventions ratified</td>
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Table 2: OECD Countries: Basic data about trade unions and social as well as educational and health spending around 1995

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Sources: See Table 1.
Table 3: Categories of social spending in percentage of gross domestic product (GDP)  
(Countries sorted according to the relative size of private spending)

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Note: SOCPRIV95: Private social expenditure in % of GDP (=mandatory private expenditure + voluntary private expenditure) 1995; SOCPUB95: Public social expenditures % of GDP 1995; SOCTOT95: Public and private social expenditures % of GDP 1995.

Source: See Table 1.
Table 4: Education expenditures in % of GDP 1995 (countries sorted according to the relative size of private spending)

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Note: The data refer to direct and indirect expenditure on educational institutions from public and private sources for all levels of education; EDPR95: Private expenditure on education as % of GDP 1995; EDPU95: Public expenditure on education as % of GDP 1995; EDTO95: Total expenditure on education as % of GDP 1995 (=public + private expenditure).

Source: See Table 1.
Table 5: Health care spending in % of GDP 1995 (countries sorted according to the relative size of private spending)

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Note: Public expenditure: health expenditure incurred by public funds; private expenditure: privately funded part of total health expenditure; total expenditure: public expenditure + private expenditure.

Source: See Table 1.
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