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**The Firms Political Action  
in the European Union.**

By David Coen  
Researcher  
European University Institute

Address European University Institute  
Badia Fiesolana  
Via dei Roccettini  
9-50016. S. Domenico  
Florence.

E-Mail Coen@Datacomm.IUE.IT  
Fax 00 39 55 4685-298.

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## Introduction

This paper differs from the existing literature on comparative government business<sup>1</sup>, in that it intends to concentrate on the firm as an individual political actor within the context of its institutional setting, as opposed to the existing political science literature which has tended to focus on the collective business interest. With an estimated 200 government affairs offices located in the Brussels area alone<sup>2</sup>, few would doubt the growing direct importance of the firm in the development of the European Union (E.U.). Many have alluded to the importance of the business leaders to the grander visions of Europe<sup>3</sup>, while others have concentrated on identifying the increasing access of business to the every day technical committees of the European Commission (EC).<sup>4</sup> What is less well documented is the firm's preference for differing political channels to the European Union, the logic of action, and the interaction of these political channels. Such new institutional questions have implications for the state/firm bargaining relationship and the future integration patterns of the E.U..

At present there is only a rudimentary understanding of how the different political channels are utilised and perceived, and what draws individuals toward collective or direct representation. At the European level, with differing tiers of action superimposed on the collective v direct question, little work has adapted to the new institutional environment. This paper seeks to identify the behavioural patterns of firms at the European level, and in so doing indicate the limits of existing meso<sup>5</sup> interest theories. The first section will discuss the changing institutional bargaining arrangements of the firm/state relationship in the European political arena, and highlight the trend towards the firm as a direct player in forum politics. Having established the importance of the firm in the E.U., section II maps the behavioural preferences of the firm, and assesses the different political channels of influence in the E.U.<sup>6</sup> On the bases of these behavioural findings, section III will appraise the existing micro behavioural theory for the European Institutional environment. Finally IV attempts to discuss the predictive implications of the behavioural micro model in terms of the meso/state firm relationships and the integration process of the E.U..

<sup>1</sup>For a comprehensive review of traditional country case studies see Wilson, G (1986) "Business and Politics: A comparative Introduction".

<sup>2</sup>Official Journal of the European Communities, (No 93 C 63 02), "An open and structured dialogue between the Commission and special interest groups." Business is further represented by some 500 European federations and national associations, 100 management consultants, 100 law firms and various regional and government representations.

<sup>3</sup>Most notable recent contribution being Maria Green (1993) "The Politics of Big Business in the Single Market Program" a paper presented at ECSA. In which she identifies the E.R.T. as a new political actor in the European Community, and the multinational leaders as instrumental in ensuring the adoption and implementation of the SEA. These leaders being agenda setters in their own right with national states and European Community officials.

<sup>4</sup>For general observation of pro active lobbying see Gardner (1991) "Effective Lobbying In the European Community", for discussion of trends see Mazey and Richardson (1993) "Lobbying in the European Community" especially chapters by W. Grant, A. Mc Laughlin and G. Jordon, and J. Sargent.

<sup>5</sup>Meso theory in this paper being theories such as Corporatism or Transnational Pluralism.

<sup>6</sup>The data presented in the paper is based on a behavioural survey of 100 top European firms, from Germany, France, Italy, U.K. and USA. The Survey represents a cross section of sectors. It was generally completed by the Director of European or Political Affairs.

### I. The Trend. 1970-1995. Firm Political Action at the European level.

Existing studies of business lobbying have demonstrated a tendency to take the neo functional counting approach,<sup>7</sup> assuming the number of lobbies to be representative of the degree of integration. Such approaches while good on direct observation of the increased lobbying activity, fail to give a new logic of formation, preference, and behaviour of groups. This core focus on European interests as a function of integration, may also have accounted for the underestimation of specific groups as determinants of integration, and correspondingly failed to identify/predict possible future institutional structures for the European business/union bargaining.

Such a neo functional approach was however concurrent with the initial thinking of the European Community, where interests were assigned a prominent role in the formation of a European polity. Since its formation the European Commission has encouraged European groups, supporting the creation of European federations through financial assistance and the provision of direct access to the policy process. However as McLaughlin suggests the "...view of the group as an option for a member seeking to represent its corporate interests in the EC is somewhat inconsistent with the view of groups in models of integration"<sup>8</sup> as firms have increasingly operated through a number of channels.<sup>8</sup> Yet, for all the observation of new European political channels there have been few attempts to make some form of hierarchical ordering of European interests in the multiple tiered system. Intuitively, most observers have been aware that the business lobbies preferences for the corporatist model of collective action was limited, but alternative models of action have failed to materialise due to the lack of information on the quantitative ordering of political channels and a lack of understanding of the interdependency of these political channels upon one another and across issue.

Clearly, the relationship that the firm and European Union have been able to foster has varied over time, altering with the evolution of the institutional structure of the EU, the policy focus of the administration, and the economic market perspectives of the firm.

In the formative stages of the European Community, the objective was an attempt to mirror the national political relationships of corporatism that appeared to exist during the 1970s. The European Commission sought to further a European identity parallel to the national government, while gradually reducing the level of national interest representation.<sup>9</sup> The failure of such an approach, -which has been documented by Streek and Schmitter,<sup>10</sup>- can be attributed to the very strength of the national

<sup>7</sup>Butt-Phillips 1985 "Pressure Groups in the European Community" UACES, Occasional Paper 2., Andersen and Eliassen 1991, "European Community Lobbying" *European Journal of Political Research*, 20, p173-87. There has been a tendency to mistake quantity with quality of representation. The increasing development of European groups does not necessarily mean, as Andersen and Eliassen claim- new corporatist structures are formulating in line with the European Union.

<sup>8</sup>A. McLaughlin, in "Representing Interests in the European Community" 1993 ECSA paper.

<sup>9</sup>Through the hope of reducing the need for reconciliation between differing national objectives, see Butt-Phillips 1985 op.cit.

<sup>10</sup>This is well chronicled by Streek and Schmitter (1991) in "National Corporatism to Transnational Pluralism: organised interest in the Single European Market." *Politics and Society*, 19, p133-164.

systems, which allowed the business actors not to enter the European tripartite agreements.<sup>11</sup>

This action was partly a function of the locus of political activity, which clearly remained at the national level, due to the Council of Ministers right of veto. Consequently, for the firm there was little incentive to alter traditional means of representation, as it could rely on unfavourable European policy being blocked at the end of the political process.<sup>12</sup> This national focus was further strengthened by the antipathy of business towards the European federation, due to their defused membership focus and consequent slowness of reaction to policy and information requests. Firm level action was therefore reactive and destructive in nature, observing the agendas but contributing little directly. Such action represented the low cost option and maintained the political status quo, but contributed little to the integration of the European Community.

The reason for such limited political action was not merely the institutional voting structure, but the policy area in which the Commission at this time had a mandate. The broad single policy areas did not represent the core business strategy areas of the firm, but rather the wider operating environments, for which the firms rarely had specific policy initiatives. As such the firms did not try to develop direct business links, but rather allowed their favoured governments to fight for their general favoured market environments.<sup>13</sup> The public good nature of many of the early community initiatives, created limited strategic incentives to pursue new European political channels in the search for economic strategic advantage over rivals. As a result the development of a politically sophisticated European firm was impaired by the incentive to free ride on the European Community legislation, especially in the face of poor representation and minimal input of the federations.

The Single European (Act SEA) in the 1987 changed the economic boundaries of the firm, and the nature of the political goods available at the European level. Ironically, however, the credibility of the European federations as representative of the business view had been permanently damaged in the eyes of the firms and the Commission by the start of the single market program. The European federations having been reduced in influence, due to their cumbersome nature, just as the European Community began to enter the direct legislative -core strategy- environment of the firm, through the 280 single market directives. The establishment of the single market and the legitimacy that it created for the firm in the European political process was to have enormous effects on the European institutional environment and the development of the firm as a political organisation in the mid 1990s.

The multi issue politics of the mid 1980s, created an environment of pluralist

<sup>11</sup>Grant (1993) "Pressure Groups and the European Community" in the Mazey and Richardson 1993 op. cit. and Sargent (1985) "Corporatism and the European Community" in W Grants The Political Economy of Corporatism, both highlighted the preferences for national channels during this period

<sup>12</sup>Carlos Ferrer President of UNICE (1991) "Strengthening the Business lobby at European level" C.E.P.S. Lunch presentation programme.

<sup>13</sup>This would tend to support the idea that many of the firms in this period were nationally or globally orientated, and did not envisage a European market environment of any strategic significance.

interdependence, where the firm wanted to be aware of the development of the initiatives which were close to their core business areas, while the Commission sought quick and reliable information from the practitioners.

Moreover, just as the policy domain moved towards the core business areas of the firm, the institutional structure of the European Community was in a state of flux, allowing a young bureaucracy to open its doors to new types of political actors. This was a recognition on the part of the Commission that it did not have the resources to deal in the expansion of legislation. As one senior Commission official stated " We are terribly understaffed and over stressed. My division is responsible for 44 directives and 89 regulations; monthly mail which requires a substantial answer numbers about 350 pieces. And I have about nine staff to deal with all of this. The corresponding administration in the (United) States has 600 people."<sup>14</sup>.

The SEA, in addition to giving the European institutions a role in the everyday business decisions of firms, removed the need for unanimity at the Council of Ministers (CoM). The resultant loss of veto increased the risks of relying on national government representation at COREPER, at the end of the political process. The firms realisation in this period that they would need to make private representation and that the destructive lobbying of the CoM would have limited input into the directives, created a positive political economic rationale to become proactive lobbyists at the European level, even if the cost of action was high. The result is the well documented boom in lobbying in the late 1980s,<sup>15</sup> with some 10,000 people in Brussels seeking to influence the European policy process.

Up until the late 1980s the Commission had represented an adolescent bureaucracy<sup>16</sup> affording access to a wide variety of political interests, while often actively seeking strategic political partners. However with the resultant increase in European representation in the light of the SEA, the commission increasingly moved towards access overload, and needed to restrict entry to those it felt could be its natural interlocutors. The larger firms in loose groupings represented natural and proven successful partners. Especially if some form of dominant industrial grouping of key strategic players could be attracted for each technical issue.

Companies increasingly became integral players in the policy formation process either directly as individual actors, or indirectly through new loose cross border alliances. The Commission encouraged the formation and establishment of new cross-border informal industrial groupings that formed the basis of quasi formal industrial forums such as the Ravestein group.<sup>17</sup> While the existence of the European Round Table (ERT)<sup>18</sup> technical committees provided the foundation for new technical industrial

<sup>14</sup>Burston-Marsteller, (1991) "Lobbying The EC: The Views of the Policy Makers" p22.

<sup>15</sup>Andersen and Ellison 1991, ob cit, Butt-Phillips 1991.P..... Richardson 1993 p...ob.cit.

<sup>16</sup>Mazey and Richardson 1993, p10, op.cit.

<sup>17</sup>A cross sector group of Brussels based political affairs directors, representing some of the worlds largest MN companies.

<sup>18</sup>An organisation comprising of 40 European industrial leaders. It organises work shops and technical committees to advise on a number of broad political questions. See Green (1993) ob. cit. for its contribution to the SEA program. In 1993 it had 15 working committees ranging from competition policy and industrial issues through to education and environment. (ERT Mission statement 1993).

forums. The result of such committees was the establishment of an inner core of policy makers. The significant difference from the existing federation structure was that these groupings were the sum of like minded firms, as opposed to the sum of national associations.

Where federations reassert themselves radical restructuring of membership has been required, allowing greater direct input by the firms into the policy discussion and often individual companies have taken on the role of direct representation on the behalf of the federation, depending on the technical level of the issues.<sup>19</sup>

The improved effectiveness of some of the European federation in the late 1980s may also be a function of the level of legislative activity occurring in the sector. Most firms have a limited resource budget and have to priorities issues, therefore some issues need to be tendered out.<sup>20</sup> Hence the greater legislative process, the more firms are willing to share out the burden of representation. This was offered as one explanation for the success of CEFIC, EFPIA, and BOP and may help explain the movement towards the firms direct representation within these organisations. It is however interesting to note that many officials have commented on the increasing role of firms in the 90s at the expense of associations. Whether this is a function of the slowing down of the legislative cycle in Brussels, needs to be assessed, as well as the permanence of the firms position in the process.<sup>21</sup>

The freeing up of the firms political resources, - with some 200+ SEA directives in force, - may have resulted in the success/contribution of firms in the wider political issue forums of the EC<sup>22</sup>. In addition, as the firms have become more sophisticated in the light of 10 years of direct political action, new types of collective arrangements have come into operation. While they still seek a collective good, these groups tend to be more focused on limited goals and therefore it is hoped more effective in seeking policy. These forums have taken the form of business round tables<sup>23</sup> with the key players, those that are able to carry the political economic market, and push through implementation and standards in the national markets. In a conversation with a head of unit responsible for one such round table it was noted that "...while I prefer the European group position from one source, I am realistic enough to know that some views count for more than others, its therefore best to know them openly. I invite business and associations. Some times associations invite particular

<sup>19</sup>In these newly structured federations there has been a large policy discussion on the role of the national associations, CEFIC 2000 published 1992 and interviews with members of ACEA in 1994. Possible to see an inverse hierarchy to the traditional interest structures, where the firms and European federations feed European collective decisions back into the national political environments through the federations.

<sup>20</sup>Interview with an in an Italian firm, September 1994.

<sup>21</sup>The fact that the rejuvenation of the federations is firm driven, would seem to undermine the assertion of Andersen and Elaisson (1991) that the boom in European lobbying will result in a corporatist structure re-establishing itself. The modern bargaining game would appear to be determined by the private political of firm, not collective goals. As section III will develop.

<sup>22</sup>Supported by interviews with French, German, and British firms.

<sup>23</sup>For example, Maritime Forum, Transport network round table, the Automobile workshop, Steel panel, IT and Telecommunication superhighway groups. Not to mention the informal cross sector groups discussing enlargement, the environment, US Europe Trade Relations and R and D.

companies.”<sup>24</sup>

Whether this movement to forum politics was a normative policy of the European Commission to create a constituency, or a gradual closing of the traditional channels by the heads of units who had identified the key players in their policy domain needs to be explored. Regardless of the initiator the outcome has been the development of formal or quasi formal forum politics. Whether this represents a form of Hecló's<sup>25</sup> elite politics or a new institutional structure is alluded to in the course of this paper.

One clear result of firm level political legitimisation, has been that firms have established an internal structure to maximise the opportunities available from the European political market. This development has had serious implications for the utilisation of the various political channel and requires a reassessment of the traditional political action models. In understanding such competitive political action between firms it may be possible to predict what are the implications of the new business institutional arrangements for integration.

## II. Present day action by firm.

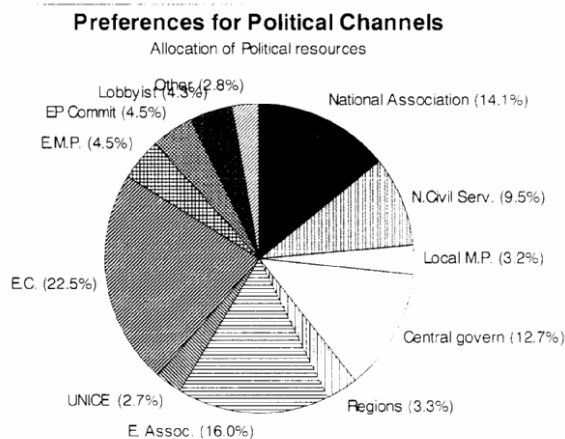
It is clear from the graph below that companies adopt a multiple strategy when dealing with the European Union.<sup>26</sup> What this pie graph provides is an actual weighting of action as the data represents a revealed preference for the various political channels of influence to the European Union. Each firm allocating 100 units of political resources between the 12 options listed in the pie graph. This approach avoids the traditional problem of ranking organisations/channel in a multiple tier analysis. The identification of the allocation of funds, providing a stylised present value preference for each of these channels. The ranking order of political channels can be improved when compared with the cost benefit and perceived effectiveness rankings.<sup>27</sup>

<sup>24</sup>Discussion with a head of unit about the list for a new forum. Internship DGIII March 1995.

<sup>25</sup>Hecló 1978. Issues networks and the Executive Establishment. In A King ed "The New American Political system"

<sup>26</sup>As previously observed in Greenwood, Grote and Ronit 1992 " Organised Interest and the European Community, this collection has interesting examples of sector differences in action patterns. Mazey and Richardson 1993 *ib. cit.*

<sup>27</sup> For full analysis of channels utilised the cost benefit structure of political action and efficiency perceptions of the firm, request relevant chapters from my forthcoming PhD thesis.



The primary political activity of the firm is to gain direct access to the European Commission, with approximately a quarter of most companies political resources dedicated to this channel. Such action would appear to be consistent with the effectiveness ranking that firms awarded to the various channels, and was facilitated by the good access that most firms believed they had to the Commission.<sup>28</sup> This growing focus of political action must have implications for the traditional logic for collective action, and for the models of integration.

However, while the European Commission is considered open and accessible, the direct effectiveness of the firm to influence policy is determined by the question of the firm's reputation. That is its reputation as a provider of reliable information. Its reputation as a European company or player.<sup>29</sup> Its reputation as a representative of the sector,<sup>30</sup> or at least aware of implications of the strategy for sector. Its reputation for sympathy/closeness to the normative objectives of the European Union or Commission<sup>31</sup>. Its political reputation/power within its national and sector markets.<sup>32</sup>

<sup>28</sup> Access is perceived to be very good with 80% of companies believing they have access to some level of the Commission

<sup>29</sup> European Company being in terms of geographic production or outlook, not always from origin, as can be seen by the positioning of many US firms.

<sup>30</sup> What represents the critical mass to achieve the access is hard to quantify and varies on the sectors market structure, i.e. Concentration levels and the type of market. National, European, and Global size. This is well highlighted by Penchy. In one market it is the monopoly producer of Aluminium in the Europe, therefore has strong direct links with the EC, but in packaging it is just one of a number of evenly competitive firms and has to utilise and even favours associations if policy can be agreed.

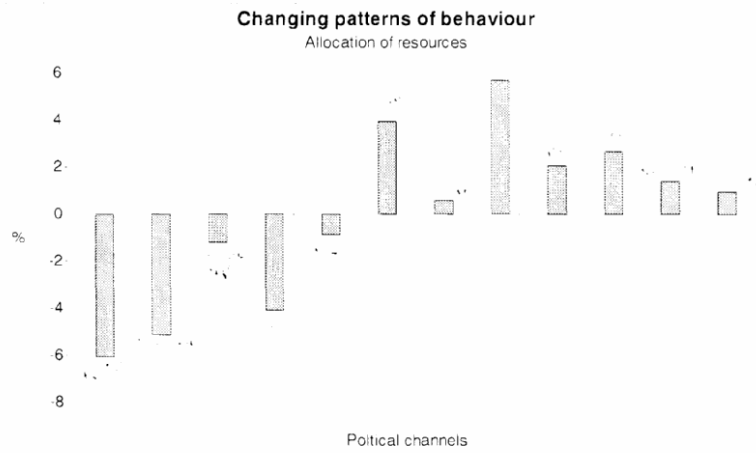
<sup>31</sup> For a clear example see Green 1993 *op.cit.* for the discussion of the membership of the E.R.T., by the Director general of DGIII and industrialists.

<sup>32</sup> This is a distinct point form being representative of the sector, the connotations here are that the firm can exert political influence at home and act as a channel for the political ambitions of the EC.



The importance of the firm as a direct political actor is further enhanced if one is to consider the fact that 45% of companies surveyed believed that they had access to the Commissioners of the European Commission for high politics questions. How far this level of access influences the real day to day political action should however be questioned, as it is often more public relations for the government affairs department, showing the chief executive the importance of Europe.<sup>33</sup> Occasionally the chief executives and commissioners discuss high level political issues during the course of think tank groupings such as the Bangemann forum or the Christopherson group. However, more often this level of representation is instigated at the top, but the general process of dialogue is through the E.R.T., and this in turn -after the general meetings- tends to be handed down to the government relation offices and technical experts of the committees, such as Monetary Union or Transport networks. Perhaps then it is the 60% of firms who believe they can achieve access to the Head of Unit which exert the greatest specific influence on the formulation of policy.

The graph below represents the changing patterns of behaviour in the last ten years.<sup>34</sup>



<sup>33</sup>Interviews with a British bank and a German heavy industry conglomerate, supported this view. The British banker said that he arranged the interviews to maintain his political budget as this was the most visible outcome of the work for the board. He also wished to increase the Company's European profile and Board level meetings with the President of the EC helped gain good press.

<sup>34</sup>It should be noted however that the completion of the 10 years ago results fell away as in many cases the firm had no political strategies for Europe, hence the real percentage change may be larger still.

There has been a clear trend towards political activity through the European institutions due to the institutional and economic changes previously described. What is perhaps more surprising is that while collective action was in general decline in relation to the influence and importance of direct action<sup>35</sup>, it has managed to rally by 4% in the European political environment, from a period of stagnation in the early 1980s. How far the growth of European collective action is a function of European integration or related to the increase in European business direct action will be explored in the following section III.

For the remainder of this section I wish to highlight the sophisticated political thinking of the firm.

The mere ability of the surveyed companies to attribute some form of ranking in terms of efficiency of influence and the ability of the firm to allocate political resources to differing channels dependent on issues, indicates some form of political strategic thinking.

In taking up new political channels cost has become an increasingly important consideration, especially when the policy outcome of the channel is called into question. This real budget constraint has been confirmed during the course of the interviews, with one interviewee<sup>36</sup> explaining that his budget was fixed for political action within the general corporate strategy program, and to find resource for a new political option involved a cost benefit and reallocation from the existing pool of funds. Where returns are unclear, the cost of participation is a significant variable. Under these conditions new political variables are slow to be utilised, and the problem is magnified in times of recession as budgets are restricted. This explains why the European Parliament as an option has been less utilised than the Maastricht agreement would have lead us to believe, especially when most firms interviewed predicted that the European Parliament would grow in importance, but in the same breath claimed that at present political returns were ambiguous and that for the present they would merely monitor the EP activities and inputs.<sup>37</sup>

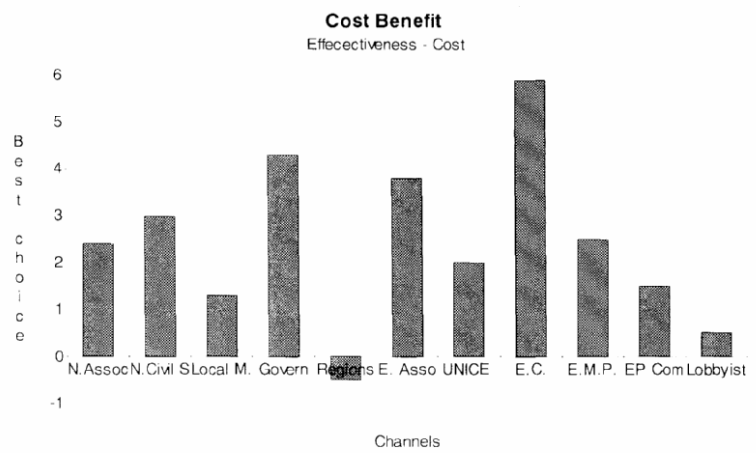
Political affairs directors recognised that at some point they would have to act, but it

<sup>35</sup>That is to say that traditional federation hierarchies of national associations to European federations were no longer the sole European political options available to the firm when seeking to make representation. Consequently, the ratio of direct action to collective action must have changed

<sup>36</sup>Interview of a British Aeronautical company conducted in February 1994.

<sup>37</sup>E.P. results show the ambiguous nature of the institution. Effectiveness, too often comes down to individual EMPS and their ability to "Pick up and run with an issue, unfortunately too many (Rapporteurs) are just unaware of their briefs." Interview with French chemical company February 1994. The individual EMPS scored higher than the European Parliaments working committees, this comes down to location and sunk political good will in a region. A major shipping company in a declining region or a major car producer may have strong production commitments to the region. It therefore may have strong reason to believe that the EMPS will fight its corner to the last, making representation to the Council, through Europcer and national channels, and pursuing the European Commission. It is hardly surprisingly that the Danish EMPS are the most active in following up the Maritime Forum. Against this the committees are ambiguous in outcome (with political arrangements) and slow, and always risk being made irrelevant by the political vote in Strasbourg.

was interesting to note that none wished to reallocate resources from their existing resource bundles, all agreed that new funds and personnel would have to be made available, hopefully with better economic times to come. Recession and boom seemed pertinent to the take up of political channels. As previously described the firms were quick to allocate funds to the European Commission during the legislative boom of the 1980s, but the full direct take up of political options was due in part to the financial resources available in a boom economic period. "It was only after the allocation of budget that the realisation of the full benefits of direct action were made."<sup>38</sup> Clearly the volume of the legislative process was also important - making it cheaper per unit of political return - or rather a better cost benefit during the SEA period, due to the need to be involved in technical activity of the single market directives, being discounted against a permanent Brussels representation.



Under such conditions the perception of cost may become important in terms of speed of take up of political channels, by those firms who have had little experience of the political market. New companies entering the European political environment

<sup>38</sup>Interview with a British Pharmaceutical company February 1994.

will have to monitor the success and outlay of their competitors and partners, but will finally have to judge their own political needs against the cost of each channel. This calculation will be greatest for the SMEs, but even the large firms would appear to have reached some form of rationality level.

When it is considered that the European Commission has increasingly demanded specialised technical experts and decision makers, as opposed to the traditional representative liaisons, and firms were increasingly expected to make regular representation. It is not surprising that many decided to locate some representation to co-ordinate this increasing activity.<sup>39</sup> With this increased dealing with the European Commission has come an increased understanding by the firm of the information gathering cost benefit.

Once the cost of location has been absorbed by the company, extra economies of direct lobbying can be made and more sophisticated political games played. If a permanent representation is located in Brussels for specific company factors, it is not going to be as significant a high cost to become involved in some of the wider normative questions/think tanks which may in turn lead indirectly to extra long run benefits. The result of this new activity is that the cost of utilising most European institutional options has fallen. That said national channels are still relative to the European counterparts, the lowest cost options - but this is to be expected after decades of informal usage.<sup>40</sup>

An important and much cited aside is that some of the informational roles traditionally ascribed to the federation have been provided by the permanent representations. Lowering the informational search costs of direct action and providing general co-ordination support.<sup>41</sup> The German representation co-ordinates a network of informal meetings between German nationals in Brussels, and lists of contacts in DGs Associations and firms, it is not fancy full to assume that the other permanent representations do the same. This does not mean that the national routings are increasing, rather, the usage of the permanent representations is a direct consequence of the growing direct action of the firms at the European level and a need for the national governments to provide a service to remain within the Brussels firm political game. This action may have further underestimated the national civil services in the allocation of resources tables.

A subjective negative opinion to national governments could also be picked up by the better ranking of MPs, Civil service, and governments, in the simple cost benefit

<sup>39</sup>There have been notable sector exceptions such as banking and defence. The differing rationale for these sectors being based on the market structures and traditional linkages. Both banking and defence operate in highly international markets, which play from defended national structures the first being highly regulated environment the later industrially strategic. Both have had a long tradition of national government support. Hence the European action or lack of is not so much cost based as a pragmatic political approach, linked to economic reality of markets.

<sup>40</sup>Hence the true cost of action may be lost in time due to national good will and traditional contacts. As one interviewee said it is hard to place a value on the traditional routing, as so many are informal meetings.

<sup>41</sup>Interview with the British permanent representation, and informal talks to Italian and German. The importance of the PRs was highlighted by German, British, French and Italian companies, while US companies felt AMCHAM provide this role more than Embassy.

equation. This may be explained by the possible divergence of policy between the firms and national companies. This is highlighted by the fact that one British flagship company<sup>42</sup> favours a European company registration and European employment laws, and actively lobbies for both by leading the European company directive at the E.R.T., so actively pushing the EC against the wishes of the British Government. Likewise one large Italian company was quoted as saying that the Italian government was not well enough prepared on industrial affairs to represent its interests and was often too slow in making up its mind. Here trust and belief in a channel are seen to be the most significant determinants of action.

Not surprisingly the cost of using a professional lobbyist is highest, this helps to explain why firms have increasingly opened offices, as their legislative, and political needs increased in the European arena. Additionally, the lobbyist is increasingly being marginalised by the EC, which is trying to increase its openness to core actors<sup>43</sup>, while reducing the ability of the lobbyist to make money on the information that is readily available to all. As a result the cost/benefit for most large companies is low in terms of general representation through the lobbies. Interestingly here even SMEs are shying away from the consultant political options and are seeking to use the offices of those large companies they supply.<sup>44</sup>

The European federations represent a high cost option with their membership fees, yet inversely many firms claimed this to be important for usage, as they want to feel they were getting their money's worth.<sup>45</sup> The central cost rationale for membership would appear to be a desire not to be excluded from the club and long run political games, regardless of the federations' effectiveness today, as future returns may be lost. Few firms doubted, that the federation generally reduces information transaction costs, due to European Commission keeping them informed of new actions, hence the federations can act as a positive channel of high quality information. Having presented the general decision to contribute, it should be noted that in some specific cases federations represent the monopoly supplier of effective access. How they gain such privileges and more importantly how they stop circumvention of the collective policy, needs to be explored in the light of the general trend towards direct representation and multiple channel action available to most firms in a sector. What can be said however is that they are not the primary political channel that traditional integrationists would have us believe.

In light of the increasing direct individual firm access, the rejuvenation of some of the federation at the European level would appear surprising, especially, if the problems of the 70s and 80s were considered<sup>46</sup>. However, as the firm has matured so to has

<sup>42</sup>Interview February 1994.

<sup>43</sup>See press release on the open access to the EC July 1993 for who they wish to give favoured access to. The core idea is that those who make economic gains from information mediation should be regulated, while directly interested parties should maintain access.

<sup>44</sup>This trend is most notable with the large Italian companies which have had a political tradition of representing SMEs in Italy and presenting Italian industrial policy at the European Commission.

Interview with major Italian conglomerate. However this trend is also visible in the banking world where a need to keep their clients informed has created a new European role for them in Brussels.

<sup>45</sup>A surprising reply, but felt get out what they put in and did not wish to lose out by not being involved.

<sup>46</sup>The political action logic of participation, should have led to a trend towards a negative cost benefit ratio. Perhaps the positive results have some same bias in that the positive examples of

the federations structure and its role. The change in the role and relationship with the large European firm is best highlighted by the experiences of the Chemical industry.<sup>47</sup> But in allowing firms to have direct access to the decision process within the federation, and to represent the interest of the federation and their competitors on specific issues the federation, has made itself into a viable policy option for the 90s within the direct action or politically autonomous political action strategies of the firm. How far this is the firm driving the institutional change of the associations and the development of new collective forums needs to be explored further.<sup>48</sup>

The popular feeling in the course of the interviews, was that the speed of the mediation process has been improved by direct membership of the federations and that more concessions can be made with rivals firms prior to the governmental policy negotiations, so facilitating access/speed to the policy decision maker. The private behavioural game being that unfavourable policy can be discounted against improved access on core policy issues by the firm, or swapped with rivals interests.

The ability of federations to maintain firms participation at the Brussels level, must be related to the setting up of the permanent representations for direct lobbying access - which have created economies of political lobbying scale-, and the firms sophistication in using federations for other external private goals. It is clear from conversations with firms and functionaries that the federations have in recent years benefited from the increased political resource that business supplies. It is paradoxical that the reconstituted success of the collective federations can be seen as a function of the direct action of firms.

### **III. A Critical assessment of the micro political action literature from a European Institutional Perspective.**

This section is interested in the question : Is the collective action of today driven by the same behavioural calculus as 10yrs ago? That is to say are behavioural change a function of increasing numbers of political channels and/or a change in sophistication of the political logic of firms?

"It is not an accident that the ... organisations listed are all supposed to work primarily for the common interests of their members. Purely personal or individual interests can be advanced, and usually advanced most efficiently, by individual, unorganised action" Mancur Olson 1965.<sup>49</sup>

It is a logical statement, in so far as the group will not be formed for a purely individual interest, but a collective interest can be utilised for a private interest, if it is

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restructured direct participation association the majority - such as CEFIC, ACEA, BOP, Pharmfed, ECAA.

<sup>47</sup>See " CEFIC 2000" a paper planing the relationship between national Associations European federations and the large firms. A CEFIC publication 1992.

<sup>48</sup>A strong case for the EC during specific periods through the regulation of the market and access to discussion making can be made. Asked at other times and the market structures (Green 1993) and inter-government (Moravcsik 1993) seem to predominate. What is the institutional, policy, market, cycle.

<sup>49</sup>Mancur Olson (1965) "The Logic of Collective action, Public Goods and the Theory of Groups"

already in existence. Here perhaps is an obvious but important point, Olson's model is intrinsically correct, in its understanding of the formation of collective action groups, but it does not allow for the interaction of the collective group action with the other political channels available to individuals, nor does it allow for the utilisation of the collective when formation costs do not enter the calculus equation. It is therefore a static game, which fails to allow for the discounting of collective costs against future private benefits.

That is to say that Olson represents an either or type of model. The reality as the above behavioural data shows that collective and direct options are used interactively, and collective may even facilitate/create direct individual action by establishing individuals reputations.

Olson, assumed that individuals would not act to advance collective positions, unless there was coercive actions or a separate selective incentive, distinct from the achievement of the collective group. The logic being that individuals were compelled to belong to the group by the internal group pressure, and that maintenance and formation were the result of the continued existence of internal incentives.

In the European case the formation point is of diminished importance, and the questions of maintenance/type of membership by the group, and utilisation by the individual become more significant. In the European political environment, European federations are actively encouraged by the European Institutions,<sup>50</sup> to the point of favoured access, so providing an external incentive for formation and maintenance. This would appear to have been recently reaffirmed by the EP and EC's white papers on the open access to the European Union.<sup>51</sup> This coupled to the existing infrastructure of national associations, meant that the formation of such groups was more a question of adding higher peak level groups.<sup>52</sup>

The implication of an existing organisational infrastructure and positive external inducement, results in:

- i) Lower formation costs.
- ii) An understanding of the function of associations.
- iii) An expectation of political returns from participation at the European level, and consequently,
- iv) different utilisation and expectations of a collective action.

In Olsonian terms, the cost benefit for collective action was likely to be positive in the European market, and initially there would have been no stigma involved in large European firms free riding the European associations collective good, as in theory, the membership was the sum of the national associations. But the reality of the

<sup>50</sup>In some cases the patronage has actual come from one firm which seeks to gain a European association/credentials. For example the case of Phillips forming in effect a its own private European federation.

<sup>51</sup> See OJ (No 93/C 63/02) and EC. Press release on "Round Table meeting with special interests groups" 27th July 1993.

<sup>52</sup>Jordons 1984 studies of public interest collective action inferred that group behaviour is now so much of a stock response in society that for many individuals there is no real issue of viability. This social norm seems appropriate to the use of European peaks ( see later discussion ) and seems to circumvent the olsonian formation problem.

1990s, as previously discussed, is that firms have actively sought to participate directly at the European level, both in terms of private direct access to European Commission and through active participation at the collective European federation.

Why did they seek to participate? Why did they seek to change the membership structures?

Marsh 1976 would argue that the costs have become so low that firms fail to reach their rationality threshold.<sup>53</sup> But at the European level, direct active participation of the firm, as opposed to just membership of European federation, requires a large resource commitment to participate fully, especially if people of senior rank are located in the Brussels area. It is apparent from the survey that even for large companies, finance was a significant variable in the utilisation of any new/unknown outcome channels.

An alternative perspective is to see the success of the European federations to maintain and create direct firm membership, as not merely as a function of the collective good and selective benefits - that they provide, - but the ability of the federation to create insider status - "good will" - for the firm to seek specific private goods at a later date. This is not an objective of the collective group, but a positive externality, as being seen to be a good member of a European collective position, affords entry to the European Commission at a later date, on a specific private issue. This differs from Olson in that it is not the group leaders who provide the incentive, but rather it is the positive externality of the groups existence, and the preferences of the European Commission. This extension of Olson would indicate that.

Collective action can, in itself - regardless of the achievements/goals of the group - act as an incentive to conformity and a disincentive to free-riding.

This assumption would expand the rational actor model by providing a long run "political" variable that the pluralistic models seek<sup>54</sup>, while maintaining the rational assumption that individuals do not join solely for the collective good.

This raises the question, should the level/type of participation be differentiated? It may be preferable not to make the broad distinction between contribution or free-riding, but rather to define action in terms of the level of activity, once general participation benefits have been accrued.

To monitor what is the degree of activity required at a collective level, for a European firm to gain insider status with the European Institutions? Is it enough to be in a European collective or does it require regular contact with the European Commission through the European federation?

Having identified a more politically aware firm and having accepted that collective

<sup>53</sup>Marsh, D.(1976) "On Joining interest groups an Empirical Consideration of the work of Mancur Olson" British Journal of Political Science,p257-271, however his work was based on a national sample during a period of tripartite bargaining, and from a sample of 80 SMEs.

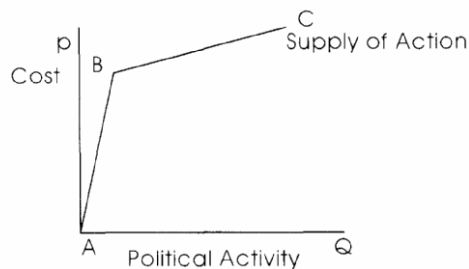
<sup>54</sup>Pluralist view saw formation of a group as a function of general social interests and that groups membership can only increase if it reflects a common interest for a wider number of individuals.



action is driven from a private political motivation, it is now rational to assume that the firm will seek to maximise its input into truly broad based issues within the collective group. The cost of participation has been incurred so it is rational to utilise the facilities. This would be rational if the firm wishes to maximise its political and economic return from its political action - ie gaining economies of political action.

Additionally, it may account for the increased number of functions that the federations and associations perform. The services provided by the associations, coming out of the individuals desire to maximise its returns from participation. It is therefore paradoxical that a collective group may become more active in public areas,<sup>55</sup> due to the seeking of private benefits of its members. The participation of a number of large corporation in UNICE has resulted in it taking on a more active and successful role in the normative policy debate at the Commission.<sup>56</sup>

#### A KINKED POLITICAL ACTION SUPPLY CURVE



To reformulate, accepting that externalised private benefits act as the catalyst for collective action. It can be argued that, general federation action and member participation will increase, if the initial high cost of entry into the collective agreement is discounted against the future external private goods. The steep supply curve AB above represents the initial formation costs and membership fees of the federation, which are in effect paid for from the external private good received by the firm at a later date. Hence the cost of the traditional roles of federations, are represented along the flatter line BC, (which represents the day to day administration costs). The result of the firm's increased political action has been a rejuvenation of the European federations in the European Commissions eyes, for those federations such

<sup>55</sup>It is wrong to assume that a collective good is fixed in nature as much of the writing in this area seems to assume. Additionally firms will have different objectives within the collective arena and differing utilities for policy areas.

<sup>56</sup>See UNICE interview July 1993, and supported by series of firm interviews during December 1993, February 1994 and May 1994.

as CEFIC that have allowed the direct participation of the firm in its activities. Hence it can be claimed that,

Firms discount long run individual access against short run collective action costs.

If the general long run political extension is accepted; Which of the formal market assumptions of the earlier models apply at the European level?

The concept of what is a collective good needs to be address. In the Olsonian sense the collective good is non-excludable and non-rival, that is all who have an interest in the policy domain can gain from the provision of the good. Yet in reality even for a club or association the policies pursued by the group will have different benefits or costs for its members. At the European level the risk of a collective bad, becomes greater, as the participants of many European groups have more divergent interests. That said, extreme adverse policy is rare, as policy is usually the point of minimum resistance, as opposed to a strongly negative position that may result in a firm pulling out its support. There was well cited example of Peugeot, but even here they realised that the cost of being an outsider was too great in other policy areas, to allow even a core policy difference to drive them out for a long run period.<sup>57</sup>

This goes further than King and Walker 1992,- who saw the explosion of business interests and participation in the 1960s, in terms of firms reaction to business threatening environments, - as collective membership is seen to be long run. Core business issues which entail survival are often of the private good nature - such as subsidies and state aids, but to access these business threatening policy areas, political action must be constant and political channels nurtured even during relative positive economic periods.<sup>58</sup> Membership at the European association level is more than just to monitor collective goods, it provides the opportunity to act quickly in the private sphere with European credentials. As a result membership is not merely linked to periods of economic difficulty in the European Union, but during booms and the establishment of the single market. This helps to account for why it is rare for membership of European Associations to lapse as in other collective arrangements.<sup>59</sup>

Obviously the size of the collective group becomes significant for the above point. A European Federation is often constituted by, national associations, and increasingly large corporations. The existence of two differing types organisational members will have obvious consequences for operationalising the Olson concepts of competing perfect markets at the European level. What is a small numbered group? While there may only be between 12 to 20 associations and a few Multinationals, the associations actually represent 100s of small companies. What is the uniformity of interest

<sup>57</sup>February 1994 interview.

<sup>58</sup>In fact it would appear to be during the more positive economic periods that new innovative political channels are developed, as pressure for returns on the political action is reduced, and consequently the relative bargaining strength rests with firms in dealing with the state.

<sup>59</sup>Turn over of European Association membership is low,- rare that national associations leave or firms exit compared to the issue groups turnover, where it has been estimated that turnover is about 60% of membership each year. Estimate, from the Robert Gordon University project on public interests.

between associations and firms? Who has the greater relative political strength in the European federation and within the European political network, the firm or the national association?<sup>60</sup>

As the variety within the federation grows the possibility of partial collective goods<sup>61</sup> increases, and so to does the incentive to participate. Similar positions at the European level can be expected by the large European players. Individually some of these firms have a large input into the direct policy process -even on collective goods issues - which, when combined, even with some concession makes their position assured. In colluding they stop the commission playing them off against each other.<sup>62</sup> and reduces the pick and mix options for the EC,<sup>63</sup> for the industry against other interests groups. Some large sized<sup>64</sup> companies regardless of number within the federation will participate as they know their relative weight in the organisation affords them influence, but at the same time the federation will grow in importance, therefore both gain.<sup>65</sup> This observation would add weight to the Frohlich, Oppenheimer and Young assumption that;

The supply of collective goods is not static, but will be determined by degree of the involvement of eligible members.

During the study the dominance of policy in the individuals logic of collective action, has been demonstrated by the voluntary sharing of policy monitoring within the associations.<sup>66</sup> Here, the dominant economic and political players have taken responsibility on specific issues for all members within the group. This is a rational action for all players. The smaller players do not have the resources to monitor indirectly and therefore may be unaware of the action of the EC without the association and are at least sure that industry has an input into the decision process, - even if bias in favour of one firm, against other interest groups. The larger companies have greater access through the collective position and are able to mask their private goals when dealing with the EC, they will also gain from the reduced costs of lobbying their core policy goals and can allow others to represent them on secondary

<sup>60</sup>The answer to this will be a function of the market concentration of the sector in the community as well as the institutional environment. A detailed analysis of the variables that effect political preferences for channels is developed in the PhD.

<sup>61</sup>Partial collective goods occurs where the diversity of the group, results in an opportunity for two or more policy options. The final collective position being a function of those that sort to influence the manages of the group. This shows that i) collective positions are not fixed and ii) that individuals can be part of a collective decision for which they have no preference.

<sup>62</sup>A commonly held view in support of federations during interviews.

<sup>63</sup>As not uncommon for the EC official to take the option which most closely mirrors his own as the industries, regardless of number of alternative representations.

<sup>64</sup>The size variable is hard to define, but it is hoped from the data to follow it may be possible to test the size of the company against preferences for action, to provide so scaling.

<sup>65</sup>The relative bargaining position of the Electrical federations being strengthened by the participation of Seimans and Phillips. See Interviews February 1994 for comments on their own political weight in these organisations and how they set up fiefdoms.

<sup>66</sup>This trend is most notable in the Chemical, Pharmaceutical and Oil companies that have had a tradition of political dealings and economic collusive behaviour, -"often interests are clearly demarcated and distributed within the association" A Chemical company political affairs director February 1994.

issues<sup>67</sup>. This would indicate a form of partial collective good.

Firms are not free-riding, but rather selectively sharing out responsibility in relation to private goals within a collective environment.

Firms are willing to subjugate policy preference for greater influence on core business interests.

Firms recognise that collective voice exerts more influence even if they are the dominant producer and clear political leader of sector.

A second possible implication of the mixed nature of European federations is the diminished importance of Moe's solidary variables.<sup>68</sup> The survey showed that value added services were unimportant for 54% of firms when utilising the federations, and increased to 91% if given a choice between policy issues and federation additional services. These results would tend to lend support to the pluralist logic of political preferences driving interest action, but this needs to be premised by the fact that action is also a function of influence and access.

The findings also indicated that the European credentials accrued by federation and collective action were perceived to be external from the value added services of the group. As large European firms are also members of their national federations, it may be here, at the national level that the solidary benefits have their greatest effect. Freeing the European federations to operate purely on the policy agendas. This may be changing with the development of the European industrial elite's in terms of personnel and in terms of company goals. So another question to address in the future work is the degree to which a European political firm has developed, with its own European specific solidary goals?

However, for the present time it may be correct for the purposes of modelling to develop a dual political market at national and European levels - which the social variables differing and the policy variables having differing weightings within the political action function for federations and firms.

It is clear that the more complex political game occurring at the European level has acted as a catalyst for the political evolution of the firm. This has had implications for the traditional nation state interest games, and has failed to mirror the federalist political structures of the USA. One core aspect for why the European union has developed differently has been the ability of the state to maintain a form of favoured access through the control of entry to its market economic.

The successful access to the EC policy centre, means that firms are less likely to

<sup>67</sup>See February and May Interviews 1994.

<sup>68</sup>Terry Moe (1980) "A Calculus of group Membership", American Journal of Political Science. Moe's revised perspective sought to extend the rational model through the adoption of restructured, perceptual and value considerations. The incorporation of the subjective judgement, he believed increased the likelihood that individuals believe they make a difference. Hence, Solidary incentives such as friendship and status and purposive incentives such as a perception of a way of life, were tested for during the course of the survey.

break from the collective group on negative legislation, even if they could achieve a strategic advantage, as they do not want to effect the club status quo. In Europe it is only acceptable to break ranks if the issue is "clearly" a company specific issue ie subsidies and competition issues where a competitive market exists, or if the future survival of the firm will be effected by the collective outcome.

While recognising the importance of the European institutional structure above, the European business tradition should not be over looked. The previously discussed market environments that may have been appropriate in the Moe and Olson model, do not operate, perhaps in part due to different business traditions in the European political market. Vogel<sup>69</sup> highlights the individualistic nature of US business, in terms of regulation seeking. If a negative regulation was proposed it is highly probable that the less effected firm would break ranks and actively support the legislation to gain a competitive advantage. The other firms, accept/expect this action . In the European environment it would be hard for the firm that always works against the collective position to remain credible political players in the eyes of their competitors/collaborators and the European institutions.

This was supported in the survey results with firms indicating a high level of political awareness with 79% of firms answering yes to the question does the political action of other firms influence your political behaviour. However, only 30% would unconditionally follow the lead of other companies on a regular bases, and many perceived themselves to be political leaders in policy areas (70%) and use of political channels (53%). This sample was however only representative of some the largest companies in Europe and these figures could be expected to fall if SME were included, but in terms of political players at the European level the behaviour patterns of the above are significant. These raw statistics are perhaps more interesting when premised with the qualitative interviews that state that "it varies on policy issue". Many companies stated that they saw themselves as the core leader in some policy domains but would be quite passive in other areas. Stated more clearly, policy leads are shared out between companies in a collusive manner, and a collective name can be attached. This may take the form of private informal agreement, or openly organised through the federations, for example the pharmaceutical industry has a policy of delegating leaders for an issue. Here the firm monitors an area close to its core business and others trust and follow. Each firm is therefore playing the political game for which it has a comparative advantage, and total political wealth generated for the group increases. Such collective activity is in effect a means of blurring direct political action, and should be differentiated from the traditional federation activities of the 1970s and early 1980s, hence, the 80% of firms who believed collective responsibility to be important, perhaps does not solely represent the perception of collective action as a single option. Rather it is collective action in the general - increasingly sophisticated- scheme of things.

It is clear that, what is driving the rationality of the firm in the European market, is not just the political preferences of the firm as an organisation, but also the institutions of the political market.. Firms need to build credibility, trust<sup>70</sup> and

<sup>69</sup>In a discussion of the data in September 1994.

<sup>70</sup>During the course of the interviews "Trust" was a commonly used word, along with "Brussels is a small place and everyone knows what you are doing" when ask why don't circumvent the

stability in the political market. - just as in the economic.- if allocation and production of private and collective political goods is to be efficient. Due to the institutional transparent bureaucracy of European Commission, firms are encouraged to play the political game openly<sup>71</sup> and consequently discrete circumvent of their collective partners<sup>72</sup> position is difficult. If a actor is seen to operate outside of agreed positions on a regular bias, the firms bargaining positions with its rivals within the collective, and with the European institutions will be diminished. Does this make a more efficient political market or a more self regulated collusive political market?

For these reasons it is possible to conclude that the evolution of EC representation will develop a variant of the direct lobbying of the US. Due to institutional control of access and differing business culture. This is not an argument for European corporatist structures, rather it explains the development of political critical mass groups and forums, which provide access for industrial elite's.<sup>73</sup>

Olson has been extended to such an extent with its partial collective good and improved selective goods it may be questionable if it applies to business economic groups. From this perspective all the questions Moe asked " of whether interest groups will emerge , and how well they can recruit members benefits that are essentially non-political", and his answers " It decidedly does not rest with the policy preferences of members, nor with the group's political appeals and, in fact, groups may be quite large and well funded even if most members disagree with group goals" (p4 1980)<sup>74</sup>, would appear inappropriate, for the case of the European industrial action.

This work accepts that there may be fringe social benefits from collective interest, but maintains that they are marginal in determining behaviour for politically sophisticated firms. Rather it is the externalities of collective action that provide the private good to mobilise individual firms. Stated simply, the direct individual political influence that can be gained from being seen to be a collective political actor.

This provides little support for the traditional pluralist link between common cause and collective action, but it does indicate that contrary to Olson's hypothesis, political goals will be if, individually isolated, sufficient to induce membership. The argument draws on the Olsonian idea of interaction of private and collective goods, but assumes that the collective group has little internal censorship. It is a external variable determined by the institutional structure and firms individual political preferences. Hence, the model is a political economy model of pluralist action, allowing for political/economic goals to drive action, not social/economic.

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unfavourable collective decisions.

<sup>71</sup>In interview with airline may 1994, stated that transparency is the difference between the new institutional structures of the European union, and the old government systems, makes them use associations to actually hide a strategic position.

<sup>72</sup>While, interviews with a Banker June 1994 and a Car manufacture December 1993 highlighted that the regular breaking of political ranks would push them outside the pale of influence.

<sup>73</sup>Assume that corporatist structures in theory provide access for all within the association even if relative power differs. Association behaviour is not the only means of talking with the EC, and is often only used for secondary issues to the company. Much of the collective logic discussed above could be applied readily to forum politics or selective club groupings

<sup>74</sup>T. Moe (1980) "The Organisation of Interests"

In recognising the above extensions the work needs to address the questions. Is collective participation a function of coercive action, selective action, or a new term interrelated action of the short run collective and long run private? - Is this an outside inducement, or a very internal preference of the firm, base on the positive externalities?

In economic terms, the reason for participation is not the public good which can be taken without contribution, - even if this is the product of the action - rather it is the positive externalities of perception that are exclusive, that make action desirable<sup>75</sup>. From this a new theoretical proposition can be tested in future research.

External perception of its members are not an objective function of the collective associations, but are the motivating factors to its members participation.

It is questionable if this is a selective benefit of the Olsonist kind, where the group creates private goods to encourage members. Rather, it is an external private good, - created through the European Commission's perception of a European actor,- that can only be accessed through a collective channel<sup>76</sup>.

Hence, if a federation can gain a monopoly position in terms of access or favoured position, is this a coercive power to force membership, or is this an externality, as it was not a goal of the federation? Olson would argue that "the lobby is then a by product of whatever function this organisation performs that enables it to have a captive membership." This raises the question, are European Associations seeking to be Europeanising agents, and do firms have to exchange European credentials for access directly?<sup>77</sup>

The final section will briefly attempt to understand who ignites the game, the European Commission, the European associations, or the firms demand function, and to distinguish between a traditional selective and new private political variable.

<sup>75</sup>But this is a tangible "perception", that firms seek - as they can assess the degree of access they are achieving.

<sup>76</sup>The point to emphasis is it is not the group that is providing the inducements it is the private goals of the company. Therefore keeping the market analogies of Olson, see collective action as a loss leader strategy. This is a hard analogy, as most associations are effective and positive in terms of return, but as Olson states in terms of rational action this is not enough if the good is public.

<sup>77</sup>This theoretical section did not wish to give the impression give the impression that collective action was the only or even the main channel of political action. It merely wished to highlight how much of the new European collective is in fact a function of the increasing direct action of the firm. As the experience within the European Commission showed, much is made of the interests groups talking to the European Commission officials officially, but often the reality of the input is that strong individual or firms input most into the policy process.

#### IV. Integration implications of changing political market

The sample was interesting in that, 93% of the firms surveyed had some form of political cross border activity. This appears to fit the general economic integration trend of big business, and may account for the new political alliances of both firms and the European Commission.<sup>78</sup> These new alliances may be a sign of the increasing political maturity of the European firm, and represents a trend that has been well documented in the US in the mid 1970s by the likes of Useem, Heclio and Vogel.<sup>79</sup> But interrelated here is the establishment of new European industrial elite so furthering the functional argument? Often this action comes through informal or semi formal institutions such as the E.R.T., T.A.P.N., Ravenstein group and dinner clubs. However, there is a further institutional reinforcement for this new collective action, that of the larger mixed sector forums of the EC, where it is not uncommon to see the same individuals names reoccurring.

There are perhaps about 50 to 100 companies, that represent an inner core and who are politically sophisticated enough to take strategic advantage of new institutional arrangements and would wish to partake in the wider political issues of the European Union from the outset.<sup>80</sup> Others would need a competitive incentive and represent a secondary tier of some 200 companies who have the economic scale to be politically aware of their rivals action, but do not wish to enter the wider European political games other than to avoid their competitors from gaining a strategic advantage through insider status. What are the implications for the EC/Firm game.? Can this account for the rise of forum politics and continued direct participation of the firm in community politics.

The paper has so far concentrated on the firms logic of action, and has identified a competitive direct action political game, this action has implications for how firms view the EU. This section will present a possible strategy for the European Commission in dealings with business and indirectly national governments.

The rationale for the European Commission for allowing some firms favoured access<sup>81</sup> through some form of forum politics<sup>82</sup> are in integration terms:

- i) Circumvention: Increasing the direct input of the EC into domestic market, through implementation and standards, by companies.
  - ii) Political Channels: Firm takes a European position to the member states government, directly or through its national associations.
- and
- iii) Multiplier of a Constituency: Other firms in the market must partake at the European level, if their rivals are seen to be insiders.

<sup>78</sup>This trend is highlighted by the fact that the same large companies domestic alliances within their own sector are of less significance. With only 75% seeking collective alliances.

<sup>79</sup>Useem 1980, Heclio 1976, and Vogel 1984.

<sup>80</sup>An approximate indication of membership being the ERT.

<sup>81</sup>In addition to speeding the policy process, and gaining quick and reliable information

<sup>82</sup>Grote in 1992 estimated that there were some 1000 Advisory committees in the EC from the CFC 1990. Today this figure should be much higher.



The realisation by the EC that specific companies now wish to deal with them directly, has afforded them an opportunity to pull other more reluctant European wide companies into its political orbit.

The European Community in recognising its relative bargaining power with specific European business, could seek to use the competitive political market that exists between firms to pull in new companies into the Brussels arena. The logic of the forum political model being that the Commission identifies a dominant political firm, and affords insider status. In so doing its rivals which may in the past have favoured no strong political contact with the EC, have to consider joining the forum or setting up another pro European grouping if they are not to lose out on company specific legislation at a later date.<sup>83</sup> The result is a political multiplier effect where companies have no option but to play at a European political level.

## V. Conclusions

It is clear from the changes that have occurred that perception of effectiveness of political channels, moves with the legislative cycles, institutional needs, and economic markets. Hence, the informational requirements and supply of political goods varies over time. These adjustments will effect the working relationships between the firm and the Commission.

In the 1990s the firm has proved itself in the European Commission, but due to the current legislative cycle it is required less in its established direct technical role, rather the European Commission in the current slower legislative process can be more selective as to who it affords access too, and has moved towards the consensus through forums. This is a more elitist structure that the traditional corporatist structures and association arrangements of the 1970s or the direct over load of the late 80s early 1990s.<sup>84</sup>

The growth of the firm as a direct political player, and the maturity that has come from 10 years of representation, has resulted in a political organisation able to discount political action today for long run political objectives. The ability of firms to achieve long run private strategic goods from the collective action means that the political market of the 1990s is more complex than even the multiple layered structures. As use of political channels is not an either or game. Hierarchical structures no longer exist in the traditional sense, rather different political channels interact with one another in different permutations depending on issue, so that private access on strategic core issues are maximised. This was highlighted by the success of some federations at the European level to maintain and create direct firm membership, not merely by the collective good and selective benefits that they provide, but the ability of the federation to create insider status for the firm to seek

<sup>83</sup>During interviews it was highlighted that the cost of this alternative European action may be higher than participation in Commission forum (which some firms are not invited to join), but the cost of exclusion from general policy discussions could have such important implications for strategic issues, they are willing to set up work shops and invite the Commission and other political players, to improve their European credentials.

<sup>84</sup>Maybe a variation on Hirschman's (1970). "Exit, voice and loyalty" for business representation in the EC along the lines of policy, access, and influence could be developed.

specific private goods at a later date. This is not an objective of the collective group, but a positive externality, as being seen to be a good member of a European collective position, affords entry to the European Commission at a later date on a specific issue. The European firms increasing desire to be an insider has important implication for the firm/EC relationship.

The EC can take this one stage further. The EC recognising its relative bargaining power from earlier dealings, can act as a pump primer in areas where firm level European political action is limited. The EC identifies a dominant political firm, and affords insider status. So changing the existing political inertia, pulling the large company away from the national governments. There is an implicit assumption that firms wish to be involved in policy, not for normative reasons but for competitive advantage. But as the survey shows firms do not wish to see their competitors in a more favoured insider position, because of the long run private benefits they may lose. The implications for the integration process are that the EC can during this institutional and legislative period create a new European business constituency, which can be used to implement and feed European policy agendas. The forum politics of the 1990s may just be the being of a new integration period driven by business, but controlled by the European Commission.