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CORNELIA WOLL



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# Leading the Dance? Power and Political Resources of Business Lobbyists

CORNELIA WOLL *Centre d'Études et de Recherches Internationales, Sciences Po*

## ABSTRACT

Studies of lobbying try to determine the influence and power of non-governmental actors on public policy. Although influence is very difficult to measure empirically, many continue to push for better research design to solve the problem. Through case studies of business-government relations in the United States and the European Union, this article argues that the difficulties with power and influence concern not only their operationalisation, but they also reflect conceptual confusions. Trying to determine the 'winners' and 'losers' of a policy issue can be misleading, since power also structures apparently harmonious exchange relationships. The perceived success of business lobbying in the cases studied depended on the governments' receptiveness to their demands, which in turn depended on strategic advantages they saw for themselves in international negotiations. Even when business appears to lead the dance, it is more promising to look at resource distribution and the interdependence of both sides, instead of assuming the domination of business power over policy outcomes.

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### *Introduction*

For almost a century, scholars have been interested in the political influence of interest groups (Bentley 1908; Odegard 1928; Schattschneider 1935).[1] The power of private actors and the balance between individual interests and the public good is a central question of democratic theory. Business actors, above all, often seem to win this balancing act in their favour, so that activists and researchers push for a better understanding of interests groups' power (Balanyà et al. 1999; Dür 2005; Greenwood and Jacek 2000; Hertz 2001; Wallach and Sforza 1999).

The return to the question of power in this special issue springs from a frustration with the recent lobbying literature, which seemingly produces case study after case study without indicating anything more systematic about the real impact of groups on public policy (cf. Andersen and Eliassen 1995). Indeed, many researchers say quite explicitly that they avoid talking about power or influence, because it is so difficult to measure (e.g. Bouwen 2002: 366). A response should therefore be to develop better or more ambitious research designs that allow measuring the impact of lobbying on policy outcomes and thus specify the power of groups.

Although power needs to be at the heart of research on lobbying and corporate political activities, this article cautions against simplistic understandings of business-government relationships and hasty conclusions about power and influence. On a theoretical level, the problem with power and influence is not just its operationalisation, but even more, its conceptualization. Scholars who push for a study of interest group power base their ambitions on a behaviourist conception where power is expressed in action and conflict. Joining the more recent literature on power, I argue that power is a relational concept that is more subtle and diffuse. It is misleading to conceive of politics as a game, where clear winners and losers could be identified (Salisbury 1994), if we only had the necessary information about their preferences.

I illustrate these contentions with three case studies of business lobbying in the United States and the European Union. I examine lobbying on the issue of international trade liberalization in financial services in the United States, and telecommunication services and international air transport services in the European Union. The three cases exemplify apparently different business-government power constellations. The lobbying of American financial service firms for a General Agreement on Trade in Services (GATS) is often cited as a proof of business power, a case where big financial companies got exactly what they wanted (Arkell 1994; Sell 2000; Wesselius 2001; Wesselius 2002). Telecommunication liberalization, in turn, seems like a case of lobbying failure. The actual telecommunication service providers, especially in Europe, should have protected their home markets and must have lost against the lobbying of user companies. Air transport, is a mixed case, where the political initiatives came from both the European Commission and the European airlines, which then developed a mutually beneficial working relationship.

A closer examination shows, however, that in all three cases similar forces were at work. Even when firm preferences were effectively reflected in the policy output, the impact of business depended on the interest government had in letting business play its role. In the international negotiation context, governments encouraged business activities when they saw a strategic advantage in cooperation. The apparent lobbying success is therefore not an indication of 'power', in the sense of victory in a business-government conflict, but of the convergence of business and government objectives.

The analysis leads to two more general conclusions. First, business is not all-powerful, as some observers seem to indicate, because its influence depends on the receptiveness of the government it interacts with. Yet, harmonious decision-making does not mean that power is not an issue. On the contrary, a second conclusion is that power is one of the bases of successful exchange relationships. Power is omnipresent in business-government exchanges, but often too subtle to measure across cases. However, we can be certain that those actors that cannot even enter into an exchange relationship are powerless. The article therefore encourages research on lobbying that continues to study systematically elements of power such as resources and access, instead of trying to work on power or influence directly.

The first section defines the notion of power and clarifies why previous studies have found working with the concepts difficult. It then turns to the related categories of 'influence' and 'resources', shows how they are articulated, and argues that research focusing on resource distribution allows one to go beyond a behaviourist understanding of power. A second section presents the three case studies that illustrate business-government relations where lobbyists are either powerful, weak or on equal footing with government representatives. A third section discusses business-government relations and shows the interdependencies that characterize all of them. The conclusion summarizes lessons for future research.

## *Power in the study of business lobbying*

As Dür and De Bièvre underline in their introduction to this special issue, studying the power of groups has a long tradition in political science research. The community power and pluralism approaches revealed many unresolved questions about power and influence, which eventually led to the decline of the group approach. Yet the question goes to the heart of democratic theory. Scholars therefore kept returning to the search for systematic evidence of the power distribution between societal and governmental actors. In one of the most complete reviews of the lobbying literature, Baumgartner and Leech (1998: 37) underline that the study of power and influence remains a great area of confusion. After a series of efforts in the 1950s and 1960s,

> they eventually gave up in the wake of vituperative and inconclusive debates. Rather than learn from this experience, after a brief lull when fewer lobbying studies were done, scholars have returned to the same doomed research idea. Many recent studies have been designed around the false premise that we can

observe the actions of influence and power. There is little reason to organize a project on the chimerical promise of measuring the unmeasurable.

What is it about power and influence that is so difficult to study?

### *Power*

In the following discussion, I will use Weber's (1922 [2005]: 38) definition of power as 'the opportunity to impose one's will in a social relationship, even against resistance, without consideration to what this opportunity rests on.'[2] Focusing on the elements of conflict and the exercise of power has become central to later works on power and is taken up in Dahl's (1957: 202) definition 'A has power over B to the extent that he can get B to do something that B would not otherwise do.' For the behaviourists working in this tradition, studying power thus meant understanding who prevails in conflicts related to decision-making.

This conception was subsequently critiqued from many different angles for being incomplete. Elitists drew attention to the fact that power does not only affect decision-making, but also the activities that precede decision-making (Bachrach and Baratz 1963). To these two forms of power exercise, Lukes (1974) added a third one, where conflict was not really manifest: latent conflicts of interest. However, all three conceptualizations rely on the exercise of power.

A different perspective concentrates not on the exercise of power, but on the control over resources (cf. Hart 1976). Whether power is observed in open or latent conflict or in material resources, all these conceptions use power as a causal explanation for policy outcomes.

In contrast to this material resource perspective, Walter Korpi (1985) proposes a power resources approach that goes beyond power as a causal explanation for outcomes. Instead, he assumes that actors play strategic games and make interdependent choices based on how they perceive the resources of their counterparts. Power resources are therefore part of an intentional explanation of action which, in turn, helps to explain policy outcomes; however, they do not cause a given outcome.[3] His model draws attention to two facts that are of interest for the study of lobbying. First, intentional actors are likely to develop long-term strategies and indirect strategies, designed to increase the effectiveness of their resources (Korpi 1985: 35). Second, the interdependence of choices and the distribution of power resources influence the extent to which rational actors will allow conflict of interests between them to generate manifest conflicts. For Korpi, power resources can be both positive (rewards) or negative (pressure). Whenever possible, actors may have an interest in using positive resources for their interactions, according to table 1 (Korpi

Table 1. Exchange and conflict in the power resource approach

| | | type of power resource used by B | |
|---|---|---|---|
| | | reward | pressure |
| type of power resource used by A | reward | exchange | exploitation |
| | pressure | exploitation | conflict |

1985: 35). Exchange is thus not the antithesis of power (contrary to Blau 1964); power structures exchange as well as conflict.

To summarize, firstly, power is invisible, except if one assumes that power equals material resources. Second, power determines the resolution of conflicts and affects policy-making in settings that do not develop into an open conflict. Third, power is revealed in policy outcomes only if we can trace the conflicts of interest involved on a particular issue. This, in turn, is extremely difficult if one accepts that conflicts of interests can also be latent. In other words, even Weber's precise definition does not help us to develop an empirical research design. One can choose to work with simplistic assumptions in the behaviourist tradition where power is expressed in conflict or material resource distribution. If we seek to work on all forms of power, however, we will encounter difficulties in comparing systematically across a variety of cases.

### *Influence, resources and access*

Many researchers therefore choose to work on elements of power, most notably influence and the use of resources. Of the two, influence seems closest to power, because it refers to the activity of producing change on a given issue (see Dür and De Bièvre in this issue). Hence, it can be seen as the equivalent to a narrow definition of power, namely one focused on the exercise of power and its causal effect on policy outcomes.

Reducing the scope of inquiry in this way might already be helpful, even if it is still difficult to measure the precise impact of one actor on a political phenomenon, because one would need to know what would have happened without the participation of that actor. Only knowing that the policy outcome corresponded to the preferences of the actor in question does not help, even if the actor is powerful, because influence requires a causal link. If the American president wants it to rain the next morning and it actually does, we have not proven that he has actually influenced the weather. Still, scholars have advanced on developing theoretical 'signalling models' that specify under which conditions lobbyists might be successful if they have control of certain resources (e.g. Ainsworth 1993; Austen-Smith 1993).

Working on the resources on which power is based is more promising, because resources are actually visible. Even though resources are not equivalent to power, the distribution of resources, as well as the demand for and the supply of particular resources, give important insights in the interactions that are or are not possible between governments and societal actors. Consider, for example, the application of Korpi's (1985) grid to the study of business-government relations in Table 2.

Various types of resources create specific types of interactions, which are stable to different degrees. Furthermore, if we understand the resources used in interactions, we can learn more about their effects and whether other actors can employ the same resources, which reduces the dependence of the government on one particular actor and therefore the power of that actor over the government (see Emerson 1962).

Table 2. The power resource approach applied to business–government relations

| | | business actors | |
|---|---|---|---|
| | | reward | pressure |
| government | reward | exchange | pressure lobying |
| | pressure | instrumentalisation | conflict |

Such studies of exchange relations and positive resources have been popular in recent EU lobbying studies. Broscheid and Coen (2003) have examined the incentives governments use to control information supplied by lobbyists and Bouwen (2002, 2004a, b) has surveyed what types of resources can be employed by business actors in order to obtain 'access' supplied by the government. This research direction has proven quite successful in revealing certain biases of the EU's institutional arrangement and further studies have examined the choice of resources available to lobbyists and the relations that can develop as a consequence (Beyers 2002, 2004; Bouwen and McCown forthcoming; Mahoney 2004). Moreover, the study of access as a particular type of government reward has helped the lobbying literature to move beyond conceptualizing business-government interactions as an exchange of votes and money for regulation (see Posner 1974; see Stigler 1971).

### *Studying power in business-government relations*

The behaviourist approach to power and the power resource approach focused on intentional action provide very different frameworks for empirical research on business-government relations. According to the behaviourist approach, we would need to find out the preferences of all actors involved, study the conflict over decision-making and then determine the winners and losers of the policy-decision. According to the power resource approach, we should study the relevant resources available to the actors involved and understand their strategic interaction based on the perception and anticipation of these resources.

Studying preferences of firms on trade policy has a long tradition in international political economy (Frieden 1999); however, very few studies have actually surveyed preferences empirically (but see Bauer, Pool and Dexter 1972 (1963)). Since researchers generally have the ambition to determine the firms' 'real' interest, they prefer looking at material conditions and calculate the costs and benefits of a trade decision on the individual business actors. A series of sophisticated models have been developed to specify when business will support or not support trade liberalization (Alt et al. 1996; Milner and Yoffie 1989; Rogowski 1989). For American and European firms, the most relevant hypothesis suggests that import-competing firms will lobby for protectionism, while exporters support trade liberalization in order to gain access to foreign markets (see Alt and Alesina 1996; see Alt and Gilligan 1994). If we can find cases where business representatives lobbied actively into either one direction and if we can establish a causal link between their lobbying and the policy outcome, we can therefore conclude that firms were powerful policy actors.

Alternatively, studying resources and interdependent strategies requires understanding the goods that business and government supply or demand and the instruments with which they exert pressure. Resources that are typically used by lobbyists include financial resources, social capital, legal or technical expertise or other information that might be useful to policy-makers as well as media campaigns focused on public opinion. Governments, in turn, have control over legislation. They can offer access or ignore lobbyists in the consultation process and ultimately create legislation that benefits firms or inflicts costs on them.

It is furthermore important to consider indirect strategies that aim at prudent management of power resources. In particular, we should expect actors to avoid conflict and to accept present sacrifices in ways that can increase future benefits. In research on business lobbying such decisions – which seemingly defy short term profit-seeking behaviour – have been labelled 'investment in political capital' (e.g. Yoffie and Bergenstein 1985). We should expect business actors with power resources to enter into interactions with governments and to try and maintain good relations over time. By contrast, actors with few resources are less sure to reap benefits from long-term interactions and should tend to withdraw from interactions when there is no immediate issue at stake.

*Three cases of business-government relations: power, cooperation and weakness?*

The two frameworks help to analyze who leads the dance in business government relations. In the following, the article compares three cases: lobbying of American financial service firms, European airlines and European telecommunication providers on the issue of international liberalization of their sectors.[4] A third section then turns to the elements highlighted above and analyzes the contributions of the two perspectives. Since I am concentrating on business-government relationships, I focus on the dominant business community that decided to lobby on behalf of its sector and on its most influential activities. Internal conflicts within each community did happen, but did not result in explicit counter-lobbying, so I only indicate them in passing.

*US financial service firms and the GATS*

Financial service firms in the US played a decisive role in bringing about a strong US proposal for a General Agreement on the Trade of Services (GATS) (Arkell 1994; Hoekman and Kostecki 2001: 250; Sell 2000). For large US financial companies, trade in services became an issue in the late 1970s, when they realized that they had difficulties in establishing international banking networks. American International Group (AIG), American Express and Citibank eventually started working together and got in touch with the US government to discuss the issue (Freeman 1996). In the preparation of the Uruguay Round of the GATT, the US government and USTR in particular were enthusiastic about the idea of broadening the GATT framework and started working towards a US position on trade in services. (Drake and Nicolaïdis 1992; Feketekuty 1988). For their part, AIG, American Express and CitiCorp founded the Coalition of Service Industries in 1982 to continue lobbying on the issue.

The coalition of multinational companies and US government officials benefited from early discussion in the OECD and among economists and contributed to redefining the stakes in terms of trade, which helped to make the demands more pressing both internally and externally (Drake and Nicolaïdis 1992: 46). Even though the coalition of US firms was originally only from the financial sector and parts of the professional services sector, their ambition was from very early on to achieve a more global agreement on services. Financial services, consulting, advertising, data processing, telecommunications and transport were all relevant services to their international operations, so they lobbied both for the benefits of their own service expansion and as user companies of other services. In a variety of multinational business associations, American firms urged their foreign counterparts to take up the cause.

The lobbying contributed to the diffusion of ideas on service exchanges and helped to unify the position of American business on the issue (Wesselius 2001, 2002). Large companies from all sectors of the economy started conceiving of themselves as user companies of services. Especially in the early period, where the stakes were identified, business interests played a decisive role. Starting in 1982 services were taken up in the GATT meetings as a new trade matter, and became an issue of multilateral negotiations beginning in 1986 with the launching of the Uruguay Round. The GATS, one of the Marrakech agreements of the Uruguay Round in 1994, eventually brought service exchanges under the same trade regime as the exchange of goods under the GATT, now administered by the World Trade Organization (WTO). The GATS agreement thus seems to be a clear example of business power over policy outcomes.

### *European airlines and transatlantic liberalization*

European airlines traditionally had very privileged relationships with their national governments, but turned towards working with the European Commission in order to achieve further liberalization of international air transport. International aviation was traditionally regulated through an extensive network of bilateral agreements. In the mid-1990s, the US government set out unilaterally to achieve a certain degree of liberalization through less restrictive bilaterals, called open-sky agreements. Despite the benefits of the open sky agreements, the European airlines felt that they were tailored to the advantage of US airlines and became interested in a more comprehensive reform of global aviation markets.

At about the same time, the EU liberalized the internal aviation market through three packages between 1987 and 1992, effective in 1997 (Holmes and McGowan 1997; O'Reilly and Stone Sweet 1998). By April of that year, all former monopoly or 'flag' carriers had turned into licensed community airlines that were granted right of establishment anywhere within the European aviation area. Bilateral agreements, however, continue to restrict traffic rights to nationals, so that they effectively precluded a completion of the internal market, much to the dismay of the European Commission.

When the Commission started consultations on external aviation, European airlines saw their opportunity. After some initial discussion within the EU, the Association of European Airlines (AEA) (1995, 1999) proposed a plan for a so-called Transatlantic Common Aviation Area (TCAA). The European Commission enthusiastically supported the AEA project and made it its own policy objective for international aviation relations. Despite the lack of formal competences on hard traffic rights, an EU delegation nonetheless went to Washington, D.C. in December 1999 and proposed the TCAA to the US government and its major airlines on behalf of the Member States. Still, the Commission had not yet been granted negotiating rights on external negotiations. Through the support of European airlines and a combination of legal strategies and persuasion, the Commission eventually succeeded in obtaining a negotiating mandate for a transatlantic aviation agreement on a revised proposition (Moselle et al. 2002) in June 2003. Although they complained about not being consulted as closely as they were by their national governments, all EU carriers saluted the project, even the smaller ones that might be 'consolidated away' in the process of liberalization.[5] The current EU negotiations on an open aviation area with the US were thus born out of cooperation between the EU Commission and European airlines.

### *European operators and the WTO's basic telecommunication agreement*

Few observers would have expected European telecommunication operators to be as enthusiastic about multilateral liberalization as financial service companies or European airlines. Trade liberalization in telecommunication services was the goal of sectoral negotiations under the GATS, which started in May 1994 (Cowhey and Richards 2000; Petrazzini, 1996; Sherman 1998). The GATS and the desire to liberalize telecommunication services was pushed for by user companies, such as the International Telecommunications User Group (INTUG) or the United States Council for International Business (USCIB), in order to drive the costs of their international operations down (McKendrick 2000; Weiss 2000). This directly concerned the profits of European network operators. However, out of refusal or lack of interest, EU network operators largely ignored WTO telecom talks in the early 1990s. While American firms such as AT&T or Sprint had been travelling to Geneva regularly, the European Commission's negotiating team found European network operators largely unresponsive.

Internally, the WTO talks run parallel to EU efforts towards the liberalization of national telecom markets. Proposed by the Commission since 1987, the EU liberalization project finally gained momentum in 1993 and 1994. In 1996, the Council adopted a green paper which provided the basis for full liberalization of the infrastructure by January 1st, 1998 (Holmes and Young 2002; Sandholtz 1998; Schmidt 1998; Thatcher 2001).

The initial phase of inactivity was followed by active support for multilateral liberalization. By 1996, EU member countries had agreed on a deadline for its internal liberalization process. Knowing that their home markets would be liberalized within the EU by 1998, several large EU operators decided to rally behind the WTO project. Most European operators became aware that the WTO would become crucial to telecom affairs in Europe. The general support of liberalization then translated into a concerted effort undertaken by the European Telecommunication Network Operators' association (ETNO) to advance on the issue of multilateral liberalization.

After an extension of the original deadline of negotiation in April 1996, a second and more important round of talks continued until February 1997. The result of these negotiations, the Basic Telecommunications Agreement and a reference paper on regulatory provisions was finally adopted and entered into force on February 5, 1998. Despite the support of European network operators, they did not drive the process. Many company representatives evoke the image of a moving train that would have advanced without them had they decided to ignore or lobby against liberalization.

### *Conflict of interests and resource interdependencies*

The three service cases illustrate very different types of business-government relations. On financial services, the policy initiative was in the hands of the corporate lobbyists who pushed for a project which was eventually implemented. At first glance, one might say that business was powerful and government was, at best, complacent. In international air transport, the European Commission and European airlines shared the policy initiative and developed a working relationship that clearly helped both to advance their strategic interests. The case therefore resembles a symbiosis of two equally powerful actors. European telecommunication providers, appear to be particularly uninterested in the liberalization of their sectors and engage in the policy process only after their negotiating government, the European Commission, has already well advanced on the issue. Are the three cases examples of business power, business-government cooperation and government power, respectively? To answer this question, this section re-examines the cases with the help of the behaviourist approach focused on conflicts of interests and the power resource approach interested in interactive strategies.

#### *Winners and losers: tracing preferences and outcomes*

Let us begin with the behaviourist approach: how do business and government preferences compare with outcomes? In both financial services and air transport, policy decisions seem to correspond to firm preferences. Large financial service companies in the US underline the costs of doing operations abroad in the 1970s and the benefits they hoped to gain from a trade agreement that granted them foreign market access. It is also true that AIG, American Express and CitiCorp were very engaged in international operations, which should lead us to expect that they support trade liberalization (Milner 1988). Given the impressive lobbying effort of about 400 firm representatives at the close of the Uruguay Round (Wesselius 2002: 6) and the correspondence of policy outcome and lobbying demands, we can thus suspect that financial service firms have had a significant influence on the outcome of negotiations. Moreover, even insiders venture to imagine the counterfactual case and suggest that business lobbying had a causal effect. According to David Hartridge (Wesselius 2001: 2), former director of the WTO Service Division, 'without the enormous pressure generated by the American financial services sector, particularly companies like American Express and CitiCorp, there would have been no service agreement.'

Similarly, European airlines had a clear preference for further liberalization. Under the status quo, they felt disadvantaged compared to their US competitors. All members of the association AEA were flag carriers with often considerable international operations, so it is no surprise that they were supportive of a more advantageous international architecture. Since the Commission had a strategic interest in expanding its external competences, it immediately integrated AEA's written policy statements into its portfolio. In the two cases, we can therefore acknowledge the influence of business actors on government policy or decisions.

The role of European telecommunication operators is more difficult to analyze. European network operators all maintained assets that are not mobile – the local networks – which meant that their profits on local networks would decrease once their monopoly status was lost. Indeed, a closer examination shows that their support for multilateral liberalization resulted from their experiences with domestic deregulation. Operators of countries that had deregulated their domestic network early on, like the UK or Sweden were enthusiastic about liberalization, while Southern countries tended to be more hesitant. European network operators were not necessarily international players. However, since European liberalization opened up local markets anyway, firms started to reconsider their interest. Several of the big European operators had started investing abroad in the 1990s and the enthusiasm of the internet bubble years seemingly launched a competition for world market shares. Assuring market access through a multilateral agreement therefore corresponded to the expansive business strategy of these large operators, even though the tight connection between the more reserved governments and the business oriented executive boards sometimes made the company stances more ambiguous.[6] By considering merely the economic context, it is difficult to determine where the 'real' interests of European operators lay. Certainly, they did not want to lose their local dominance, but it is plausible that some also became interested in opportunities abroad. In either case, it is problematic to argue that they were influential, even if most companies proclaim having been in support of liberalization. But what kind of power can we ascribe to them? If one was trying to detect a latent conflict of interests, it seems that they did lose out to user lobbies pressing for liberalization. Or should we rely on their proclaimed turn towards liberalization and assume that they were winners after all?

### *Interactive strategies and resources*

If we consider power distribution according to the intentional approach to power resource management, we obtain a slightly different understanding of the three cases. In all three cases, we can observe power resources being activated on both sides, even though the nature of the business-government interactions in financial services and air transport is different from the interaction in telecommunications.

#### *Financial services*

The resources financial service firms employed in order to lobby for a service trade agreement consisted of considerable financial investment and legal and technical expertise. Private companies were able to employ a large number of experts and consultants that supplemented the work of government representatives. The companies most involved in the negotiations even met with representatives of foreign governments, making service trade one of the rare issues of triangular diplomacy (Stopford and Strange 1991).[7] In a classic economic model of interest groups, such effort and expenses should be expected if they enable the company to increase its profits accordingly. However, several authors have noted that the concrete effects of such an agreement on the day-to-day operations of the firms were rather difficult to evaluate. Yoffie and Bergenstein (1985) suggest that American Express built political capital by 'developing an issue which had broad political appeal and fit into the agendas of key politicians' even though the significance of the issue for American Express' business operations was not certain. The period between the moment these companies decided to lobby on the issue and the moment the service agreement was finally signed spanned almost 15 years – an eternity in business affairs. Short-term profit seeking cannot help us to explain the companies' strategies. Instead, they are based on speculations about long-term benefits.

The cooperation between USTR and US financial companies could be maintained because the two parties' interests corresponded: the US wanted to draw up a strong proposal to negotiate multilaterally and US financial companies wanted to have a say on the future of service exchanges. The fact that this cooperation was maintained for such a long time in the 1980 and the early 1990s, however, was due to the fact that business constantly activated resources that were valuable to the government. In addition to financial, legal and technical expertise, the support of service firms also gave USTR the legitimacy to push for a new service agreement in exchange for concessions on agriculture. The US government, in turn, offered the companies access. This form of exchange based on mutual benefits evolved harmoniously. Conflict could be avoided, which highlights that both business and government had important power resources at their disposal.

*Air transport*

Business-government relations on international air transport in the EU were equally marked by the mutually beneficial exchange of rewards. European flag carriers already maintained privileged relationships with their national governments but decided to turn to the European Commission to advance on an ambitious proposal. The Commission, in turn, was highly interested in working with the airlines, because their project allowed the Commission to increase its own competences on aviation (Woll 2006). In other words, the airlines brought legitimacy to the EU aviation proposal and offered valuable political capital, because they were able to persuade their national governments to consider the Commission proposal.

Still, the exchange relationship between the airlines and the Commission risked several times to turn into manifest conflict, which illustrates that the power resources activated were less reliable than in the case of business-government relations on financial services. The Commission, in particular, tried to pressure the Member States into granting it an external negotiation mandate through the means of legal strategies. Following the ruling of the European Court of Justice on 5 November 2002, the Commission called upon the Member States to stop flight operations under the open sky agreements. This would have incurred immense costs on the airlines, which were outraged by the Commission's way of proceeding. The EU Transport Commissioner Loyola di Palacio therefore met privately with the European airlines to assure them that this statement was just a matter of political rhetoric directed at the Member States and not at the airlines' operations.[8]

The shift to open conflict, albeit minimal, shows that the cooperation between the Commission and the airlines rested on power resources that were less reliable than in the financial service case. Especially the Commission was lacking resources in the beginning, because Member States had the final say over EU legislation. For European airlines, government partners are to a certain degree exchangeable; they depend less on the Commission than American firms depend on the US government. As a consequence, relations were less stable between the Commission and the European carriers than in the previous case.

*Telecommunication services*

Business-government relations in the EU on multilateral telecommunication liberalization also indicate that both sides had power resources at their disposal. Still, the interaction was slightly less balanced. In the course of internal liberalization, the Commission had sought out the direct advice and support of the operators and associated them through a high level expert committee around Telecom Commissioner Martin Bangemann (European Commission 2001: 16). In the course of this cooperation, many network operators embraced the idea of liberalization, to a point where they even met with their national governments to defend the idea. France Télécom, for example, initially reserved about EU liberalization, eventually embraced it and was later even more supportive than parts of the French government (Fairbrass 2003). This kind of support was valuable for EU liberalization, but the Commission needed it somewhat less during WTO negotiations, because the principle of liberalization had already been agreed upon. The Commission still sought to negotiate with the backing of the European operators and tried to involve them in the decision-making, but overall, the contact between European companies and the EU delegation seems to have been less intense than the cooperation between US companies and the USTR.

However, in the second round of the negotiation, business and government representatives from both sides judged their working relationship as successful. Nonetheless, the interest and lobbying of EU operators did not go beyond a general support for liberalization. For many smaller operators, the only lobbying activity, if there was any, was their participation in the WTO working group of their European association ETNO. However, the working relationship between ETNO and the European Commission allowed the latter to claim that it was negotiating in the interest of European operators. Inversely, even operators that were against the project of liberalization could hope to participate on some of the details by maintaining relations with the European Commission.

Overall, the Commission was in the drivers' seat. Telecommunication operators were sufficiently powerful to maintain relations with the Commission, but in the process of negotiations they were pressured to adapt crucial aspects of their operations.

### *Lessons from each approach*

The behaviourist approach draws our attention to preferences and outcomes and helps us to analyze the influence that business representatives had in the financial services and air transport cases. However, the approach is less useful when the actors' interests cannot be determined precisely. In telecommunications, the evolution of business preferences over the course of EU liberalization make it hard to understand what exactly happened during the WTO negotiations. Were European operators indeed overpowered by user group lobbying? Did they only proclaim supporting liberalization in order not to lose face? Or did they truly support liberalization and should be counted as the winners of this policy issue? These questions illustrate that the behaviourist approach works best when we have clearly defined preferences and when we can connect the actor's individual preferences with outcomes. Such clear preferences are most evident when conflict arises and actors have to fight for their respective advantages. In harmonious exchange relationships, however, we can only deduce preferences from theory or trace them qualitatively (Frieden 1999). As the telecommunications case proves, this can sometimes be of limited use. More generally speaking, the behaviourist approach tends to turn a blind eye to power struggles that are not manifest conflicts and sometimes requires heroic assumptions about individual preferences in cases where relations are harmonious.

The resource approach highlights that in all three business-government relationships actors had power resources at their disposal. A first conclusion is therefore that all business actors and governments studied were powerful because they were able to maintain relations over a long period. However, business-government relations in the US on financial service liberalization were the most stable and least marked by open conflict. Especially the US government's power resources were more effective than the European Commission's resources in the second case. Despite the successful working relationship between the Commission and the European airlines, the exchange sometimes risked developing into conflict. Since we know that actors try to avoid open conflict (Korpi 1985: 37–8), this swaying is an indication of the fragility of actors' power resources. In telecommunications, finally, the Commission is in a more dominant position than the European operators and even exerts pressure on them.

In a second conclusion, we can therefore return to Table 2 to classify the three types of relations. US financial services are a clear case of exchange: financial service firms offered financial, legal and technical support, which the US negotiating team much needed in order to advance its other goals in the Uruguay Round negotiations. The US government, in turn, worked closely with the firms and pushed continuously for the agreement developed in cooperation with them. In EU air transport, the exchange was similar, but airlines simultaneously sided with national governments and the European Commission. The legitimacy that the European Commission had to gain from working with the carriers could thus be withdrawn at any time, which gave the airlines a means to exert pressure. The Commission, in turn, seized the European Court of Justice and threatened to inflict costs on European carriers. Both players credibly threatened negative rewards, which explains why the interaction sometimes risked developing into conflict. Finally, the exchange relationship in EU telecommunications is also an exchange relationship, but moves towards the lower quadrant of instrumentalisation. The EU negotiating team did not need the network operators' support as much during the WTO negotiations, because Member States had already agreed to internal liberalization. The companies' support certainly increased their legitimacy as community negotiator, but the pressure from the firms was not sufficient to affect the content of negotiations in their favour.

The behaviourist approach draws attention to preferences and outcomes, while the power resource approach concentrates on resources and interactive strategies. As frameworks for empirical investigations, the two might well be considered complementary. Studying preferences and outcomes remains important for anyone interested in influence, even

TABLE 3. Classifying the three cases

| | | business | |
|---|---|---|---|
| | | reward | pressure |
| government | Reward | Exchange<br>US financial services<br>EU telecom services<br>EU air transport | Pressure lobbying |
| | Pressure | Instrumentalisation | Conflict |

though influence can only be established for certain through case studies. Studying power resources, in turn, permits one to study the logic of business-government interactions and to evaluate the potential effects of a particular resource and the stability of the relationship in question.

## *Conclusion*

Studying power not only poses problems once one tries to measure power, it also requires making simplistic assumption in the conceptualization of power. Through the case studies of business lobbying in the US and the EU, the paper has tried to show that power can be quite ambiguous and structure apparently harmonious exchange relations as well as open conflict.

By applying Korpi's power resource approach to business-government relations, the paper has tried to analyze the type of relations firms and government representatives maintained in the three cases. As long-term strategies, exchange and conflict are more stable than instrumentalisation or pressure lobbying. Studying resources can therefore be helpful if one wants to understand the evolution of business-government relations over time.

For anybody interested in concrete influence, historical narratives and process tracing remain the most useful techniques, even if their limited generalisability might be frustrating. Studies on lobbying will never be disconnected from the question of influence, but they need to be carried out in a context-specific way in order to help our understanding about a particular policy development. After all, we rarely try to find out who the most influential member of a parliament might be; we are much more interested in the influence of individual members on a particular bill. The same holds true for interest groups. It is extremely relevant to know that trade groups in Schattscheider's (1935) study dictated the wording of a bill, but the conclusions of a case study should not be taken out of context.

Normatively speaking, even stable relationships can be considered problematic when only privileged actors are able to enter into them. If business actors have the necessary resources to maintain stable exchange relationships, but consumers or other non-governmental organization do not, we can start talking about different degrees of political power between business actors and other societal groups. The most pressing research questions on the power of business lobbyists relate to the effects of institutional frameworks for the distribution of political resources. Resource asymmetries and the uneven political participation opportunities that can result from them are at the heart of democratic theory and should not be ignored due to methodological obstacles. Combining the study of preference distribution and outcomes with insights on anticipative behaviour based on resource distribution can help to overcome some of the limitations of both approaches.

## NOTES

1. Earlier versions of this paper have been presented at the meetings of this research group in Vienna and Budapest and at a seminar of the *Pôle d'action publique* at CEVIPOF, Sciences Po, Paris. I would like to thank the organizers and the participants for their detailed feedback and helpful discussion, in particular Richard Rose, Frank Vibert, Pierre Muller and the contributors to this special issue.
2. Author's translation of the original German 'Macht bedeutet jede Chance, innerhalb einer sozialen Beziehung den eigenen Willen *auch* [my italics] gegen Widerstreben durchzusetzen, gleichviel worauf diese Chance beruht.' In the English translation, this definition has previously been shortened to power as 'the probability that one actor within a social relationship will be in a position to carry out his own will despite resistance, regardless of the basis on which this probability rests' (Weber 1947: 152; see also Korpi 1985).
3. In some aspects, Korpi's intentional explanation resembles Michel Foucault's treatment, for whom power is carried in the everyday practices of human interactions. Power is manifested as people anticipate each other's use of resources, in particular specialized knowledge. Arguably, however, the interactions based on the anticipated use of resources in Foucault's writing are even less intentional than in Korpi's account (see Foucault 1980) .
4. The case studies are based on 74 semi-directive interviews with business and government representatives in the US and the EU. For a more detailed discussion, see Woll (2004) .
5. KLM, for example, now under the control of Air France, was one of the earliest supporters and founding fathers of the idea for reform. TAP Portugal also explicitly promoted international deregulation.
6. With large investments in Latin America, the Spanish operator Telefónica, for example, supported WTO liberalization through ETNO and at home. As part of its board of executives, the Spanish government, however, was reserved until the end of negotiations and it is uncertain what the official stance of the company really was (see Niemann 2004).
7. Interview with a US business representative on 8 April 2003 in Washington D.C.
8. Interview with the representative of a European flag carrier, December 5, 2002.

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CORNELIA WOLL
*Centre d'Etudes et de Recherches Internationales (CERI-Sciences Po)*
*56 rue Jacob*
*75006 Paris, France*
*e-mail: woll@ceri-sciences-po.org*