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Information, Lobbying and the Legislative Process in the European Union

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ABSTRACT

This article presents spatial models of policy-making in the European Union and focuses on interest group lobbying. It analyzes the two principal legislative procedures: consultation and codecision. Lobbying is modeled as a game of strategic information transmission from an informed lobbyist to uninformed policy makers. The theory characterizes sets of proposals that can be adopted under both procedures and determines the proposers' optimal proposal strategies. It analyzes the lobbyist's lobbying strategies at the proposal and vote stages, and studies policy makers' voting strategies. The article's principal conclusions are that at the proposal stage it is optimal for the lobbyist to lobby a policy maker with preferences close to her own, whereas at the vote stage it is optimal for her to lobby the pivotal policy maker.

KEY WORDS

- European Union
- legislative procedures
- lobbying
- agenda setting
- information transmission

Introduction

The institutions of the European Union (EU) play an increasingly important role in European political and economic life. Not surprisingly, interest groups have reacted to this evolution by establishing offices in Brussels and developing EU-level lobbying strategies. The number of lobbyists active in Brussels has been growing steadily (see, for example, Mazey and Richardson, 1994; Pedler and Van Schendelen, 1994; and Van Schendelen, 1993). The ever more prominent role of EU institutions has also given rise to a substantial literature on EU institutions and on the EU legislative process. It includes theoretical analyses of the EU's principal legislative procedures, amongst others by Crombez (1996, 1997), Moser (1996), Schneider (1995), Steunenberg (1994) and Tsebelis (1994).

Surprisingly, theoretical studies of policy-making in the EU have so far ignored the role of interest groups and lobbyists in the legislative process. Nonetheless, interest groups have received considerable attention in the political economics literature. This paper is a first attempt at introducing interest groups in formal models of EU policy-making.

There are different types of models of interest groups in the literature (see Austen-Smith, 1997, and Van Winden, 1999, for an overview of theoretical models of interest group lobbying). In some models interest groups compete for goods supplied by politicians or bureaucrats. In other models, interest groups offer campaign contributions to politicians in exchange for services. In a third set of models politicians maximize a weighted sum of the utilities of different interest groups. A fourth set of models focuses on the informational role of interest groups (see, for example, Baron, 1989; Becker, 1983; Grossman and Helpman, 1994; and Potters and Van Winden, 1992). Interest groups are generally better informed on issues that affect them than policy makers are. They can thus play a role in the policy process by transmitting their private information to the relevant policy makers. The concerns of the interest groups are rarely identical to the policy makers' concerns, however. As a result, privately informed interest groups have incentives to behave strategically when transmitting information to policy makers.

This paper belongs to the last set of models. It builds on models of strategic information transmission by Crawford and Sobel (1982), Gilligan and Krehbiel (1987) and especially Austen-Smith (1993). It studies interest groups' opportunities for strategic information transmission under consultation and codecision. The model is spatial. Spatial models focus on the issues that characterize politics. Each issue is thought of as corresponding to a dimension in a policy space. Policies and positions are then represented by points in the policy space. This model studies how the different steps in the legislative process affect EU policy on an issue and more specifically, how interest groups

can influence that policy by transmitting their private information on the effects of policies to policy makers.

The paper is organized as follows. The next section presents the model. The following sections analyze the results under consultation and codecision. I discuss two examples in the penultimate section and formulate conclusions in the last section. In the model an interest group has two opportunities to influence policy. First, it can lobby a policy maker when the EU is preparing to formulate a legislative proposal on an issue. Second, it can approach a policy maker when the EU is about to vote on the proposal. The principal conclusions of the paper are the following. When a proposal is being prepared, it is optimal for an interest group to lobby an 'advocate,' a policy maker with preferences close to its own. Later on in the policy process, when the EU is preparing to vote on the proposal, however, lobbying the pivotal policy maker is optimal.

The model

I present a spatial model of EU policy-making focusing on informational asymmetries and interest group lobbying. The modeling of EU policy-making is similar to Crombez (1996, 2001), whereas the modeling of lobbying and information transmission is essentially an application of the model introduced by Austen-Smith (1993). The principal difference from Austen-Smith (1993) is that I assume that lobbying is costless. Considering the cost of lobbying leads to the conclusion that interest groups lobby only if the benefits they expect from lobbying exceed the cost. In general such benefits are greater the closer the interest group is to the policy maker it lobbies. As this conclusion does not add much to the paper, I assume costless lobbying. The novelty of the paper lies in the combination of both approaches to study the EU legislative process. This yields specific conclusions regarding interest group involvement in EU policy-making. To my knowledge this is the first formal model of EU policy-making that includes interest groups.

An EU policy, p , is represented by a point in a unidimensional policy space $P \subseteq \mathbb{R}$. Unidimensional policy spaces are more realistic in the EU than they are in United States politics, because the EU uses strict germaneness rules. That is, amendments to a legislative proposal are to be related to the topic considered in the proposal. EU policy-making can then be thought of as choosing a point in a unidimensional policy space. The policy p could, for example, be the allowable level of non-cocoa fat in chocolate. In 1996 the Commission introduced legislation to create an EU-wide chocolate market. At that time, 8 of the 15 EU countries (the 6 founding members plus Greece and Spain) did not allow non-cocoa fat in chocolate, whereas the other 7 countries did.

The proposed legislation finally received approval from the Council and the Parliament in June 2000.

The principal EU policy makers are the Commission, the Parliament and the countries as represented in the Council. They are not the only players involved in the EU legislative process, however. Interest groups are well represented at the EU headquarters in Brussels and are very active during the legislative process. In general they are better informed on the issues that concern them than are the policy makers. The interest groups are directly affected by the issues and thus have a bigger incentive to gather information. Moreover, policy makers have to deal with multiple issues at the same time and do not have the resources to be well informed on all of them. Interest groups bring issues to the policy makers' attention and provide information about the results of policies during the legislative process. They may approach the policy makers directly or may have lobbyists acting on their behalf. In the model I focus on the transmission of information by one interest group, and I do not distinguish between the interest group and its lobbyist. In reality there are usually multiple interest groups involved in the legislative process. Studying the interaction and competition between interests represents a worthwhile topic for future research. For simplicity, I focus on one interest group.

In the EU, lobbying and information transmission may be even more important than in other political systems for two reasons. First, the Commission, which plays a crucial role in the formulation of policy proposals, and the other institutions have a very limited staff. Second, the Commission works with a system of committees when preparing its proposals. Many of these committees include interest group representatives. These committees create an institutional basis for the involvement of interest groups in the Commission's activities. The limited staff and the frequent formal and informal contacts with interest group representatives thus provide regular opportunities for interest groups to affect policy.

In the model the result, r , of policy p depends on an exogenous parameter, t . In particular, $r = p - t$, and t is uniformly distributed over the unit interval. Policy results are uncertain to EU policy makers. They do not know the value of t . They know only its distribution. The lobbyist, by contrast, has perfect information on policy results. She knows the exact value of t , and can transmit information to the policy makers.¹ In the chocolate legislation case, for example, r could be the income loss to the cocoa bean farmers. As the allowable non-cocoa fat level in chocolate increases, the loss rises. The precise extent of the loss, however, is known only to the farmers.

I assume that the countries have Euclidean preferences over results, with ideal result r_k for country k . That is, country k prefers results that are closer

to rather than further away from its ideal result r_k . The 626 directly elected Members of Parliament and the 20 Commissioners, who are appointed by the countries and the Parliament, are also assumed to have Euclidean preferences over results.

Since the Parliament and the Commission use simple majority rule and have no restrictions on amendments, they can be treated as unitary actors with ideal results r_e and r_c , respectively. In other words, Black's median voter theorem applies (see Black, 1958). The analysis of decision-making in the Council can be simplified by focusing on the two countries that are pivotal under qualified majority rule. A qualified majority consists of 62 out of 87 votes. The country that is pivotal to a move up from the status quo, $q = 0 \in P$ (country u), has a lower ideal result than the country with the median vote. In particular, country u is the country with the 26th vote (from the bottom up). Country u and the countries with higher ideal results then have 62 votes, and the countries with higher ideal results do not constitute a qualified majority without country u . The country that is pivotal for a downward move (country d) is the country with the 62nd vote. In the analysis I focus on upward moves ($p \geq q$). The analysis of downward moves is analogous.

The lobbyist also has Euclidean preferences and has ideal result r_l . Each player i has quadratic preferences over results of the following form: $U_i(r) = -(r_i - r)^2$. Player i 's induced preferences over policies are then: $V_i(p) = E[U_i(p - t) | \cdot] = -(r_i - p + E(t | \cdot))^2 - \text{var}(t | \cdot)$, where the expectations are conditional on all information i possesses. Player i 's expected utility from policy p is thus his or her utility from the expected result $p - E(t | \cdot)$, minus the variance of t . Player i prefers closer expected results and less uncertainty.

The sequence of events and decisions under consultation is shown in Figure 1. First, Nature chooses the value of the parameter t . The lobbyist privately observes this value. Subsequently, she lobbies the Commission at the proposal stage. Lobbying is assumed to be costless throughout the model. She brings the issue to the Commission's attention and sends a message $m_l^c = M \subseteq [0, 1]$ to it. The message contains information on the value of t . It states that the parameter t belongs to a subset M of the unit interval.² The lobbyist cannot prove that the information she provides is correct. Because her preferences diverge from the Commission's, she may thus have an incentive to behave strategically and misrepresent the value of t . The countries do not observe the contents of the message.

Next, the Commission proposes a policy $p_c \in P$ under consultation. At the vote stage the countries compare the proposed policy with the status quo. They can take two actions: they can vote in favor of the proposal and they can vote against it. If a qualified majority votes in favor of the proposal, it is adopted. If the proposal fails to obtain a qualified majority, the status quo

Figure 1 Consultation.

prevails. Prior to the vote in the Council, the lobbyist can send a signal to a country. To avoid confusion I use the word ‘message’ at the proposal stage and ‘signal’ at the vote stage. It can advise the country to vote in favor of the proposal and it can advise to vote against it. I focus on the pivotal country u ’s vote and on signals sent to country u .³ Country u casts its vote $v_u \in \{0,1\}$, where $v_u = 0$ stands for a no vote and $v_u = 1$ stands for a yes vote. The lobbyist sends a signal $s_1^u \in \{0,1\}$. Signal $s_1^u = 0$ advises country u to vote against the proposal, whereas signal $s_1^u = 1$ advises it to vote in favor. The other countries do not observe the contents of the signal.

The structure of the codecision procedure is shown in Figure 2. There are two differences from consultation. First, the Parliament or a country proposes the policy rather than the Commission. The lobbyist thus chooses the policy maker i it raises the issue with and sends a message $m_1^i = M \subseteq [0,1]$ to policy maker i . Policy maker i is the Parliament or a country k . I focus on proposals by and messages sent to policy maker i with ideal result $r_i \in [\min\{r_e, r_u\}, \max\{r_e, r_u\}]$.⁴ Policy maker i proposes the policy $p_i \in \mathbb{R}$.

Second, the Parliament also votes on the proposal. The Parliament casts vote $v_e \in \{0,1\}$. Its approval is required for adoption. Prior to the votes in the Parliament and the Council the lobbyist sends a signal $s_1^j \in \{0,1\}$ to the Parliament or country u . The lobbyist chooses the policy maker $i \in \{e, u\}$ she wants to send the signal to and sends it.

The players know each other’s preferences, the location of the status quo, q , and the sequential structure of the legislative process. An equilibrium

Figure 2 Codecision.

consists of strategies and beliefs for each player. Strategies tell the players what actions to choose in the relevant stages of the legislative process, given their beliefs about what happened in the prior stages of the legislative process. The equilibrium concept is sequential. In a sequential equilibrium, no player can increase his or her utility by choosing another strategy, given his or her beliefs about what happened in prior stages of the legislative process and given the other players' strategies. Moreover, the players' beliefs about what happened in prior stages should be consistent with the players' strategies in prior stages.

A lobbying strategy is informative if it changes the receiver's beliefs about the value of t . It is influential if the receiver's subsequent decision is different depending on the message or signal sent. A lobbying strategy is at least as influential as another lobbying strategy if it elicits at least as many actions. In this paper I focus on the most influential equilibria, i.e. equilibria in which the lobbying strategies are at least as influential as any other lobbying strategy. Crawford and Sobel (1982) show that such equilibria yield higher utilities to the sender and receiver of the messages and signals than any other equilibria.

The consultation procedure

Voting

I use backward induction to derive equilibrium strategies for the lobbyist, the Commission and the countries. So, I first look at the countries' votes on the proposal. As indicated above, only the vote of the pivotal country u matters in equilibrium. The other countries can defer to it. Countries that want to move further up than country u can do no better than vote in favor. Countries that do not want to move as far up can do no better than vote against.

At the vote stage, country u compares the proposed upward move, p , with the status quo, q . It makes this comparison based on its beliefs about the value of the parameter t . In equilibrium these beliefs need to be consistent with the optimal strategies of the Commission and the lobbyist. Country u cannot observe the lobbyist's message to the Commission, but the Commission's proposal may provide information on the value of t . The lobbyist's signal to country u may also give information. If the Commission's proposal and the lobbyist's signal do not provide information to country u , country u should maintain its prior beliefs, i.e. it should continue to believe that t is uniformly distributed over the unit interval. If the Commission's proposal or the lobbyist's signal do provide information to country u , it should update its beliefs accordingly.

Country u votes in favor of the proposal if its induced utility $V_u(p)$ under the proposal is higher than its induced utility $V_u(q)$ under the status quo. Country u thus votes in favor if the expected result $p - E(t|.)$ of the proposal is closer to its ideal result than is the expected result $q - E(t|.)$ of the status quo, i.e. if

$$(r_u - p + E(t|.))^2 \leq (r_u - q + E(t|.))^2 \quad (1)$$

$$\Leftrightarrow \frac{p + q - 2E(t|.)}{2} \leq r_u \quad (2)$$

In equilibrium, country u 's voting strategy then consists of voting in favor if condition (2) holds and voting against otherwise. This is illustrated in Figure 3. The value of the parameter t can be found on the horizontal axis. The vertical axis represents the values of the policies and their results. The higher downward-sloping line shows the result of the policy p as a function of the value of the parameter t . The lower downward-sloping line shows the result of the status quo. The result $p - E(t)$ is the expected result of the policy p . The result $q - E(t)$ is the expected result of the status quo q . In the figure, country u believes that the parameter t is uniformly distributed over the unit interval. Its ideal result, r_u , is higher than the average $(p + q - 2E(t|.))/2$ of the

Figure 3 Voting and vote stage lobbying.

expected results of the proposal and the status quo. That is, its ideal result is closer to the ideal result of the policy p than to the ideal result of the status quo. So, country u votes in favor of the proposal and it is adopted.

For the chocolate legislation, France and Germany could be considered as the pivotal countries. The Benelux countries (12 votes in the Council) wanted little change to protect their sizable chocolate industries, which include many small producers of high-quality chocolate. France and Germany (20 votes) also have large chocolate industries, but they were more willing to accept non-cocoa fat in their chocolate, because multinational companies play a more important role in their markets and were more eager to establish an internal market for chocolate. The other countries (55 votes) either had no large chocolate industries or already accepted non-cocoa fat in chocolate. So, they were more in favor of allowing it EU-wide. As a result France and Germany were pivotal. This suggests that lobbying efforts could focus on

these two countries at the vote stage, and that the other countries could defer to them. France and Germany would vote in favor if they expected the results of the proposal for their chocolate industries and other affected parties, such as the cocoa farmers, to be closer to their ideal than the expected results of the status quo. In the end France and Germany voted in favor, and only the Benelux countries dissented.

Proposition 1 *Under consultation, a Commission proposal for an upward move p is adopted at the vote stage if the expected result of the proposal is closer to country u 's ideal result than is the expected result of the status quo, i.e. if $(p + q - 2E(t | \cdot))/2 \leq r_u$.*

Vote stage lobbying

In the penultimate stage of consultation the lobbyist can send a signal to the pivotal country. She can suggest a yes or a no vote. For vote stage lobbying to be influential, two conditions need to be fulfilled. First, the lobbyist should prefer the proposal for some values of the parameter t and the status quo for other values of t . If the lobbyist prefers the proposal (status quo) for all values of t , her signal does not provide any information to the countries, because they know that she has an incentive to tell them to vote in favor (against) for any value of t . Informative vote stage lobbying strategies consist of the signal 'vote in favor' if the lobbyist prefers the proposal to the status quo, and 'vote against' if she prefers the status quo. So, for vote stage lobbying to be informative, the lobbyist's ideal result should not be too extreme. For example, if the organizations representing cocoa farmers always prefer the results of the status quo on the chocolate contents issue, their lobbying is not informative at the vote stage. For their lobbying to be informative, they need to prefer the results of the proposal in some instances.

Second, the lobbied country u should expect a higher utility from the proposal, and thus vote in favor, when the lobbyist tells it to vote in favor. Likewise, it should expect a higher utility from the status quo, and thus vote against, when the lobbyist tells it to vote against. So, for vote stage lobbying to have an influence on the lobbied country's voting behavior, the lobbyist's ideal result should be sufficiently close to country u 's ideal result. For example, if the cocoa farmers prefer the results of the proposal in some instances and they signal the pivotal country to vote in favor, their signal is influential only if the pivotal countries, France and Germany, also prefer the results of the proposal in some instances. If France and Germany always prefer the status quo, the farmers' lobbying is not influential.

The subsequent paragraphs elaborate these two conditions in more formal

detail. Readers less familiar with formal analyses can skip the remainder of this section.

Suppose that, in the absence of vote stage lobbying, the countries believe that the parameter t is uniformly distributed over the interval $[\underline{t}, \bar{t}]$. If the lobbyist prefers the proposal for $t = \underline{t}$, she prefers the proposal for all $t \in [\underline{t}, \bar{t}]$, since the proposal is higher than the status quo. Thus, she can engage in informative vote stage lobbying only if she prefers the status quo for $t = \underline{t}$, i.e. if $r_l < (p + q - 2\underline{t})/2$. Similarly, she can engage in informative vote stage lobbying only if she prefers the proposal for $t = \bar{t}$, i.e. if $(p + q - 2\bar{t})/2 \leq r_l$. In a most influential equilibrium the lobbyist thus engages in informative vote stage lobbying on an upward move if and only if:

$$\frac{p + q - 2\bar{t}}{2} \leq r_l < \frac{p + q - 2\underline{t}}{2} \quad (3)$$

$$\Leftrightarrow \underline{t} < \frac{p + q - 2r_l}{2} \leq \bar{t}. \quad (4)$$

In Figure 3 the lobbyist engages in informative lobbying, because she prefers the status quo for low values $t \in [0, (p + q - 2r_l)/2]$, but prefers the proposal for high values $t \in [(p + q - 2r_l)/2, 1]$. The value $t = (p + q - 2r_l)/2$ is the value that makes the lobbyist indifferent between the status quo and the proposal. The lobbyist sends the signal 'vote against' for low t , 'vote in favor' for high t .

Informative lobbying does not imply influential lobbying, however. For informative lobbying to be influential, it needs to be in the lobbied country's interests to follow the lobbyist's advice. Suppose country u receives the signal 'vote against.' It then votes against the proposal if $(p + q - 2E(t|.))/2 > r_u$. Country u knows that the lobbyist sends the signal 'vote against' for low values of t , if she can engage in informative vote stage lobbying. In particular the lobbyist sends this signal in interval $[\underline{t}, (p + q - 2r_l)/2]$. The expected value of t is then

$$\underline{t} + \frac{p + q - 2r_l}{2} \cdot \frac{1}{2}.$$

Having received the signal 'vote against', country u then votes against if

$$\frac{p + q - \left(\underline{t} + \frac{p + q - 2r_l}{2} \right)}{2} > r_u \Leftrightarrow \frac{p + q}{2} - \underline{t} > 2r_u - r_l.$$

Similarly, country u votes in favor, having received the signal 'vote in favor,' if

$$\frac{p+q}{2} - \bar{t} \leq 2r_u - r_l.$$

Vote stage lobbying on an upward move is thus influential in interval $[\underline{t}, \bar{t}]$ if both these conditions hold, i.e.

$$\frac{p+q-2\bar{t}}{2} \leq 2r_u - r_l < \frac{p+q-2\underline{t}}{2}. \quad (5)$$

In Figure 3, informative vote stage lobbying is influential. Suppose the parameter t is in the lower interval $[0, (p+q-2r_l)/2]$. In this interval the lobbyist prefers the status quo to the proposal and advises to vote against the proposal. As country u 's ideal policy is lower than the lobbyist's ideal policy, it prefers the status quo as well and votes against. Suppose the parameter t is in the upper interval $[(p+q-2r_l)/2, 1]$. In this interval the lobbyist prefers the proposal to the status quo and advises to vote in favor. Country u votes in favor, because it expects a higher utility from the proposal than from the status quo. In fact, it expects a higher utility from the proposal if it believes that the parameter t is uniformly distributed over the entire interval, as shown in the previous subsection. A fortiori it expects a higher utility from the proposal if it believes the parameter t is uniformly distributed over the upper subinterval.

Proposition 2 *Under consultation, lobbying the Council on a proposal $p > q$ is influential in interval $[\underline{t}, \bar{t}]$ if and only if the following two conditions hold: (1) the lobbyist prefers the status quo q for $t = \underline{t}$ and prefers the proposal p for $t = \bar{t}$, i.e.*

$$\frac{p+q-2\bar{t}}{2} \leq r_l < \frac{p+q-2\underline{t}}{2};$$

and (2) country u prefers the status quo q in interval $[\underline{t}, (p+q-2r_l)/2]$ and the proposal p in interval $[(p+q-2r_l)/2, \bar{t}]$, i.e.

$$\frac{p+q-2\bar{t}}{2} \leq 2r_u - r_l < \frac{p+q-2\underline{t}}{2}.$$

The conditions require that country u and the lobbyist be (1) not too extreme and (2) close enough to each other. Since the proposal consists of an upward move, influential lobbying leads to the proposal's defeat for small values of t , whereas it leads to its approval for large values. If the proposal were to be approved in the absence of lobbying, influential lobbying allows the lobbyist to achieve the bill's defeat for small values of t . If the proposal were to be defeated in the absence of lobbying, influential lobbying allows the lobbyist to secure its approval for large values of t .

If conditions (4) and (5) hold, the lobbyist's optimal vote stage lobbying strategy is: send the signal 'vote in favor' if $t \in [(p + q - 2r_1)/2, 1]$; and send the signal 'vote against' otherwise. If condition (4) or (5) does not hold, vote stage lobbying is not influential and the lobbyist can follow any strategy in equilibrium. The resulting equilibrium policy under consultation thus depends on the Commission proposal p and the value of the parameter t .⁵

Agenda setting

At the proposal stage the Commission proposes the policy that maximizes its expected utility given its beliefs about the results of policies. Its beliefs need to be consistent with the lobbyist's proposal stage lobbying strategy. The Commission realizes that some proposals lead to vote stage lobbying. It considers the optimal proposal without vote stage lobbying and the optimal proposal with vote stage lobbying, and chooses the one that gives it the higher utility.

Suppose that the Commission believes that the parameter $t \in [t, t]$ and that it proposes the upward move that maximizes its expected utility without vote stage lobbying. Ideally the Commission would want to propose the policy it prefers most, that is, the policy that sets the expected result equal to its ideal result. However, there are two circumstances in which the Commission cannot successfully propose this policy. First, the pivotal country u may expect a higher utility from the status quo and thus vote against such a proposal. This is the case if the Commission is relatively extreme compared with the pivotal country. In such a case the Commission proposes a more moderate policy to attract the pivotal country's support. Second, the lobbyist may engage in influential vote stage lobbying on such a proposal, because she prefers the status quo for low values of the parameter t and so does the pivotal country. This is the case if the Commission is extreme relative to both the lobbyist and the pivotal country. The Commission then proposes a more moderate policy to avoid vote stage lobbying.

In the chocolate case, for example, the Commission's concern was the creation of an internal market. It did not want to put restrictive limits on the use of non-cocoa fat. It could have proposed the policy that would lead to its ideal result – an internal market without severe restrictions – if this policy had been acceptable to the pivotal countries, France and Germany, which was not the case. The Commission then formulated a more moderate proposal to attract their support. In fact, the Commission originally proposed a more extreme policy, but it had to compromise to get the proposal approved.

In Figure 4 the Commission believes either that it is in interval $[0, 0.1]$, or that it is in interval $[0.1, 1]$. It proposes the policy $p_1 = 0.05$ if it believes it is in the lower interval $[0, 0.1]$, otherwise it proposes the policy $p_2 = 0.55$.

Figure 4 Agenda setting and proposal stage lobbying.

Both policies maximize its expected utility in the corresponding intervals. The expected results are equal to its ideal result. Country *u* prefers both policies to the status quo in expectation. As a result it votes in favor of both policies. The lobbyist prefers both policies to the status quo for all values of *t* in the relevant intervals. So, she does not engage in influential vote stage lobbying.

For vote stage lobbying to occur, the lobbyist should not be too extreme, that is, she should prefer the status quo for low values of the parameter *t* and the proposal for higher values. Moreover, the lobbyist should be close enough to the pivotal country. For the Commission to prefer vote stage lobbying to occur, it should also be close enough to the lobbyist and the pivotal country. The following proposition summarizes the Commission's agenda-setting behavior under consultation.

Proposition 3 *Under consultation, if the Commission is moderate relative to the lobbyist and the pivotal country, it proposes the policy that sets the expected result equal to its ideal result. If the Commission is extreme relative to the pivotal country and the lobbyist is relatively far from the pivotal country, the Commission proposes a more moderate policy to attract the pivotal country's support. If the Commission is extreme relative to the pivotal country and the lobbyist is close to the pivotal country, the Commission proposes a lower policy to avoid vote stage lobbying. If the Commission is moderate and close to both the lobbyist and the pivotal country, it proposes a policy that leads to vote stage lobbying.*⁶

Proposal stage lobbying

At the proposal stage the lobbyist sends a message $m_l^c \in [0,1]$ to the Commission. If the lobbyist's preferences are identical to the Commission's, she truthfully reveals the value of t . As the lobbyist's preferences become more different from the Commission's, the lobbyist has an incentive to behave strategically. As a result she can only truthfully report intervals for the value of t .

Suppose, for example, that the lobbyist is sufficiently close to the Commission to send two different messages in the most influential equilibrium: t is low, $t \leq \hat{t}$, and t is high, $t > \hat{t}$. Having received the message ' t is low' the Commission then chooses the proposal p_1 that maximizes its expected utility given its belief that $t \leq \hat{t}$. Having received the message ' t is high' the Commission then chooses the proposal p_2 that maximizes its expected utility given its belief that $t > \hat{t}$, as shown in Figure 4.

In equilibrium the lobbyist does not have an incentive to misrepresent the value of t . This implies that she is indifferent between the Commission's two proposals for $t = \hat{t}$. The policy p_1 is lower than the policy p_2 . If the policy p_2 were lower, the lobbyist would have an incentive to misrepresent the value of t .

As the lobbyist's preferences become more and more different from the Commission's, she transmits less information to the Commission. The number of different messages she can credibly report is reduced. If the lobbyist is too far from the Commission, she cannot credibly transmit any information at the proposal stage. Crawford and Sobel (1982) calculate the size of the largest equilibrium partition, i.e. the largest number of different messages the lobbyist can credibly send in equilibrium. They find that for $r_l \geq r_c$ it is equal to the largest integer smaller than

$$\frac{1}{2} + \left(\frac{1}{2}\right) \left(1 + \frac{2}{r_l - r_c}\right)^{0.5}.$$

That is also true in this model. For $r_l < r_c$ it is equal to the largest integer smaller than

$$1 + \frac{1}{4(r_c - r_l)}.$$

Suppose now one of the two proposals is voted down at the relevant separating point. If it were the higher one, this would imply that the policy proposed in the lower interval was lower than the status quo. Because I focus on upward moves, the status quo may prevail in the lowest interval only, and vote stage lobbying may occur in that interval only.

Proposition 4 *The closer the lobbyist is to the Commission, the more influential is proposal stage lobbying under consultation. It is influential only if the lobbyist is sufficiently close to the Commission. Vote stage lobbying occurs only in the lowest interval, i.e. for the smallest values of t .*

The codecision procedure

Voting and vote stage lobbying

Under codecision the pivotal player at the vote stage is either country u or the Parliament, whichever player has the lower ideal result. An upward move is then adopted if $(p + q - 2E(t|.))/2 \leq \min \{r_u, r_e\}$. The lobbyist focuses her vote stage lobbying efforts on the pivotal player. The players with higher ideal results vote in favor. The vote stage equilibrium under codecision is thus similar to the vote stage equilibrium under consultation.

Proposition 5 *Under codecision, a proposal for an upward move p is adopted at the vote stage, if the expected result of the proposal is closer to the ideal results of the Parliament and country u than is the expected result of the status quo, i.e. if $(p + q - 2E(t|.))/2 \leq \min \{r_u, r_e\}$. At the vote stage the lobbyist lobbies the Parliament or the pivotal country, whichever prefers the smaller move.*

The chocolate legislation was considered under codecision. As mentioned earlier, the pivotal countries in the Council on this issue were France and Germany. The Parliament was close to these countries, because it was concerned about the cocoa bean farmers.

Agenda setting and proposal stage lobbying

Under codecision, the proposer's optimal proposal strategy is similar to the Commission's optimal strategy under consultation. The lobbyist takes this into account when she decides which policy maker to raise the issue with.

Proposers maximize their expected utilities. Proposers with ideal policies close to the lobbyist's thus tend to provide her with a higher expected utility than proposers with ideal results that are far away from her ideal result. Moreover, the lobbyist is able to convey more information to them. That is, she can divide the unit interval into a greater number of subintervals, as seen earlier. This also enhances her expected utility.

If the lobbyist has the same ideal result as policy maker i with ideal result $r_i \in [\min\{r_u, r_e\}, \max\{r_d, r_e\}]$, she lobbies that policy maker. If her ideal result is outside the set, she chooses the policy maker in the set with the closest ideal result. In other cases she chooses the policy maker with the closest ideal result either from among the policy makers with lower ideal policies or from among the policy makers with higher ideal policies.⁷

Proposition 6 *If the lobbyist is close enough to the Parliament and the countries, she engages in influential proposal stage lobbying under codecision. The lobbyist then lobbies the Parliament or the closest country with a higher or lower ideal result than herself.*

Whether lobbying is more influential under consultation or under codecision depends on the configuration of ideal policies. The lobbyist is more influential at the vote stage if the Parliament is more moderate than the pivotal country and closer to her than is the pivotal country. She is less influential at the vote stage if the Parliament is more moderate than the pivotal country and further away from her. At the proposal stage she can transmit more information if either the Parliament or the pivotal country is closer to her than is the Commission.

In the chocolate legislation case both the pivotal countries and the Parliament were closer to the cocoa bean farmers than the Commission. The pivotal countries set the agenda in the Council, which could allow the farmers to be more influential.

Examples

This section studies two specific configurations of ideal results. In the first example the lobbyist wants a considerable move away from the status quo. I refer to such a lobbyist as progressive. Moreover, she is closer to the Commission than she is to the Parliament and the pivotal country in the Council. This scenario may apply, for example, to antidumping cases. The industry that files a complaint with the Commission wants high import duties to be imposed. The Commission is often sympathetic to such demands, because it

is eager to protect EU industries. The pivotal country is usually less sympathetic. The industry is usually important in only a few countries. The pivotal country does not want high duties, because the industry is not well represented in it and because high duties would harm its consumers. In the second example the lobbyist wants little change and is closer to the pivotal country and the Parliament than she is to the Commission. I refer to such a lobbyist as conservative. This scenario may apply to the legislation on chocolate contents. The Commission wants a big change: it wants an internal market for chocolate. The cocoa farmers oppose such a change and are supported by the countries with a sizable high-quality chocolate industry. The Parliament is sympathetic to their opinion as well.

A progressive lobbyist

In this scenario the ideal results of the players are as follows: $r_1 = 0.3$, $r_c = r_d = 0.2$, $r_e = 0.1$, $r_u = q = 0$. I first consider consultation and then codecision. The number of subintervals in the most influential equilibrium depends on the distance $r_1 - r_c = 0.1$ between the lobbyist and the Commission. In particular, the upper bound on the number of subintervals is equal to $\frac{1}{2} + \left(\frac{1}{2}\right)(1 + (2/0.1))^{0.5} = 2.8$. So, in the most influential equilibrium there can be at most two subintervals.

At the separating value $\hat{t}$ the lobbyist is indifferent between sending either message. That is, $r_1 - p_1 + \hat{t} = p_2 - \hat{t} - r_1$. The Commission could try to propose the policies, $p_1 = r_c + (\hat{t}/2)$ and $p_2 = r_c + ((\hat{t} + 1)/2)$, that set the results equal to its ideal result. Then we obtain that $\hat{t} = 0.3$, $p_1 = 0.35$ and $p_2 = 0.85$. This is not an equilibrium, however, because country u then prefers the status quo in the lower interval: the expected result of the status quo, $q - E(t|.) = -0.15$, is closer to country u than is the expected result of the proposal, $p - E(t|.) = 0.2$. So, the Commission proposes the policy that makes country u indifferent to the status quo in the lower interval, i.e. $p_1 = 2(r_u + (\hat{t}/2)) = \hat{t}$. We then get that $p_1 = \hat{t} = 0.2$ and $p_2 = 0.8$. This equilibrium is illustrated in Figure 5.

The proposals are approved at the vote stage, because country u prefers them to the status quo. The expected results of the proposals are equal to 0.1 and 0.2, whereas the expected results of the status quo are equal to -0.1 and -0.6 . The lobbyist does not engage in vote stage lobbying, because she prefers the results of the proposals to the results of the status quo for all values of t .

The Commission has no incentive to propose another policy in either subinterval. In the first subinterval it cannot successfully propose a higher policy, because country u would reject it. It cannot propose a policy that leads to vote stage lobbying, because this requires that the lobbyist prefer the status quo for $t = 0$. This implies a policy $p > 0.6$, but country u prefers the status

Figure 5 A progressive lobbyist.

quo to that policy or any higher policy for all values of t in the subinterval $[0, 0.2]$. Vote stage lobbying would thus not be influential. In the second interval the Commission obtains its ideal result in expectation. Vote stage lobbying requires a policy $p > 1$. Such policies reduce the Commission's expected utility, however.⁸

The lobbyist, finally, has no incentives to send other messages to the Commission. Suppose she sends the message $m_1^c = [0, 1]$ regardless of the value of t . If the Commission then proposes the policy $p = 0.7$ that sets the expected result equal to its ideal result, the lobbyist successfully engages in vote stage lobbying and advises country u to vote against the proposal in the interval $[0, 0.05]$. The Commission then has an incentive to propose a higher policy. The expected utility of the lobbyist remains lower than its expected utility in the most influential equilibrium without vote stage lobbying, however, because she gets the status quo in the lower interval, whereas she gets the policy $p_1 = 0.2$ in the most influential equilibrium's lower interval.⁹

The lobbyist cannot engage in influential vote stage lobbying, if she sends one of two messages, $m_1^c = [0, \hat{t}]$ and $m_1^c = [\hat{t}, 1]$, at the proposal stage.

The lobbyist can credibly send the signal 'vote against' only if the proposed policy $p > 0.6$ is in the lower interval. For country u to accept the proposal, the lower interval needs to be at least $[0, 0.6]$ or larger. Only then does country u prefer the proposal to the status quo when it receives the signal 'vote in favor.' In the upper interval the Commission then obtains its ideal policy in equilibrium. Its proposal $r_c + ((\hat{t} + 1)/2) = 0.7 + (\hat{t}/2)$ in the upper interval is then insufficiently high to make the lobbyist indifferent at the separating point, however.¹⁰

Under codecision the most influential equilibrium is the same. The lobbyist lobbies country d at the proposal stage. This country has the same ideal result as the Commission. At the vote stage the lobbyist lobbies country u , because it has a lower ideal result than the Parliament.

A conservative lobbyist

In this scenario the ideal results are the same except for the lobbyist's ideal result, which is equal to zero. Again, I first consider consultation. The upper bound on the number of subintervals is equal to $1 + (1/4(0.2)) = 2.25$. The lobbyist thus sends at most two messages at the proposal stage. She engages in vote stage lobbying, unless the Commission proposes the status quo, because the lobbyist and country u prefer the status quo to any upward move for small enough values of t .

In the lower interval the Commission solves the maximization problem under vote stage lobbying. In particular, it proposes the policy $p_1 = 0.27 + 1.33\hat{t} - 0.13(4 + 10\hat{t} + 25\hat{t}^2)^{0.5}$. In equilibrium $\hat{t} = 0.96$, $p_1 = 0.74$, $p_2 = 1.18$, and the status quo prevails for $t < 0.37$. This equilibrium is illustrated in Figure 6.

Under codecision the lobbyist perfectly transmits information to country u at the proposal stage, because their preferences are identical. For each value of t , country u then proposes the policy that leads to its ideal result. The Parliament accepts it without vote stage lobbying and it becomes EU policy.

Conclusions

This paper presents a formal model of lobbying and policy-making in the EU. It looks at the EU's two principal legislative procedures: consultation and codecision. The model is one with incomplete information in which policy makers are uncertain about the effects of policies, whereas the affected interest group, as represented by a lobbyist, does know the effects. The lobbyist can then contribute to the policy process by transmitting information to the policy makers. The lobbyist's informational advantage, however, also creates

Figure 6 A conservative lobbyist.

an opportunity for her to misrepresent her information. The lobbyist's incentive to misrepresent her information grows as her preferences diverge from the policy makers'. If the policy makers' preferences are identical to the lobbyist's, the lobbyist wants to share all her information, so that the policy makers can do what is best for both. If, on the other hand, the policy makers' preferences are very different from the lobbyist's, the lobbyist does not want to share any of her information for fear that the policy makers take actions that harm her interests.

Under both legislative procedures the lobbyist can lobby policy makers when the legislative proposal is being put together and later on in the policy process when the proposal is voted on. Under consultation the proposal originates from the Commission, and the lobbyist can lobby the Commission when it prepares its proposal. Under codecision the Parliament and the countries play a more important role in formulating proposals and the lobbyist can choose whether to lobby a country or the Parliament. The model shows that the lobbyist wants to lobby a policy maker with preferences close to her own when the proposal is being prepared. It is in the lobbyist's

interests to have a well-informed 'advocate' formulate the proposal, whether it be a country or the Parliament. The closer the lobbyist is to this advocate, the more information she transmits.

When policy makers vote on the proposal, it is in the lobbyist's interest to focus on the pivotal policy maker rather than an advocate. The other policy makers can then defer to the pivotal policy maker, whether it be a country or the Parliament, and the lobbyist need not lobby any other policy maker. The lobbyist lobbies the pivotal policy maker if her preferences are not too extreme and she is close enough to the pivotal policy maker. The lobbyist can suggest only a yes or a no vote. For the pivotal policy maker to pay attention to her suggestion, she should not be too extreme. That is, she should prefer a yes vote in some cases, and a no vote in other cases. Otherwise, the pivotal policy maker would pay no attention to her. For her suggestion to be followed by the pivotal policy maker, she should be close enough to the pivotal policy maker. So, both the lobbyist and the pivotal policy maker need to prefer results that are relatively close to the status quo result, for lobbying to occur when policy makers prepare to vote on a legislative proposal.

When getting the opportunity to formulate a legislative proposal, policy makers tend to propose the policy whose expected result they like most. There are two circumstances in which policy makers may propose a different policy, however. First, they may propose a policy closer to the status quo to obtain the approval of the pivotal policy maker. Second, they may want to consider the possibility that the lobbyist might lobby later on in the legislative process, when they prepare to vote on the proposal. In some circumstances they may then want to propose a policy closer to the status quo to avoid lobbying and a no vote. In other circumstances they may not mind lobbying at the vote stage. This may be the case if their preferences are close to the pivotal policy maker and the lobbyist.

The reality of lobbying and EU policy-making is, of course, a lot more complex than this model suggests. Legislation typically affects a multitude of interest groups, and an interest group will thus seldom find itself the only one engaged in lobbying. Moreover, the EU legislative process provides lots of opportunities for information transmission and exchange. The Commission is usually in close contact with national government officials and interest groups prior to formulating a proposal, and the Parliament gives its opinion on the proposal before it is sent to the Council. In addition, policy makers may themselves very well have private information.

These aspects of reality were ignored in the model for the sake of simplicity. Including such aspects in a model of EU lobbying and policy-making represents one of the main avenues for further research in this area. Empirical verification of the conclusions is also left for future research.

The purpose of this paper was to present a parsimonious model of lobbying and policy-making in the EU that captures the main characteristics of the legislative process and reflects the principal lobbying opportunities. The model combines the theoretical literature on lobbying and the spatial literature on EU policy-making. It is to my knowledge the first formal model of EU policy-making that considers interest groups, and yields key policy recommendations for them: if given the choice, as is the case under codecision, lobby an advocate at the proposal stage; at the vote stage, lobby the pivotal policy maker.

The paper contributes to debates in the empirical and descriptive literatures on interest representation in the EU. One question that is addressed in these literatures and is the source of considerable debate is whether a prevailing pattern of interest group intermediation is emerging in the EU. Do interest groups focus on intergovernmental institutions, such as the Council, or do they pay more attention to supranational institutions, such as the Commission and the Parliament? Do they stick to their national patterns of representation, or are they developing a corporatist system at the European level? Some authors, such as Andersen and Eliassen (1991) and Mazey and Richardson (1993), foresee a European pattern with corporatist characteristics. Others, such as Schmitter and Streeck (1991), Kohler-Koch (1997) and Greenwood (1997), do not anticipate the emergence of a dominant system of interest group representation. They claim that the EU's complicated institutional system will let various forms of representation persist and they expect EU politics to be rather pluralist.

This paper seems to be consistent with this last claim. It suggests that the form of intermediation varies from issue to issue and depends on the particular configuration of preferences on an issue. Interest groups choose to lobby policy makers with preferences close to their own at the proposal stage and focus on pivotal policy makers at the vote stage, whether they be supranational institutions or national governments.

Notes

- 1 In reality both policy makers and interest groups have private information on issues. What is important for the purposes of this paper, however, is that the interest group is likely to have more precise information.
- 2 The lobbyist may send no message or an uninformative message. Such messages can be considered as equivalent to the message $m_1^c = [0,1]$.
- 3 Suppose the lobbyist lobbies country u , and country u votes in favor. The countries with higher ideal results than country u then realize that country u expects a higher utility from the proposal than from the status quo. They

- also have a higher expected utility from the proposal then. So, they prefer to vote in favor if country u votes in favor. The countries with lower ideal results then realize that the proposal is adopted, and they are thus indifferent between voting in favor and voting against. Similarly, the countries with lower ideal results prefer to vote against if country u votes against. The votes of the countries with higher ideal results do not matter then. So, the countries with higher (lower) ideal results than country u can do no better than vote in favor (against). The lobbyist then has no incentive to lobby another country than country u .
- 4 Countries with higher ideal results than country d and the Parliament cannot successfully propose more upward moves than country d and the Parliament's optimal proposals, because country d and the Parliament would successfully propose their optimal proposals as amendments. Countries with lower ideal results than country u and the Parliament cannot successfully propose fewer upward moves than country u and the Parliament's optimal proposals for similar reasons. Therefore, I can ignore these countries. A proposal by policy maker i with ideal result $r_i \in [\min\{r_c, r_u\}, \max\{r_c, r_d\}]$ cannot be amended in equilibrium. Therefore I ignore amendments in the model.
 - 5 In particular, the Commission proposal becomes EU policy if (1) $\max\{2r_l, 4r_u - 2r_l\} + 2\hat{t} - q < p \leq \min\{2r_l, 4r_u - 2r_l\} + 2\hat{t} - q$ and $t \geq (p + q - 2r_l)/2$, and if (2) $p \leq \max\{2r_l, 4r_u - 2r_l\} + 2\hat{t} - q$ and $p \leq 2r_u + \hat{t} + t - q$. Otherwise the status quo prevails. The proofs are based on Austen-Smith (1993) and Crombez (1996), and can be obtained from the author.
 - 6 The proofs of Proposition 3 are based on Austen-Smith (1993) and Crombez (1996), and can be obtained from the author.
 - 7 In some cases a proposer may be further away from the lobbyist but provide her with a higher utility. In particular, the closest policy maker i with a higher (lower) ideal result than the lobbyist may provide a higher expected utility than the closest policy maker k with a lower (higher) ideal result, even though policy maker i is further away from the lobbyist. This is the case, for example, if policy maker i needs to propose a relatively low (high) policy to satisfy the constraints.
 - 8 To maximize its expected utility with influential vote stage lobbying, the Commission sets $p_2 = 1$. The Commission's expected utility in interval $[0.2, 1]$ is then equal to -0.093 , which is lower than the expected utility of -0.053 it derives from $p_2 = 0.8$.
 - 9 In particular, the Commission then proposes the policy $p = 0.79$. The lobbyist advises country u to vote against in interval $[0, 0.095]$. The lobbyist's expected utility is then equal to -0.076 , which is lower than its expected utility of -0.059 in the most influential equilibrium without vote stage lobbying.
 - 10 For $t = \hat{t}$ the distance between the lobbyist's ideal result and the result of the proposal p_2 made in the upper interval is equal to $0.7 + (\hat{t}/2) - \hat{t} - r_l = 0.4 - (\hat{t}/2)$. The lobbyist is indifferent between p_1 and p_2 at $t = \hat{t}$, if $r_l - p_1 + \hat{t} = 0.4 - (\hat{t}/2) \Leftrightarrow p_1 = (3/2)\hat{t} - 0.1$. For the minimum value $\hat{t} = 0.6$, $p_1 = 0.8$. The solution to the Commission's maximization problem is smaller than 0.8 for all values of $\hat{t}$, however. So, the policy $p_1 = 0.8$ is not optimal for the Commission, and no vote stage lobbying occurs in the most influential equilibrium.

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