

Sean D. Ehrlich* and Eryn Jones

Whom do European corporations lobby? The domestic institutional determinants of interest group activity in the European Union

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Abstract: The complicated and multi-layered policymaking process in the European Union presents private interests, such as business firms, with an interesting strategic choice of whom and how to lobby. As the costs of lobbying at the domestic level increase, firms are expected to, instead, devote their resources to lobbying at the European level. Specifically, this article examines how domestic access points and domestic partisanship affect the costs and benefits of lobbying at the domestic versus European level. Using data on firm-level decisions to lobby the EU, this research finds that in countries where it is more costly (or less beneficial) to lobby domestically, firms are more likely to lobby at the EU level.

1 Introduction

The complicated and multi-layered policymaking process in the European Union presents private interests, such as business firms, with an interesting strategic choice of whom and how to lobby. If a firm wishes to influence EU policy, they can choose to lobby their home government which has a vote on the EU Council and, depending on party structure and composition, may have influence on the home delegation to the European Parliament. Alternatively, they may choose to influence EU-level policymakers directly by lobbying the Commission or the EP (or Council members in Brussels rather than at home). This complicated structure provides both costs and benefits to interest groups and businesses in the EU and to scholars who wish to study them. From the interest groups' and businesses' point of view, success at one level may not

*Corresponding author: Sean D. Ehrlich, Florida State University – Political Science, Tallahassee, FL, USA, e-mail: sehrlich@fsu.edu

Eryn Jones: Florida State University – Political Science, Tallahassee, FL, USA

lead to overall lobbying success but the multilayer structure provides additional opportunities for groups to lobby and exert influence. For the scholar, the multilayer structure makes it difficult to explain lobbying behavior and outcomes at any one level but provides the opportunity to test venue-shopping theories and to examine how costs and benefits at one level influence decisions at another level.

This article investigates how the costs at the domestic level influence the decisions of EU businesses to lobby at the EU level. More specifically, it argues that when there are few access points at the domestic level, lobbying will be more expensive domestically and so the corporation will be more likely to lobby at the EU level. As such, this article helps to explain EU-level lobbying behavior by building on recent work on the decisions of interests to lobby the EU by Bernhagen and Mitchell (2009), Beyers (2002, 2004), Princen and Kerremans (2008), and others. In addition, and perhaps more importantly, this article also provides a test of more general theories of lobbying behavior such as Access Point Theory,¹ and venue shopping theories.² Finally, the article also adds to our knowledge of the determinants of corporate lobbying behavior more generally, in the tradition of Bauer, de Sola Pool, and Dexter (1972) and building on more recent work by, for instance Grier, Munger, and Roberts (1994), Drope and Hansen (2006), and others.

These tasks are accomplished in this article using data on firm-level decisions to directly lobby the EU and finds that firms located in countries where it is more costly for them to lobby are more likely to lobby at the EU level. Although the theory is about lobbying at both the domestic and EU levels, we only have data on EU-level lobbying. Thus, we cannot fully test the theory but we are able to test an important implication of the theory, namely that domestic level factors influence EU level lobbying. In order to show this, the article is organized as follows. First, we discuss the factors that influence which level of government an interest lobbies and describing how pre-existing findings fit into the theoretical framework described here. Second, we discuss in more detail how Access Point Theory predicts lobbying in the EU and derive testable hypotheses. Third, we discuss the data and methods used to test these hypotheses and, fourth, present the results of these tests. Finally, we conclude with a discussion of avenues for future studies of lobbying in the EU and the implications of these results for interest group politics in a comparative perspective.

1 Ehrlich (2007); Ehrlich (2011).

2 Baumgartner and Jones (1993).

2 The choice of lobbying venues

Which groups lobby and whom they lobby are fundamental questions within political science and voluminous works answering these questions exist, dating back to the beginning of the discipline. Most of this research was conducted on interests in the US, reviewed by Hojnacki et al. (2012), but recently a large literature examining interest group politics in the European Union has also arisen, partly because of the recent proliferation of interest groups there and partly because the seemingly pluralistic structure of interest group politics in the EU is at odds with the frequently corporatist structure of domestic interest group politics in Europe.³ However, the question of why, when interest groups can also lobby domestic governments, do they sometimes also or only lobby EU-level institutions and policy-makers, has only recently begun to be addressed. Princen and Kerremans (2008), for instance, discuss how the concept of “opportunity structures,” used in the American lobbying literature with much success, could also be used in the EU context.⁴

A political opportunity structure is “the set of characteristics of a given institution that determines the relative ability of (outside) groups to influence decision-making within that institution.”⁵ A political opportunity structure can be seen as favorable if the possibility of gaining such influence is high while the costs of doing so are low.⁶ The opportunity structure will be unfavorable if the costs are high, success unlikely, or the benefits of success low. Therefore, in areas where the EU has little policy influence, the political opportunity structure will be unfavorable because even if interests change EU decision-making on that policy, it will have little influence on overall policy in that area. This, similarly, implies that for policy areas in which the EU has greater influence, lobbying at the EU level will be more prevalent. More generally, the two main elements that determine the favorability of the opportunity structures are the structural openness of the system – how much the institutional structure allows for any interest group influence – and the contingent receptivity of the system – how receptive policymakers are to that particular interest.

3 Greenwood (2007); For more complete reviews, see Princen and Kerremans (2008) and Dur (2008). For reviews that place the study of EU interest groups within a comparative perspective see Mahoney and Baumgartner (2008).

4 Kollman (1998); McAdam, Tarrow, and Tilly (2001).

5 Princen and Kerremans (2008: p. 1130).

6 See also Della Porta and Kriesi (1999) and Hilson (2002) for similar discussions.

In a multi-level system, interest groups can engage in “venue-shopping” and only lobby where they find the most favorable opportunity structure.⁷ Baumgartner (2009) describes the concept of venue shopping as follows: “Policy actors seek to push their issues to one or another institutional venue depending in their estimate of likely success.”⁸ Though developed to describe federal-level lobbying in the US, the concept has been easily adapted to the multi-level EU setting. Business and other interests can tailor their lobbying strategy by targeting those institutional actors they think will be most likely to lead them to success through a combination of their receptivity and power. Thus, interests can target only national-level actors, only EU-level actors, or both. But what determines the choice of which venue is chosen beyond this general concept?

Dispersed interest groups, for instance, who face bigger collective action problems may find the opportunity structure at the EU level to be more accessible relative to competing with specific interest groups at the national level. Beyers (2002) examines this variable ease of access to EU and national policymakers by different interest groups to investigate whether dispersed interests have easier access at the EU than nationally. In other words, if access is cheaper at the EU level than at the national level, then these interests will be more likely to lobby at the EU level because they face a more favorable opportunity structure. Dispersed groups have always been at a disadvantage at the national level; thus, some analysts have suggested that by creating a new, and more dispersed level of policymaking, dispersed interests might be able to find influence at that level even when they have been shut out of domestic-level influence. However, Beyers finds that “well-connected domestic specific interests deploy extensive European strategies, while those enjoying no domestic access do not seek access to Europe”; that is, if interests have the resources and incentive to lobby nationally, then they are also likely to have the resources and incentive to lobby supranationally.⁹ This, however, does not address whether dispersed interests are generally more likely to lobby at the EU level, given its alternate opportunity structure.

Bernhagen and Mitchell (2009) examine the choice of large corporations to lobby the EU by testing a “profit-seeking” model originally developed to explain lobbying behavior in the US.¹⁰ Because government policy can have strong

7 Schattschneider (1960) first suggested the concept of interest group venue shopping and Baumgartner and Jones (1993) provided its first major development in the US context, although the US literature has tended to focus on venue shopping within the Federal government rather than across levels of government. Constantelos (2010) is a recent exception.

8 Baumgartner (2010: p. 524).

9 Beyers (2002: p. 65).

10 Grier, Munger, and Roberts (1994).

implications for corporate revenue, firms have an incentive to lobby the government to seek policies that will increase their profits. Not all firms are equally likely to lobby, though: small firms, for example, are likely to try to free-ride on the lobbying efforts of larger firms who have a greater incentive to lobby for industry-friendly policies; industries with low levels of concentration are likely to be unable to overcome the collective action problem, so all firms will remain quiet; firms in industries that face stronger regulatory impact have a greater incentive to lobby; and so on. Thus, Bernhagen and Mitchell (2009) examine mostly firm- and industry-level variables that they expect to influence lobbying decisions, building a new dataset of direct corporate lobbying of the EU in the process. This analysis provides a strong baseline upon which to build and, in particular, demonstrates that lobbying the EU can be explained with similar factors to those that explain lobbying the US government. However, Bernhagen and Mitchell only examine the opportunity structure at the EU level and do not incorporate the idea that corporations have competing opportunity structures and can choose to influence EU policy by lobbying at different levels of government. This article builds on Bernhagen and Mitchell's analysis by examining domestic level factors that should influence the cost of lobbying national governments. This addition to the analysis will provide us with a more complete understanding of when corporations will lobby the EU when they also could be lobbying their national government.

3 Lobbying at the EU level when the costs of lobbying at home are high

This article builds on the opportunity structure perspective by examining how institutions can change the opportunity costs for business interests at the domestic level which, thus, influences their decisions to lobby at the EU level. Interest groups can choose to lobby at either the domestic or EU level to influence EU policymaking; if they have scarce resources, though, they may not be able to lobby at both levels. Thus, anything that increases the costs or reduces the benefits of lobbying at the domestic level should increase the likelihood of lobbying at the EU level, while anything that reduces the costs or increases the benefits of lobbying at the domestic level should decrease the likelihood of lobbying at the EU level. The other direction should also be true: anything that changes the cost of lobbying at the EU level should change the probability of lobbying at the domestic level, though for reasons of data availability we must leave this to future research. Therefore, this analysis examines domestic-level, country-specific factors that may influence the costs or benefits of lobbying the firm's national

government to determine whether these factors also influence the probability of lobbying EU-level institutions.

While many such factors might exist, this article examines the effect of domestic political institutions, focusing on how much access these institutions provide to interest groups. In Access Point Theory, Ehrlich argues that the more points of access to a political system exist, the cheaper lobbying will be and, assuming interests are rationally allocating their lobbying resources, the more lobbying will occur.¹¹ Access points are policymakers that are susceptible to lobbying and who have power in a particular policy area, making them attractive targets to interest groups. In order to count as an access point, a policymaker must have a say in the policy decision and must either have the ability to independently decide his or her own vote in that decision or must represent a distinct constituency, thus encouraging party leaders to tailor policy to benefit the policymaker's constituency. Each electoral district is a distinct constituency and, thus, increasing the number of electoral districts, on average, increases the number of access points. Similarly, bicameral and federal systems will increase the number of actors with relevant power on a policy by providing power either to a second legislative house or to subnational actors. Low party discipline will mean that policymakers are more independent of party leaders and, thus, more attractive as lobbying targets since lobbying them individually can change their vote. More parties in government mean more party leaders who have a say in policy outcomes. All of these institutional features lead to a higher number of access points.

Why does having more access points lead to cheaper lobbying? Policymakers face time and resource constraints, so access to them by lobbyists is a scarce good. In order to get in the door, lobbyists must provide something of value to the policymaker, be it campaign contributions or the promise of valuable information.¹² Thus, there is a "price" for access that should be influenced by the standard market forces of supply and demand. Increasing the number of access points is akin to increasing the supply of access, which will reduce the price of access. As a result, lobbying each access point will be cheaper when there are more access points.¹³ This should induce more interest groups to lobby which should lead to policy more biased in favor of the side with more active lobbying and also lead to

¹¹ Ehrlich (2011).

¹² This is similar to Beyers (2002) and Beyers (2004)'s conceptualization of an "access good."

¹³ An interest group might have to lobby more policymakers to be successful when there are more access points, but Ehrlich (2011) demonstrates that the reduction in price of each access point is greater than the increase in cost of having to lobby more policymakers under most plausible scenarios.

more complex policy as interest groups lobby to insert specific provisions benefiting them into the policy.

Most previous applications of Access Point theory have been conducted at this macro-level, linking the institutional structure of the country to policy outcomes such as the level of trade protection or the complexity of the tax code. The causal story offered by the theory, though, focuses on lobbying behavior as the intermediate step between institutional structure and policy outcomes. The reason that more access points leads to more bias and complexity is because there will be more lobbying when the price of lobbying is cheaper. This assumes, of course, that lobbyists are rationally allocating their resources and increasing their amount of lobbying when it is cheaper and easier to lobby rather doing a fixed amount of lobbying regardless of its cost. Though this assumption seems plausible, the paucity of analyses testing Access Point Theory's effect on lobbying behavior leaves it open to question.¹⁴ Examining interest groups' lobbying choices, thus, provides a richer test of Access Point Theory.

If interest groups have a choice of lobbying venues, then more expensive lobbying at one level of government may, instead of decreasing the overall amount of lobbying, just shift their focus to another level. Thus, if a corporation is faced with a home government that has few access points, they may find it too expensive to lobby their national political leaders; still wanting to influence policy, this might encourage them to bypass their expensive national leaders and lobby the EU instead.

Taking all of these considerations together, corporations located in low-access-point countries face a more expensive lobbying environment domestically than do corporations located in high-access-point countries. Since lobbying domestically costs more, they will be more likely to choose to lobby at the EU level (relative to corporations from high-access-point countries) if they face a limiting budget constraint. Thus, the first hypothesis is as follows:

Hypothesis 1: The fewer access points there are in a corporation's home country, the more likely they are to lobby at the EU level.

Access Point Theory also suggests that the more receptive access points are, on average, to a particular interest, the cheaper lobbying will be for that interest

14 To date, the only test of Access Point Theory on lobbying behavior is the analysis of trade-related lobbying in the US before and after delegation of tariff-setting to the President in 1934 (Ehrlich 2011) which found that reducing the number of access points led to more overall lobbying on trade and an increased amount of net protectionist lobbying. This article is the first test of the micro-level implication of Access Point Theory outside of the US context and the trade context.

and, thus, the more that interest should lobby. Thus, Ehrlich (2011) finds that environmental regulations are stronger in countries with left-wing governments. Corporations are likely to find right-wing governments more receptive to them than left-wing governments, which typically represent labor. Further, Green governments, who typically support environmental regulations opposed by businesses, might be especially hostile to business interests. When faced with a left-wing and Green governments, then, business interests may be more likely to bypass their national government and attempt to influence policy by directly lobbying the EU. Thus:

Hypothesis 2: The more left-wing a corporation's home government is, the more likely they are to lobby at the EU level.¹⁵

4 Data and methods

To test the above hypotheses, we need data on lobbying, the domestic-level factors described above, and other firm-, industry-, and country-specific factors needed for proper controls. This paper uses data and builds on the models introduced in Bernhagen and Mitchell (2009). Bernhagen and Mitchell collect data on EU-level lobbying activity for the world's largest corporations, using as a guide the Forbes 2000 list, which ranks the two thousand largest corporations based on sales and other economic measures. Before moving on to describe how lobbying is measured, a few clarifying notes are needed on the nature of the sample and the data. First, although Bernhagen and Mitchell (2009) provide data for all corporations on the list, we are only concerned here with corporations that can influence EU policy at either the domestic or EU level. Corporations from home countries outside the EU do not have the same type of direct access to the various components of EU policymaking process and thus, do not influence EU policy in the same ways at the domestic level. The domestic level factors discussed here therefore, will be unimportant in their decision to lobby the EU and so they are excluded from the analyses below. Four hundred and sixty eight of the 2000 corporations are based in the EU; 30% of these are based in Britain and just under 15% based in each of Germany and France. Thus, nearly two thirds of corporations in the sample come from just these three countries. However, all 15 members of

¹⁵ This is a generalizable hypothesis if one were examining non-corporate interests: the less congruent the policy goals of an interest and a government are, the more likely the interest is to lobby at the EU level.

the EU before the Eastern expansion had at least two corporations in the sample (Luxembourg had only two; Portugal was the next smallest with seven).

Second, these corporations are the world's largest and, therefore, likely face less of a budget constraint than other interests that might wish to influence EU policy. Thus, what follows is a conservative test of the hypotheses: these corporations are highly likely to be able to afford to lobby both domestically and at the EU. Given that, the variation in domestic opportunity structures must be very large for an effect to show up in choice to lobby at the EU level.

Third, while each of these countries has an identifiable "home" country, many have subsidiaries or branches in other EU countries. Thus, a German firm could have their French subsidiary lobby the French government while the parent firm lobbies the German government. As above, this should yield a conservative test of the theory. To the extent that large, multinational firms can lobby in many countries simultaneously, the effect of domestic level factors in their home country should be smaller.

Fourth, the lobbying data are only at the EU level, and we have no direct knowledge of the amount of lobbying conducted by these corporations at the domestic level. As a result, we cannot know whether corporations are choosing to lobby at the EU level instead of the national level or if they do both (or, conversely, if they are not lobbying at the EU level because they choose to do so at the national level or whether they just do not lobby). Unfortunately, systematic cross-national data on domestic level lobbying is unavailable, so restricting the analysis to EU-level activity is necessary. We are, thus, only able to test one implication from the theory, albeit an important one: domestic level costs of lobbying influence EU-level lobbying activity. If alternative theories can explain this cross-level influence but makes different predictions at the domestic level, we are not able to claim that our explanation is superior, which is an admittedly important limitation of the study presented here. However, taken together with the existing evidence in favor of Access Point Theory, finding that more expensive lobbying opportunities at the domestic level is associated with more lobbying at the EU level should be seen as strong evidence for the theory.

Bernhagen and Mitchell (2009) provide three different measures of corporate lobbying in the EU. The first is whether the corporation has European Affairs representative to lobby the EU; the second is whether it has an office in Brussels to conduct lobbying; and the third is whether it has an accredited representative to the European Parliament. For this analysis, we create a dummy variable equal to 1 if a corporation takes all of these measures and 0 if they take none, one, or two. Because national level lobbying data is unavailable, the clearest indication of a corporation's decision to lobby the EU in the data is implementing all three means of EU level lobbying; taking all three actions signals a strong desire to

have influence at the EU level. Given that we are dealing here with the largest corporations that can often afford to lobby at both levels even if the domestic level is extremely expensive or if they care little about the EU level, it may be best to measure which corporations invest significant resources at the EU level rather than just making cursory and occasional attempts at lobbying. Twenty three percentage of corporations in the sample have accreditation with the EP, 22% have a European Affairs representative; and 16% have an office in Brussels. Just under 13% have all three. One could also construct a variable counting the number of different activities a corporation takes. However, doing so assumes each activity has the same effect, i.e. opening an office represents the same amount of lobbying as getting accreditation with the EP. Given that this is almost certainly not true, making this assumption adds significant measurement error into the analysis, though the results are largely robust to using this measure instead.

The access point variable is taken from Ehrlich (2011) and is a summary measure for the overall number of access points in a country. The measure combines the influence of number of parties in government,¹⁶ number of electoral districts, electoral rules that influence party discipline,¹⁷ federalism, and parliamentarism into a single variable. It does this by standardizing the variables for each of these institutional features and then summing them into a single measure. Thus, countries that score highly on all of the variables, by having multiparty governments with weak party discipline in a parliamentary federal system with multiple electoral districts, will have a high score on the number of access points while countries that have the opposite will have a low score. Countries that have only a few of these high-access-point features, or that score at a medium level on all of them, will fall in the middle of the scale.¹⁸ The measure ranges from

16 This measures the raw number of parties in the Cabinet. Parties in opposition are not considered relevant and so are excluded. Since each party is an additional relevant and distinct actor, they are counted, regardless of how small they are. Thus, raw rather than effective number of parties is used.

17 These are rules such as who controls ballot access, whether individuals run under their own name or on a party label, and whether votes pool across candidates of the same party. While these rules do not perfectly predict party behavior, given that disciplined parties can exist even under weak rules, the rules do strongly influence behavior.

18 This measure assumes that each of the five institutional features has equal influence on the total number of access points. This is unlikely to be completely true so it would be preferable to include each of the institutional variables separately. Unfortunately, the analyses below have limited degrees of freedom since standard errors are clustered on the national level. Disaggregating access points leads to roughly similar results to models with the index variable except that many variables, access point and control, lose significance and the results are less robust to model specification changes. Further, in some analyses, the models fail to converge, especially when fixed effects are included. For these reasons, we only report the models with index variables.

6.9 (France) to -0.9 (Luxembourg). France has many electoral districts, electoral rules that encourage weak party discipline (though the parties themselves are often disciplined), and frequently multiple parties in the cabinet, leading to a high score on this measure. Britain is the second highest due to their extremely large number of electoral districts. Luxembourg scores so low because it has a unicameral legislature elected from only four districts and only two parties in government, both with high party discipline.¹⁹ Portugal, Finland, Denmark, and Sweden also score low for similar reasons.

The Bernhagen and Mitchell (2009) analysis addresses domestic ideology through a variable that measures support for Green parties in legislative elections. This measure, however, cannot fully address the hypothesis presented here regarding leftist governments being more hostile toward corporate lobbying. Therefore, Hypothesis 2 is tested using a variable constructed from the election results for the time period of 1991 through 1999 as reported in the *European Journal of Political Research's* annual issues on elections in Europe.²⁰ The variable reflects the average percent of the cabinet in each country that is occupied by leftist parties for this time period, with parties classified as left, right, or center based on their affiliation in the European Parliament. The values of this variable range from 0.22 (Ireland) to 0.687 (Greece). This variable allows us to examine how domestic ideologies within EU member states impact a corporation's decision to lobby at the EU level, given that leftists tend to be less responsive to corporatist lobbying.

The models estimated below utilize the main EU model from Bernhagen and Mitchell (2009) with the added access point variable and the alternate measure of domestic ideological composition and a different measure of power, as described below. Thus, the analyses presented here use the variables included by Bernhagen and Mitchell (2009) as controls. To measure firm size and wealth, we include measures of the amount of sales made by the firm, taking the natural log because of the skewed nature of the variable and of firm profits. Larger and wealthier corporations have more resources to commit to lobbying. Furthermore, not all corporations are equally regulated by the EU; for instance, the EU has very strict European-wide standards on chemicals and pharmaceuticals, but leaves the regulation of the provision of health care services to the countries themselves.

19 That France and Britain are amongst the largest EU countries and Luxembourg is the smallest raises the question of whether access points is merely measuring population size. It seems plausible that electoral districts, at least, would be correlated with population size. Including population as a control or substituting per capita electoral districts for total number of electoral districts in the index does not change the results.

20 See, for instance, Katz and Koole (1999).

Corporations heavily regulated by the EU have a larger incentive to lobby the EU than those that are mostly regulated at the domestic level. Regulatory conflicts which occur are mitigated through the European Court of Justice (ECJ) and Court of First Instance (CFI). As such, Bernhagen and Mitchell capture the level of EU regulation in an industry area by constructing industry-wide measures for the number of European Court of Justice and Court of First Instance cases involving an industry and the “number of times an industry is named in the regulatory proceedings and decisions of the Commission.”²¹

Since this analysis uses measures of direct firm lobbying and corporations can instead use industry level associations to lobby, we need to account for the possibility that corporations are active in lobbying even if they do not have their own representatives in Brussels. Bernhagen and Mitchell (2009) include two measures to account for this possibility: the number of trade associations for the industry at the EU level and how concentrated the industry is, which is measured by the share of total sales accounted for by the four largest firms in the industry. If industries are highly concentrated, they are more likely to overcome the collective action problem and lobby collectively rather than having to lobby at the individual level. Corporations can have national trade associations lobbying on their behalf, so the analysis also includes a measure of this in addition to European-wide associations. Since it may take time for corporations to create European lobbying branches, Bernhagen and Mitchell also include length of membership in the EU as a control. Finally, to measure how hospitable the national political system is to corporate influence, Bernhagen and Mitchell include measures of the strength of labor groups in the home country. Corporations located in countries where these groups are powerful are less likely to have their own political influence and, thus, might be more likely to lobby at the EU level. They measure labor power by including a variable for union density, or the percentage of the workforce in labor unions. Similarly, Bernhagen and Mitchell include a measure of corporatism, taken from Siaroff (1999), since, in corporatist systems, businesses have regular and close contact with governments but may not be used to the more pluralistic lobbying at the EU level.

Bernhagen and Mitchell²² include the QMV votes of the countries on the Council as a measure of country power. However, they include post-Lisbon Treaty weights when the rest of their data is from the pre-Lisbon treaty period. In addition, the Council is only one EU institution, and national power can also be expressed in the Parliament or Commission. We, thus, create an index of power

21 Bernhagen and Mitchell (2009: p. 164).

22 Bernhagen and Mitchell (2009: p. 165).

which has four components: the 2000 QMV weights, the number of European Parliament members, the number of Commissioners, and whether a country's Commissioner has a portfolio relevant to corporate lobbying. For the year 2000, QMV weights in the EU ranged from 10 votes (France, Germany, Italy, and the UK) to 2 votes (Luxembourg); the measure for this is a reflection of the actual number of votes each country had at the time. Members of the European Parliament are also allotted based on the member state's size, and range from 99 (Germany) to 6 (Luxembourg). Both the number of commissioners and having a relevant commissioner were measured as dichotomous variables. For the number of commissioners, a score of 1 indicates the country had two commissioners and a score of 0 indicates the country had one commissioner. A country whose commissioner has a relevant portfolio is coded as 1 and a country whose commissioner does not have a relevant portfolio is coded as 0.²³ The index is created by normalizing each of these component variables and then summing the components. As a result, a country with an exactly average level of power will score a 0. The measure ranges in value from -5.07 (Luxembourg) to 3.19 (France). Because the measures used in this index are also indicative of the size of each country (i.e. power at the EU level is a function of the size of the member state), corporations based in larger countries tend to have higher scores on this variable than those based in smaller countries.

The question of country size is very important though. Recall that Britain and France have the highest number of access points and Luxembourg the least in the sample. This raises the question of whether access points are merely measuring population size. It seems plausible that electoral districts, at least, would be correlated with population size. Although not all large countries have many access points and not all small countries have few, the possibility that access points are simply a proxy for country size cannot be ignored. Unfortunately, when we include population alongside industry fixed effects, the model fails to converge, in part because some observations are dropped in the fixed effect model due to missing data and due to perfect collinearity with one or more of the country-invariant variables. Since we believe it is also necessary to control for any unmeasured heterogeneity between firms in different industries, we report two sets of results below: Model 1 has industry dummy variables but not population while Model 2 has population but not the industry dummies. We prefer Model 1 since the power

²³ We code the following portfolios as relevant to corporate lobbying interest: agriculture; competition; economic and monetary affairs; employment and social affairs; enterprise and information society; environment; health and consumer protection; internal market; and trade. The results are robust to slight variation in the included and excluded portfolios.

variable should already be serving as a proxy for population. Thus, we focus substantively on this model, but the results are consistent across models for our variables of interest.

We use a dichotomous measure of whether or not a corporation employs all three means of lobbying the EU (that is, having a European Affairs representative, having an office in Brussels, and accreditation to enter the EP). Therefore, we use logit to estimate the models. We also cluster the standard errors by country of origin to account for any heteroscedasticity at the country level.

5 Results

The results of the analysis are presented below in Table 1, while Figure 1 shows the change in the probability in lobbying as determined by the first differences of changing each of the primary independent variables from the minimum to the maximum value in Model 1. On the whole, the results of the analysis find strong support for Hypothesis 1 in that the more access points there are domestically, the less likely a corporation is to lobby the EU. On the other hand, no support was found for Hypothesis 2, that corporations located in countries with left-wing and Green governments are more likely to lobby the EU.

The first variable of interest is access points. Hypothesis 1 indicates that as the number of access points increases, making domestic lobbying cheaper, lobbying at the EU level should decrease. This is supported by the results shown as an increase in the number of access points is associated with a statistically significant decrease in the likelihood that the corporation will employ all three measures of lobbying the EU. The magnitude of the change in probability that a corporation will lobby at the EU level is 0.06. More specifically, moving from the minimum value for access points to the maximum value decreases the probability that a corporation will use all three means of lobbying the EU by 6%, when all other variables are held constant at their mean value. This indicates that a corporation changing from the country with the lowest access points score (Luxembourg) to the country with the highest access points score (France) will result, on average, in a 6% decrease in the probability that the corporation will lobby the EU.

Hypothesis 2 predicts that the stronger leftist parties are domestically, the more likely a corporation is to lobby the EU. The results do indicate that an increase in the average percent of parliament seats held by leftist parties will result in an increase in the likelihood that a corporation will use all three measures of lobbying at the EU-level. This result, however, did not reach traditional levels of statistical significance.

Table 1: Domestic factors for corporate EU lobbying.

Independent variable	Model 1	Model 2
Sales	2.402*** (0.378)	2.171*** (0.300)
Profit	0.103 (0.067)	-0.008 (0.030)
Regulatory exposure	509.885 (349.236)	15.887*** (4.317)
Concentration	-133.664 (100.499)	1.384 (2.714)
European associations	-10.317 (8.060)	0.358 (0.247)
Corporatism	1.608*** (0.512)	0.000 (0.300)
Partisanship	1.264 (25.280)	0.224 (0.772)
Union density	-0.010 (0.009)	0.013 (0.009)
EU power	1.038*** (0.389)	2.283*** (0.491)
National associations	-0.033 (0.018)	0.219 (0.196)
Membership length	0.029 (0.029)	0.005 (0.012)
Access points	-0.0262** (0.012)	-0.333*** (0.064)
Population		0.179*** (0.062)
Constant	12.080 (20.475)	-3.619 (3.041)
Number of observations	461	461

Clustered standard errors in parentheses.

*** $p < 0.01$; ** $p < 0.05$; * $p < 0.1$.

Although the changes in the probability that a corporation will lobby the EU seem small, when put into the context of how many corporations actually employ all three measures of EU lobbying, they are more significant. As mentioned above, just under 13% of the corporations utilize all the means of lobbying the EU. With respect to the small proportion of corporations that fall into this category, smaller changes, such as the 6% decrease in the probability of lobbying the EU seen for changes in access points, are much more substantively significant.

Turning to the control variables, the results are largely similar to Bernhagen and Mitchell's results. The coefficient on sales is significant in the expected

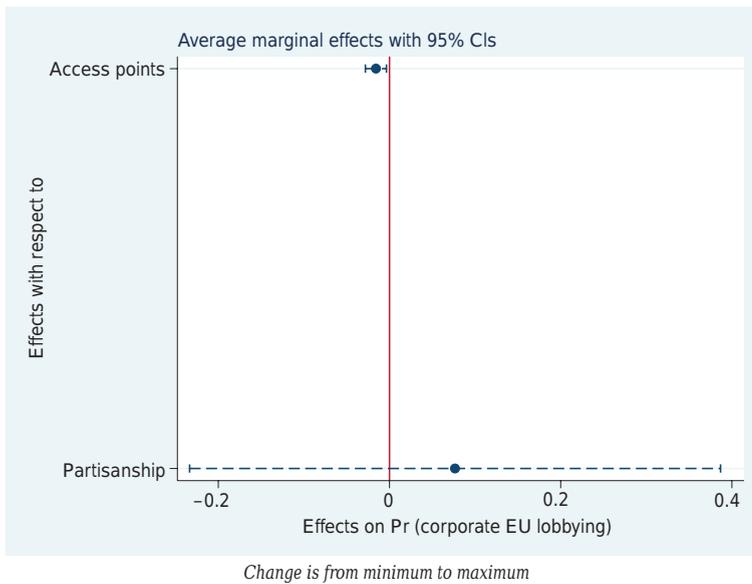


Figure 1: Substantive effect of domestic factors.

direction as found in Bernhagen and Mitchell's analysis. Regulatory exposure was significant in the expected direction when industry-level fixed effects were excluded. These results indicate that larger corporations lobby more and those more exposed to European regulation lobby more. We find, though, that corporatism is associated with more lobbying at the EU level with a change in the level of corporatism in a corporation's home county from the minimum corporatism value to the maximum corporatism value, is expected to result in a 14% increase in the probability that the corporation will lobby EU. This finding is fairly surprising as one might expect that corporatism would lead to cheaper lobbying at home and, thus, less lobbying at the EU level. It is possible that business interests are so ingrained in policy in corporatist countries that corporations have no need to lobby at home, thus freeing up resources at home. Alternatively, individual firms may be unable to lobby at home outside of their peak association, thus forcing them to go to the EU level. Without national-level lobbying data, we cannot resolve this issue, though future research should certainly address it.

Finally, the results of this analysis show that the home state having power at the EU level is expected to increase the probability that a corporation will lobby the EU; the result is statistically significant at the 0.01 level. The magnitude of change that is expected to occur given a shift in a home state's power from the minimum level to the maximum level is a 0.09 increase in the probability that a

corporation will lobby the EU. This means that moving from the least powerful member state to the most powerful will result in a 9% increase in the probability that a corporation will lobby the EU. None of the other control variables are significant except for population in Model 2.

Alternate specifications of the model produced largely similar results, as reported in Table 2. These specifications utilized three different dichotomous variables that reflect the three different components of the lobbying measure. A fourth model used an ordinal dependent variable that reflected how many of the three options the corporation used. As discussed above, we believe it is preferable to only consider a corporation to be actively lobbying the EU if they do all three of the above activities given that some of these activities are relatively low cost. However, as can be seen in the table, our results are largely robust to this choice of dependent variable. Access points remained consistent and significant in the expected direction across all specifications of the model. Partisanship, however, was in the wrong direction in all of these models and even significant once, continuing the inconsistent results for this variable.

6 Discussion and conclusion

Despite the inconsistent result with regards to partisanship, the analyses conducted here suggest some important findings and point to interesting future research. First, the paper finds strong support for the fact that domestic level factors influence lobbying at the EU level, although only if those factors are long term, like the institutional structure of the country. Short-term factors, such as partisanship, were not related to the decision to lobby the EU, perhaps because our measure of lobbying was the decision to invest in long-term connections in the EU. A measure that focused on annual spending (which is not available) may have found the expected partisanship effects.

Second, the paper provides additional strong support for Access Point Theory. The analysis conducted here tested the microfoundations of a theory that has demonstrated the ability to predict policy outcomes but has rarely had its direct causal process tested. Access Point Theory predicts that the more access points there are, the cheaper lobbying will be, so the more lobbying occurs, and the more biased and complex policy will be. Most tests of Access Point Theory connect the number of access points to the policy outcome and ignore the intermediate steps of the causal process. Though it is quite clear that more access points lead to more bias and complexity, it is less clear given the existing evidence whether this is because of the effect of access points on lobbying behavior or because of

Table 2: Alternative model specification.

Independent variable	Model 1	Model 2	Model 3	Model 4
Sales	1.55*** 0.162	1.365*** (0.225)	1.649*** (0.282)	1.471*** (0.137)
Profit	-0.076 (0.047)	0.019 (0.068)	0.007 (0.041)	-0.017 (0.027)
Regulatory exposure	15.757*** (4.437)	9.393*** (2.474)	11.329*** (3.537)	12.951*** (1.800)
Concentration	-2.209 (1.416)	2.094** (1.003)	1.775 (2.426)	0.390 (0.736)
European associations	0.041 (0.167)	0.385** (0.178)	0.289 (0.201)	0.211** (0.099)
Corporatism	1.286*** (0.168)	1.027** (0.414)	1.409*** (0.486)	1.260*** (0.289)
Partisanship	-1.579 (1.033)	-2.988 (1.895)	-1.095 (1.862)	-2.770* (1.518)
Union density	-0.014** (0.006)	-0.010 (0.008)	-0.013 (0.010)	-0.010 (0.007)
EU power	0.548*** (0.092)	0.536* (0.287)	0.638* (0.376)	0.559*** (0.163)
National associations	-0.313*** (0.061)	-0.371** (0.147)	-0.395** (0.158)	-0.363*** (0.100)
Membership length	0.027*** (0.010)	0.033* (0.019)	0.043* (0.023)	0.033** (0.014)
Access points	-0.179*** (0.046)	-0.094 (0.081)	-0.237*** (0.086)	-0.126** (0.055)
Constant	-7.708*** (0.800)	-7.912*** (1.228)	-10.852*** (1.718)	
Number of observations	461	461	461	461

Clustered standard errors in parentheses.

*** $p < 0.01$; ** $p < 0.05$; * $p < 0.1$.

something else. The results here provide strong support for this theory by demonstrating that lobbyists do behave in the ways predicted by the theory.

Third, the paper provides support for the approach of Bernhagen and Mitchell (2009) and other work which argues that the same sort of factors that explain lobbying in the US should also explain lobbying in the EU. The application of research on the structure of lobbying in the US with respect to where corporations choose to invest lobbying resources has provided a useful foundation for examining corporate lobbying in the EU. Although the addition of an alternate, supranational platform for lobbying has changed the ways in which European corporations seek interest representation, the research presented here suggests

that the same factors that explain lobbying at the domestic level also tend to explain lobbying at the supranational level, even when taking into account ease of lobbying at the two levels.

Fourth, the article provides a test of multi-level venue shopping, albeit only indirectly by examining how factors at one level influence choices about venues at the other level. Though the idea dates back over 50 years and has been articulated by leading scholars in the field, it has not been tested much until recently for reasons that Holyoke, Brown, and Henig (2012) describe in detail. One reason is that scholars of American politics have largely ignored “vertical” venue shopping across levels and instead focused on “horizontal” venue shopping at the federal level. This might make sense in the American context, where jurisdictions overlap less often and where the Federal government is much more influential than the state government when they do, it makes less sense in the EU setting, where overlap is more common (even when the EU level has sole competence to make policy, that policy is implemented by national bureaucrats) and where power is more equal between levels. Thus, as the study of EU lobbying has exploded recently, so, too, have studies of vertical venue shopping. This article contributes to this emerging literature by explicitly examining whether lower level costs influence the choice to lobby the higher level. The findings that they do should be generalizable to other federal systems, including the US. While there is less institutional variation between US states than there is between EU members, such variation does exist. The size of the legislatures varies, for instance, as does the strength of the executive relative to the legislature. Both of these influence the number of access points. In addition, thanks to the work of Lowery and Gray, we have extensive data on state level lobbying as well as federal lobbying, making more direct tests of the access point hypothesis possible.²⁴

A further implication of the results concerns the potential policy impact of multilevel lobbying. Firms from low-access point countries are more likely to lobby the Commission and the EP, which suggests that these institutions may be relatively more biased towards those firms’ interests. On the other hand, the theory argues (and the results indirectly suggest) that firms from high-access point countries are more likely to lobby their home governments which might make the Council relatively more biased towards those firms’ interests. Thus, policies where the Commission or EP have relatively more power should favor,

²⁴ Lowery and Gray (1995) first introduce their state interest group density data which have been updated since. See Lowery, Gray, and Cluverius (2013) for a recent use of the data. The data is state level rather than interest level, so it would not be perfect to test the arguments here, but it is better than what we have in the EU.

for instance, German firms while policies where the Council has relatively more power should favor French and British firms. Also, as the EP has gained power at the Council's expense, policy should have begun to favor German firms more over time. Of course, this is only true for policies where firms from different countries have different interests. Where firms have more unified preferences, we would not expect to see these patterns. Future research on, for instance, labor or environmental lobbying in the EU might reveal a similar multi-level process and thus, combined with the analysis conducted here, might help explain relative bias in policy for or against business interests.

Finally, the results of this research suggest a number of avenues for further analysis of EU lobbying. Most importantly, more could be learned if direct measures of national-level lobbying were available, as we could then more directly model the choice of corporations to lobby across different levels and come to a more precise understanding of the causal mechanism involved. Do businesses that lobby at the EU more also lobby domestically more? While it is not obvious why more domestic access points would be associated with less domestic lobbying, until we can see directly whether the trade-off between domestic and EU lobbying is being made, we cannot have complete confidence that Access Point Theory can account for the results presented here.

In addition, future research should examine if these results are generalizable or if they only hold for corporate lobbying. Do labor unions and environmental activists also choose to lobby the EU when the cost of domestic lobbying is higher? Marks and McAdam (1996) provides some reason to believe the results might not generalize at least to the former case, as they suggest that labor unions avoid EU-level lobbying almost entirely since they are so strong at the domestic level. On the other hand, variation in strength at the national level may encourage some domestic labor unions to lobby the EU more than others. In addition, do foreign corporations face similar choices as European corporations? Has the relationship between domestic level costs and EU lobbying become stronger over time as the EU has become more powerful? Answering these and related questions will require the collection of new data. The recent proliferation of data sets on lobbying the EU has already led to a number of new studies on the influence on and influence of EU lobbying which should justify the effort involved in additional data collection. This paper contributes to this literature by pointing to the role of domestic political factors and the costs of lobbying at the national level and by raising new questions about the relationship between national and European lobbying that may serve as a guide for future work on the topic.

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