Big Business and Two-level Games: Conceptualizing the Role of Large Firms in EU Affairs

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Paper presented at the Fourth Biennial International Conference of the European Community Studies Association, Charleston, South Carolina, May 11-14, 1995.

Session H-2: Understanding Industry in the European Union: Practice, Theory and Prognosis, Saturday May 13, 1995, 4:15-6:15.

Comments on this paper are welcome.

Introduction: Understanding Big Business*

The political role and activities of European big business have changed dramatically since the inception of the European Union (EU).2 In the early years, Jean Monnet viewed large European companies as too nationalistic to support the European project, and excluded their leaders from the roster of his Action Committee for Europe. For their part, the firms were largely uninterested in Monnet's plans. As a result, the Common Market was laid and developed without the input or support of big business. The situation began to change by the mid-1970s when a handful of these large companies -- primarily British and American -- started to pay attention to Community legislation directed at multinational enterprises (MNEs). The turning point occurred in the early 1980s when members of the European Round Table of Industrialists (ERT) developed a new relationship with the European Commission, met directly government leaders, and conducted private campaigns to relaunch Europe with an industrial initiative, the Single Market program.3 Today, with the development of the Single Market program and the qualified majority voting system created by the Single European Act, the political-legal reality for these firms has been altered significantly. Business groups recognize that over 60 percent of all legislation directed at industry is now made in Brussels -- not Bonn, Paris or London.4 The focus of European big business, therefore, is not merely on what the European Union will be, but on what it is.

In the European Union of the 1990s, the ERT spells out its industrial agenda in private meetings with heads of state and government or tête-à-têtes with leading Commissioners. Recognized as one of the most powerful lobbying organizations, the EU Committee of the American Chamber of Commerce operates a legislative intelligence network involving hundreds of company representatives.5 MNEs now occupy key policy positions within UNICE, second company representatives and provide funds directly to the European peak business association to strengthen the lobbying positions of both national- and European-level business groups.6 In short, large European companies have become political actors in their own right.

Unfortunately, both the international relations (IR) and comparative politics (CP) literature on European studies have largely failed to capture the new role and activities of these large firms in the EU policymaking process. That is not to say that IR scholars have ignored the role of business in European integration. Intergovernmentalism, for example, has acknowledged the potential influence of domestic business groups on the bargaining positions of state leaders.7 However, by focusing solely on the nation states and domestic preferences, the current literature does not recognize the political power of firms organized at the European level. Neofunctionalism, on the other hand, highlights the shifting loyalties, expectations and political activities of business toward a new European center. Yet, while neofunctionalism focuses on the "attitudes" of societal actors such as business, the theory does not shed light on "the nature of interest representation and intermediation in the Community."8 More specifically, because neofunctionalism lacks a theory of "politics," it also cannot identify the political role of large companies.9

CP scholars, using pluralist theory, have begun to identify the lobbying activities of European business groups and firms.10 By examining the politics of the Community -- what the Community is -- as opposed to European integration per se, CP scholars can explore business involvement in the EU with theoretical tools such as "countervailing power," "interest group stasis," and "the theory of plural elites."11 Still, the developing CP literature does not wholly capture the relationships among policy actors.12 To identify the nature of decisionmaking, one cannot solely examine why and how interest groups cooperate or compete. The choice of role and activities of large firms also depends on the different constraints and/or opportunities facing the companies in the policymaking process.

How can one begin to understand, therefore, the role and activities of large firms in EU policymaking today? In this paper, I suggest that what is missing in the current literature is not only the recognition of the lobbying of interest groups, but, equally important, the acknowledgment of the institutions -- the organizational framework and relationships that highlight the power distribution among the policy actors. Peter Hall defines institutions as "the formal rules, compliance procedures, and standard operating practices that structure the relationship between individuals in various units in the political economy."13 The role of institutions, however, is not limited to a country or system's "formal political practices." Rather, the role of institutions also is located "within society and the economy."14 As Hall points out, institutions -- the organization of state and society in relation to the economy -- are important for a number of reasons.

First, policy is generally formed in response to pressures from various groups according to the interests those groups have in the outcomes of policy-making. But the facility with which specific interests can be articulated and the force with which they can be pressed on policy-makers is dependent upon the organization of the structures within which they are expressed. Secondly, and of equal importance, the very interests of the actors themselves are critically affected by the organization of the economic and political structures within which they operate. . . . Thirdly, policy-making is invariably a collective endeavor. . . . The structure of [societal] organizations has an immense impact on the nature of the policies produced. . . . Finally, in order to implement economic policy, the state relies on access to organizational resources in both the public and private sectors.

To understand the role and activities of large firms in the EU policymaking process, one also must acknowledge the "institutional features" that "organize the behavior of the actors [all actors], and structure the conflict."15

The purpose of this paper is to explore the political role and activities of big business through an institutional lens. To explain the firms' actions, the paper examines the institutions and resulting power distributions embedded in "two-level games" in the EU. First articulated by Robert Putnam,16the two-level game metaphor envisions policymakers simultaneously playing two "tables," one representing international/Euro-pean negotiations, the other domestic politics.

The first section of the paper introduces the three-dimensional approach to power and discusses the role of institutions in the distribution of this power. The second section examines the use of two-level games embedded in the institutions of an international regime to illustrate EU policymaking. While helpful in explaining some EU policy arenas, this two-level game is limited in that it focuses on "formal political practices." Consequently, it does not account for the larger state/society relations --

and thus ignores the role of societal actors (i.e. large firms) at the European level in EU policymaking. The third section of the paper attempts to address this weakness by offering the metaphor of a two-level game embedded in the institutions of a federal system. By allowing for relationships between formal political structures and the institutions of society and economy, one can account for the role of large firms in EU policymaking. In the fourth section of the paper, however, I suggest that it is not necessary to view EU policymaking in terms of either a two-level game embedded in an international regime, or one embedded in a federal system. Rather, I argue that one can best understand EU policymaking -- and the role of large firms in the process -- by conceptualizing the two-level games along a continuum. The paper concludes by exploring how large firms themselves play an important role in structuring the institutions along the two-level game continuum.

I. Power and Institutions

Defining Power

In his book, Power: A Radical View, Steven Lukes argued that power may be understood as having three particular dimensions.17 The "one-dimensional approach" has its roots in the pluralist theory of Robert Dahl and Nelson Polsby.18 This approach is expressed in Dahl's famous dictum that "A has power over B to the extent that he can get B to do something that B would not otherwise do."19 As Robert Gaventa points out, the one-dimensional approach to power emphasizes behavior by participants within decision-making arenas.20 It assumes that participants, including interest groups, voice grievances that are recognized and acted upon by the political authorities. Power, according to the one-dimensional approach, is "understood primarily by looking at who prevails in bargaining over the resolution of key issues" or which actors succeed in achieving their preferred outcome in the policy process.21 The one-dimensional approach to power, therefore, emphasizes the ability of policy participants to “articulate” and “provide information” regarding their interests.

The "two-dimensional approach" to politics, introduced by Peter Bachrach and Morton S. Baratz,22 focuses not only on the behavior of participants in a decisionmaking arena, but also on "the exclusion of certain participants and issues altogether."23 This approach assumes that the political authorities have a particular bias towards certain societal groups and topics which results in the suppression of other participants and issues. Therefore, power is not merely identified according to which participants prevail in having their grievances acted upon. Rather, power is found in the ability of certain groups to set the agenda of political authorities. As John Kingdon pointed out in his seminal work on agenda-setting, decisionmaking by political authorities is only one step of a larger policy process.24 Before decisions are made, an agenda must be set and alternative policy options presented and debated. The capability of certain groups to exclude other issues and participants from the agenda is indicative of the two-dimensional approach to power.

Similarly, one can understand this power as the mobilization of bias not only in the policymaking process, but also in "non-decisions" by political authorities. 25 Non-decisions occur when the choices available to decision-makers are restricted by privileged societal groups either by force, by a threat of sanctions (either positive or negative) or by "invoking an existing bias of the political system -- a norm, precedent, rule or procedure -- to squelch a threatening demand or incipient issue."26 In other words, the actions of privileged groups toward decision-makers preclude potential policies from ever reaching the ratification phase. The second-dimensional approach to power, therefore, emphasizes the ability of policy participants to “set the agenda” or “veto” policy initiatives.

The three-dimensional approach was presented by Lukes himself who argued that "A exercises power over B when A affects B in a manner contrary to B's interests."27 In other words, A exercises power over B "by influencing, shaping or determining his very wants."28 The three-dimensional approach introduces a sociological explanation for how political systems privilege certain groups and issues to the exclusion of others. The third-dimensional approach emphasizes that

> decision makers operate within an institutional and normative framework which is most often underpinned by a dominant ideological position which in turn is shaped by the nature of economic and social relations in society. In other words, ideological positions, almost by definition, serve particular

interests. If the particular interest of a group or class is served by the dominant ideological position, then this can be viewed ... as the crucial basis of their power.29

Power, therefore, can be understood in three ways: (1) articulating and providing information regarding one's interests; (2) agenda setting and/or vetoing initiatives; and (3) receiving ideological support for specific policies or, indeed, engendering ideological support for one's policies.

Power, of course, is shared by state and societal actors alike. Pluralist and Marxist scholars have long recognized that business/firms hold power similar to that held by states. Instrumental business power refers to the ability of business groups to influence decisions by political authorities either by providing information, lobbying, contributing campaign money and/or by seconding business people to government staffs.30 The structural power of business focuses on the ability of business to set the political agenda by deciding which problems or issues should receive the attention of political authorities or government leaders, and which ones should not. The power of business lies in the capacity to restrict the choices and, therefore, the decisions available to government.31 Moreover, Charles Lindblom maintained that business occupied a "privileged position" in society and, especially, in the eyes of government.32 Some authors have even argued that multinational firms are "superprivileged."33 The ideological power of business also is recognized by Lindblom. Not only can the position of business in relationship to formal state bodies be enhanced by the dominant ideological power -- but business itself can influence this power by shaping the views of the public.34 Indeed, providing information, setting the agenda, and engendering political support are all powers of big business in the EU today.

The Role of Institutions

State-society institutions are important because they influence the manner in which power is distributed among participants and directed in the policy process. As Peter Hall points out, institutions -- or what he calls the organization of policy-making -- play two very important roles in political systems:

On the one hand, the organization of policy-making affects the degree of power than any one set of actors has over the policy outcomes. As Weber . . . noted, that should be particularly true in the modern era, when politics and administration have become increasingly organized activities. On the other hand, organizational position also influences an actor's definition of his [her] own interests, by establishing his [her] institutional responsibilities and relationship to other actors. In this way, organizational factors affect both the degree of pressure an actor can bring to bear on policy and the likely direction of that pressure.35

The role of institutions in distributing power to policy participants, and in affecting their ability to use that power is explored in the next two sections of the paper.

II. Power and Two-Level Games in an International Regime

EU scholars have used the two-level game metaphor to explicate the relationship between the international and domestic realms of EU integration.36 The two-level game metaphor has been "embedded" both explicitly and implicitly in the institutions of an international regime. Regimes, as defined by Stephen Krasner, are "principles, norms, rules and decisionmaking procedures. . . in a given issue area."37 For example, Andrew Moravcsik defines the EU as an international regime in which government leaders are motivated by "economic interdependence" to coordinate policy.38 The institutions of this two-level game organize the behavior and power of participants, and structures their conflict and negotiation.

How do the institutions distribute this power? Who has the right of agenda-setting? Where does the information come from? How does the dominant ideological position favor one group over another? Scholars have defined the "institutions" of this two-level game in terms of "formal political practices." For example, Moravcsik defines institutions as "procedures by which . . . decisions are legally adopted."39 The distributions of power is determined, therefore, by formal voting rules. By defining institutions in this strict formal manner, scholars argue that member states are the primary if not sole holders of power in the EU. The heads of state and government, therefore, are the key agenda-setters, primary information holders, and dominant ideological promoters in the EU.40 Moreover, they are able to use their power over and above domestic groups that might seek to influence government positions in the international negotiating process. The member states and their leaders are accorded primacy in the two-level games.

One reason that these scholars define institutions in the strict "formal politics" sense is perhaps due to the IR roots of regime theory and the two-level game metaphor.41 Putnam himself has suggested that societal actors, such as multinational firms, only participate at the domestic level of two-level games. (Of course, whether or not nation-states truly hold such autonomous power at the international level is open to debate.42)

A second reason for this emphasis on formal rules and nation states may be due to the history of the EU. Since the late 1960s, many scholars viewed the EU solely as the product of nation-state decisionmaking.43 Despite changes in the types of actors mobilized at the European level in the 1980s, this historical perspective continues to be upheld. Of course, another reason for this emphasis on formal rules and nation states is that empirical evidence suggests that the metaphor of a two-level game embedded in an international regime has significant explanatory appeal in certain policy areas in the EU. For example, the power of member states in negotiating matters related to Common Foreign and Security Policy appear to correspond with this embedded two-level game.

The problem, however, is that this particular two-level game does not explain the policy process, actors, or power distribution in many other policy areas of the EU -- for example, the environmental and industrial regulatory policy areas. In the following section, I suggest that another two-level game is necessary to illustrate the dynamics of these areas. I maintain that this two-level game, used implicitly by comparative politics scholars, is embedded in the state-society institutions of a federal EU system.

III. Power and Two-Level Games in a Federal System

To embed the two-level game metaphor in the federal context does not mean that the EU is a federal state per se. As Daniel Elazar has noted:

> using the federal principle does not necessarily mean establishing a federal system in the conventional sense of a modern federal state. The essence of federalism is not to be found in a particular set of institutions [i.e. formal political practices] but in the institutionalization of particular relationships among the participants in political life. Consequently, federalism is a phenomenon that provides many options for the organization of political authority and power; as long as the proper relations are created, a wide variety of political structures can be developed that are consistent with federal principles.44

Alberta Sbragia suggests that one can think of the EU as having "segmented federalism . . . in certain policy arenas, without having a formal, constitutionally based federation."45 In these areas, interstate bargaining is no longer conducted in an international but rather in a European institutional framework. Indeed, the traditional "international" level of the EU has become "domesticated."46

Not every federal system is appropriate for the two-level game metaphor. Sbragia points out that one can distinguish between those federal systems in which the power is divided between the levels of government according to function, and those federal systems in which the power is divided by policy area.47 The American federal system, for example, divides powers between the state and federal governments according to policy area. U.S. states do not participate directly in federal policymaking and therefore, a the two-level model would not apply within the US federal system. In Germany, however, powers are divided according to function: "Each level of government is primarily responsible for either legislative or administrative and financial functions in the policy process, and it performs these functions within almost all policy areas."48 State governments (länder) are direct participants and decisionmakers in federal policymaking. Because the European Union is a federal system comparable to the German one -- the member states are direct participants in EU policymaking -- the two-level game metaphor is applicable.

Policymakers still play two tables simultaneously in the federal system. The same three-dimensional approach to power is evident. The different institutions, however, ensure that power is distributed in different ways and among a variety of participants.

There are, of course, formal political practices. Standard operating procedures, including those identified in the treaties, give significant agenda-setting power to the European Commission at the European level, although the European Council has carved out its own agenda-setting abilities. Voting rules, such as those found in the Single European Act place limits on member state autonomy in Single Market matters. Indeed, the new "co-decision" procedure established under the Treaty on European Union gives the European Parliament virtual veto power in particular policy areas. One might even argue that the norm of consensus enabled the EU to survive the past 40-some years as member states sought ways to accommodate one another.

In the federal system of the EU, however, the institutionalized relations in the larger political system also are important. One must therefore acknowledge the organization of state-society (federal system/society) relations in the EU today.

State-Society Institutions and the Mobilization of Big Business

Any discussion of state-society relations in the EU during the early years of the Community may have seemed rather pointless. As pointed out earlier, large firms did not participate in Monnet's Action Committee.49 While numerous "Euro-groups" set up offices in Brussels in the 1960s, the interest groups did little more than monitor Commission activities that would be reported back to the various national offices. There was little of the "lobbying" activity or linkages with EU bodies evident today.50

The relations began to change in the 1970s with the development of EU regulatory policy. Large European companies in particular began to pay attention to Community actions such as the Commission's "Multinationals Program" designed to monitor the activities of multinational firms, and the European Court of Justice's competition policy rulings directed at the same companies. Unlike earlier Community policies, the Commission and Court's actions in the 1970s would have a direct effect on the bottom-line of the large companies. Moreover, the firms -- not the member states -- would likely bear the implementation costs of these policies. By the late 1970s, therefore, a number of large companies began to organize themselves at the EU level to monitor and lobby against EU activity. Moreover, they did so due to the perceived inability or unwillingness of member states to protect the MNEs' interests.51

A couple years later, however, the relations between firms and Community bodies were altered again. This was due to a number of reasons. First, the Commission, notably Commissioner Etienne Davignon, recognized that the large firms could provide information, ideas and support for initiatives at the EU level.52 Big business, for its part, began to view the Commission as a body through which the concerns of industry could be promoted. Second, the organization of the economy itself also influenced the change in relations. After the Eurosclerosis of the 1970s and the growing global competition in the 1980s, Community and member state officials were cognizant of the need to address the economic malaise of Europe and to avoid policies that might further discourage industrialists from investing and expanding their production. Thus, in 1983-4, the newly-organized European Round Table of Industrialists (ERT) found a receptive audience when it met with Commission officials and state and government leaders alike to relaunch the Europe and the European economy with an industrial initiative. For the same reason, the industrialists' "threat" to exit the EU -- the power of veto -- if government leaders did not follow through on the Single Market program was treated seriously in the European press.53

The organization of European multinationals at the EU level, the restructuring of the European economy, and the new relationships between business and Community bodies revealed that significant institutional change had occurred in the EU. New institutions emerged. It is important to note that these changes were not due to some formal rule change of the EU. Indeed, the mobilization of European big business began long before the negotiations, adoption and ratification of the Single European Act. 54

Today, it is not only the organization of the economy and the relations between state and society that matter. The organization of the big business groups also impact the power of these firms. Unlike other societal groups mobilized at the EU-level (i.e. labor and consumer groups), industry groups tend to be better financed, better represented in Brussels, and better able to coordinate their activities with one another. The ERT, EU Committee of AmCham and UNICE, for example, regularly exchange information and policy positions among themselves. Moreover, a separate organization, the European Enterprise Group, serves as a coordinating forum for the three organizations.55

The Power of Big Business and Two-Level Games in the Federal System

With the development of new EU state-society institutions over the past 15 years, European big business has emerged as an important political actor in EU regulatory affairs. The large companies play an important role, for example, in gathering and supplying information to the various EU bodies. The EU Committee of the American Chamber of Commerce, (the "EU Committee") is recognized as one of the most powerful groups in Brussels today precisely because of its elaborate information network.56 By gathering the lobbying data of some 600 MNE representatives and company experts, the EU Committee can propose EU legislative changes long before the national leaders or their representatives review the formal proposals.57

The European Round Table of Industrialists (ERT), is recognized for its agenda-setting power in the EU.58 As a strategic player in EC matters, the ERT serves an "an idea generator" in a number of regulatory areas such as social policy, employment and telecommunications.59 In December 1993, for example, the ERT presented a report, Beating the Crisis, unveiled at a press conference with then-Commission President Jacques Delors. The ERT called for the creation of a "Charter for Industry" (a direct reference to the EU's Social Charter) through which nation-states would commit themselves to a strategic approach to industry. As part of the charter, the ERT proposed the establishment of a European Competitiveness Council comprised of industry, government and science representatives. The ERT reiterated its demand for a competitiveness group in a November 1994 report, "Competitiveness -- the Way to Growth and Jobs," designed to communicate the ERT's views to the European Council . The proposal was discussed the following month at the Essen European Council meeting where Delors "told the heads of government at Essen that they should adopt the idea because it had strong ERT support."60 The "Competitiveness Advisory Group" was endorsed by the Essen European Council. President Jacques Santer formally announced the creation of the group "on the basis of President Santer's proposal" on 14 February 1995.61 (Apparently, the original authorship of the idea was no longer important!) The purpose of the group is to

make an independent report every 6 months to the President of the Commission, the Prime Ministers and Heads of State of 15, prior to each European Council the state of the European Union's competitiveness and to advise on appropriate political priorities and policy changes to enhance European competitiveness.62

Not surprisingly, several current and former ERT members were selected to the group. While it is too early to know the actual influence of this group, the fact that it is sanctioned as an official advisor on competitiveness issues to the formal EU bodies gives the ERT further input into the policymaking process. This point was made by the ERT in its own press release (in which it outlined how the idea for the Competitiveness Advisory Group originated with the group) on 15 February 1995.

The proposal from the Commission reflects the essential concern of Industry: to establish a strong group which includes practical business experience at the highest level and which has a clear mandate to give independent advice on strategic competitiveness issues . . . . From now on every effort should be made to set clear policy priorities for the European Union, drawing on the Group's recommendations and targeted at the long-term strengthening of the European economy.63

Of course, just as big business can set the agenda for specific policy proposals, so too can it attempt to veto the pursuit of policies not to its liking. In many respects, the recent decision by the Commission not to pursue stronger Social Policy measures in the area of workers' rights can be attributed in part to the actions of the ERT and other large firms. Indeed, media reports suggest the Commission was "bowing to employer demands that competitiveness and job creation should become its main priorities."64 The "warnings" by such leaders as Daimler Benz65 that firms would be forced to take their investment dollars elsewhere due to high wages and inflexible working practices undoubtedly served as an important veto on any further Social Policy developments. These warnings reinforced the ideological power of these firms as well.

The role of big business, however, is not limited to the traditional EU policymaking process. Like other societal groups, large firms are willing to use the European Court of Justice to promote their regulatory agenda. The recent decision of Hoechst, the German-based chemicals group, to challenge the UK government's right to tax the dividends paid by the UK subsidiary of Hoechst to the parent company, is illustrative of this action.66

Finally, it must be pointed out that European big business also plays both levels of the two-level game. Like member states, large European companies use their power to influence domestic preferences and promote European agendas in the EU. For example, ERT statements and press releases appear in national media to inform the general public of the group's actions. ERT reports are also sent to industry, government and academic groups to influence elite opinion on industry concerns at the EU level. For example, one recent ERT report proposing specific EU actions was printed in French, German and English and distributed to over 20,000 elite leaders.

The purpose of these reports, press conferences and journal interviews is not merely to inform the public and elite opinions leaders, but also to further an ideological perspective. ERT members continually promote a more open European economy -- and warn against any return to a 1970s European state welfare system. One of the more striking examples of ERT actions in engendering ideological support occurred in 1991 when Pehr Gyllenhammar of Volvo, Jérôme Monod of Lyonnaise-Dumez des Eaux, and Umberto Agnelli of Fiat appeared with then-Commission President Jacques Delors to discuss the French and European economic future on a lengthy prime-time French television special.67

IV. The Continuum in EU Policymaking

As suggested above, a two-level game embedded in an international regime serves as a strong metaphor for EU policymaking in certain policy areas, for example, the Common Foreign and Security Policy. Clearly, in certain areas of EU policymaking, member states remain the dominant actors with little influence from societal actors mobilized at the European level. Multinational firms, for example, appeared to have played little if any role in the EU's policy activities vis-à-vis the former Yugoslavia. The model, however, cannot explain the actors, process or power distribution in other policy areas. For example, in regulatory matters, large European firms -- as a result of the organization of the economy and the state-society relations that developed since the 1980s -- provide information, set the agenda, and engender ideological support for their activities. Moreover, European big business organized at the European level continues to play an important role in EU regulatory matters. Consequently, a two-level game embedded in a federal system provides a stronger metaphor for policymaking in the regulatory policy area.

One might be tempted to ask which metaphor is "most correct" (or perhaps, "least wrong"). One might also question which theoretical approach is most apropos to the study of the community -- international relations or comparative politics. However, it would appear that this sort of query is misguided. Instead of viewing EU policymaking as an "either-or" situation, one might examine EU policymaking in terms of a continuum. On one end of the continuum, one might locate EU policy areas in which non-state actors play an important role as a result of larger EU state-society institutions. The two-level game embedded in the federal system might best represent this end of the continuum. On the other end of the continuum, one might identify those policy areas in which formal policy practices dominate the policymaking process. The two-level game embedded in an international system might best capture these policy areas.

How can one identify the various policy areas along this continuum? Theodore Lowi's typology of the policymaking process in the United States provides an excellent model for EU policymaking.68 In his seminal 1964 piece, Lowi argued that one could classify various policymaking processes according to broad categories of governmental activity. He argued that each broad policy category constituted a real arena of power. Moreover, "each arena tends to develop its own characteristic political structure [or, as Hall would suggest, "institutions" which in turn shape the] . . . political process, elites, and group relations."69 Different policy areas involve different institutions, processes and actors. Lowi outlined three main categories of public policies -- distribution, regulation, redistribution.

> Distributive policies, Lowi suggests, are characterized by log-rolling coalitions among various actors, leading to bargains distributing otherwise unrelated items to otherwise unrelated actors in the policy process. Winners and losers are not brought into conflict, but rather each actor receives something from the 'pork barrel' . . . . [Lowi identifies defense procurement, R&D, as well as labor, business and agricultural 'clientele' services as examples of distributive policies.] Regulatory policies, by contrast, do bring potential winners and losers into direct confrontation, and therefore create different types of 'minimum winning coalitions' . . . . Redistributive policies, finally, are characterized by broad and open conflict among haves and have-nots . . . . [They] are made by small executive and interest-group elites. [Welfare state programs are examples of redistributive policies.]70

He later added fourth policy area, foreign policy, to address traditional security issues. Of course, there is not always a clear-cut distinction between some policies which might appear to be both distributive and redistributive. For example, R&D programs, which Lowi classifies as a distributive program, often require taking money from one group and "redistributing" it to another.71

Using Lowi's policy arenas, one might conceptualize the policy continuum as illustrated in figure 1 below. Because regulatory policies involve considerable interplay by societal groups, they are located closest to the federal model. Distributive policies, which can be directed at particular societal groups, follow regulatory policies. Redistributive policies, which, as Lowi points out, only involve a small group of interest-group elites, move further away the federal two-level game, and closer to the international regime model. Finally, foreign policy matters -- the traditional "security" issues of nation states -- are closest to the international regime two-level game.

FIGURE 1
EU POLICY CONTINUUM

Federal ____ International
(State/society) (Member State)

Regulatory Distributive Redistributive Foreign Policy

The Role of Big Business in Structuring EU Institutions

Lowi's model suggests that there is a role for societal actors in distributive and redistributive policies of the Community. Why is it difficult to recognize and understand the role of big business in these EU policy arenas.

In examining EU policies, the tendency of some academics has been to focus the formal policy practices, and therefore, on the formal bodies of the EU (the European Commission, the European Parliament and the Member States acting within the Council of Ministers or the European Council).72 It is argued, for example, that the agenda-setting capabilities of the Commission, for example, plays an important role in promoting distributive policies. Or that the unanimous voting rules in the European Council means that redistributive policies can be attributed to member states who agree to side-payments for these policies.

While this approach may be logical and indeed, helpful, for reasons of parsimony, one is often left with a static view of the EU, and a rather incomplete understanding of the EU policymaking process. For example, one might argue that the formal policy practices give the heads of state and government greater access to information in EU matters. Let us assume for the moment that this is true. But where do the heads of state and government get this information? And what it is the nature of this information? Is it based on an "objective" analysis of the "overall national interest" or of "domestic preferences"? Or does the information embody a particular conceptualization of both the "problem" and the "potential solutions" presented to them, for example, by a group of multinational firms?73 In the example of the Competitiveness Advisory Group mentioned above, the European Council "voted" on the proposal. However, the proposal was forwarded by the Commission which had acted upon the "problem" and "solution" as presented by the ERT.

The ERT has promoted its own conceptualizations of the "problem" and "solution" on matters touching distributive and redistributive EU policy areas as well. In December 1992, for example, the ERT presented another report, Rebuilding Confidence, to the heads of state and government at the Edinburgh summit. The report outlines a straightforward four-point action plan to attack the economic recession and to end the political crisis surrounding the Maastricht Treaty. Members of the ERT reminded governments of the need for concerted action despite the state of crisis, and aggressively promoted increased infrastructure funding as a first step in alleviating the economic malaise. While the Edinburgh summit will not go down in EU history as an exemplary meeting, the European Council did agree to spend $200 billion on infrastructure projects.74

European business leaders have even become involved in what some might call foreign economic policy matters. ERT members met privately with then-French President Edouard Balladur to promote the successful resolution of the Uruguay GATT round. In September 1994, 12 ERT members went to Moscow to talk to Prime Minister Chernomyrdin for three hours regarding investment conditions in Russia.

These observations are not meant to suggest that business leaders, and especially the ERT, are involved in all EU decisions. The examples reveal, however, that it is important to recognize that because European big business has already mobilized at the European level to influence regulatory issues in the 1980s, it can take advantage of the developed institutions to participate in other policy arenas. Big business groups can interject their agendas, ideas and ideological views in matters that were traditionally reserved for member states or other formal EU bodies 20 years ago. Today, institutional relations ensure that business representatives negotiate regularly with Commission officials to promote (or withdraw) particular legislation or distributive policies. The same ties ensure that every six months, ERT members meet with leading national officials (usually the president or prime minister) of the country currently holding the Council presidency of the EC to express the industrialists' goals for Community action.

Today in the EU, European big business leaders and groups view themselves as fulfilling two important roles.75 On one hand, large firms must attend to the "bread-and-butter issues" in EU regulatory policy. Companies, after all, must protect their bottom line. On the other hand, however, European big business also believes it must play a "political role"76 as well to ensure the development and maintenance of "Europe." For big business groups mobilized at the European level, the possibility of reverting back to national regulatory frameworks simply does not exist. The ability to create a strong European market society -- including balanced social and environmental regulations, proper education and research opportunities and functional trans-European networks -- is vital. Moreover, the need to ensure the proper functioning of the European system -- to ensure that decisions are made in a timely, efficient manner -- is imperative.77 Thus, even the "formal policy practices" and "formal institutional design" of the EU are of interest to these business groups.78

As in regulatory matters in the 1980s, the mobilization and maintenance of big business groups in these policy areas in the 1990s are due to the perceived inability or unwillingness of member states to take positive action in support of the EU. ERT industrialists, for example, have begun to respond to what many perceive as a "crisis of leadership" in national governments. As a senior ERT secretariat official explains:

Industrialists observed in the Maastricht crisis . . . [that] governments are saying: "We don't want to give up our sovereignty,"
"We don't want this or that interference from Brussels." But on the whole, governments are not saying "What's the best way of running the system? How do we make European industry efficient?" Governments don't really care about that. And so we have to make our views heard, in the same way as we did in the '80s, and say "industry needs the development of Europe."

. . . You see, crisis produces response. And the more the industrialists feel that the politicians are making a complete mess of things, the more strongly they will feel to intervene. There's no percentage in being silent.79

In playing the political role, business groups such as the ERT believe that they must play a greater role in setting the agenda -- identifying the problems and solutions for the member states. Moreover, they must serve as "facilitators" for the European Commission. As one business representative noted, "multinationals are the Commission's best friend." The member states, however, are often perceived as the "worst enemy."80 As the same ERT secretariat official notes,

. . . Governments are pleased to regard themselves as sovereign decision-makers. . . . [I]n fact they are very much at the mercy of conflicting pressures and severe constraints. Indeed the powerlessness of governments is one of the important themes of our time.

What the ERT does is to help and encourage governments to move in certain directions. We do this by providing analysis and advice, by posing questions and influencing the general climate of opinion and by warning of the consequences of mistaken policies. In other words, we add to the pressures.81

Conclusion

Understanding the power of big business has proven to be a difficult task for academics. Comparative politics scholars talk of "lobbying" of firms but give little guide to the constraints, opportunities and relationships involved. International relations scholars discuss the "attitudes" but not the power of big business. Or they ignore the influence of the large firms at the European/international level altogether.

As suggested in this paper, one must acknowledge the larger state/society institutions of the EU to recognize the role of big business in EU two-level games.82 In doing so, one acknowledges not only the areas in which large firms exert their power in EU policymaking, but also the manner in which European big business itself helps to "structure" the European Union itself.