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Evaluating and Regulating the Impacts of Lobbying in the EU? The Case Study of Green Industries

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ABSTRACT
How should we evaluate and regulate the impacts of lobbying in the European Union (EU)? The current lack of transparency around lobbying activities and the absence of formal regulation mean that a hidden lobbying problem may prevail. The tentative case study of green industries in the EU is illustrative. The wind turbine industry, for example, benefits from ambitious environmental target levels for greenhouse gas reductions that will increase the future market for renewable energy. In contrast, for example, no environmental target levels exist that increase the future market shares of organic farming. Rational choice theory suggests that lobbying and group size advantages can explain the observed difference in achieving environmental target levels. The EU may learn from the US legislation as a starting point for a best-practice solution and future evaluation of impacts of lobbying in the EU.

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Introduction

In 1974, STEVEN LUKES ARGUED IN HIS SEMINAL BOOK, *POWER: A RADICAL VIEW*, THAT A THIRD 'CRITICIAL' DIMENSION OF power should be considered in political analysis. Previous discussions on the concept of power, i.e. the two first dimensions, had been limited only to those forms of power that could be seen, i.e. the overt use of power in political decision-making processes. Thus, the first dimension concerns the power of political leaders to fight observable conflicts in the decision-making process – power is winning the political battle. The second dimension is the power to control agendas – what is discussed and what is excluded.

However, it is not sufficient to study concrete, observable behaviour. Therefore, the third dimension deals with the hidden use of power. Overt and also covert observable conflicts should be included in political analysis. Such 'latent' conflict: '... consists in a contradiction between the interests of those exercising power and the *real interests* of those they exclude.' (Lukes, 1974, pp. 24–25). Furthermore : 'The conflict is latent in the sense that it is assumed that there *would be* a conflict of wants or preferences between those exercising power and those subject to it, were the latter to become aware of their interests.' (ibid., p. 25, footnote 5). Because not all conflicts are measurable, we must infer their existence.

Lobbying is not obviously measurable as it often takes place behind the scenes and hidden from public scrutiny. Hidden lobbying may, for example, benefit some producer groups at the expense of consumer groups (Daugbjerg

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and Svendsen, 2001). Lobbying can be defined as an attempt to influence political decision via a lobbyist who acts on behalf of another person or special interest group (Fouloy, 2005).

Lobbying can impact on the first, second and third dimensions of power – by shaping decisions that are taken, by ensuring that some decisions are never taken, and by shaping the culture and the consciousness of actors to ensure that some issues are not recognized as being those for which decisions should be taken. Lobbying then raises the prospects of decisions that are supposedly in the public interest being distorted by the power of private actors. Clear issues of democracy and accountability emerge, which raise questions about how to assess the impact of lobbying and potentially also how to regulate the processes therein. According to Gouldson and Murphy (1998, p. 8), government and industry may, for example within environmental policy: '... attempt to alter the climate of opinion that surrounds the policy process to ensure that particular issues do not come to be perceived as problems that need to be addressed by policy-makers.' Thus, where the need for action is recognized: '... they may seek to change the nature of the decisions that are taken so that they reflect or at least fail to challenge their own interests.' (ibid., p. 9). Therefore, it is unlikely that the decisions that are taken will lead to the optimal outcome.

In other words, interest groups may distort macroeconomic decisions. Kelman (1987) has argued that this is not so. He has criticized such a rational choice approach for being a caricature of reality because it so ingeniously ignores the community spirit. He suggests that this team spirit, by means of social norms, plays an important role in individual behaviour and economic growth. This is why economic methodology is not directly applicable to the political arena because individuals do not necessarily always act as they would do in the market. As Kelman notes, we are not just dealing with hogs around the trough. Without a social norm for good behaviour, society will sink into widespread poverty. The 'Robinson Crusoe hypothesis' that individuals are best perceived as isolated units is unrealistic (Kelman, 1987, pp. 93–94). We may argue, however, that Kelman's criticisms are valid at the micro level where norms, trust and the social control of free-riding problems play an important role. At the meso level, however, one may argue that professional lobbyists play a more impersonal and anonymous game, where the assumption of strict economic rationality may be more valid than at the micro level.

A given interest group will, in practice, take on a professional representative, a lobbyist, to secure the overall goal of the group, for example to obtain environmental target levels and higher market shares. Interest groups want to maximize profits just like firms in the market, for example by achieving environmental target levels and higher future market shares. The lobbyist will negotiate on behalf of the group and must seek to maximize the total benefit of the group. If this does not happen, the leaders of the interest group will find another and more efficient lobbyist (Svendsen, 2003).

Lobbying is not necessarily a bad thing. On the contrary, clever bureaucrats or politicians may use lobbyists in a positive sense and obtain 'balanced' information from both sides, i.e. both strong and weak groups. The risk of hidden lobbying is, however, that some groups typically have stronger incentives to act and overcome the problem of collective action than other groups. Asymmetric organization in the political arena can therefore cause distortions of political decisions that benefit some special interest groups but not others and may, at the same time, not serve the needs of society as a whole. Symmetric information, by contrast, is feasible if 'good lobbying' prevails, i.e. political decision-makers openly use lobbyists from both strong and weak camps to obtain free information.

For example, one may ask why the European Union (EU) has established ambitious environmental target levels that benefit the future market share for wind energy more than is the case for organic farming. Both sectors are green industries in the sense that they improve environmental quality by reducing pollution. More wind energy means pollution reduction in terms of reduced acid rain, global warming, particulates, etc. More organic food production generally also helps improve the environment. Fewer pesticides, for example, helps preserve groundwater and biodiversity, and organic livestock production is often associated with better animal welfare (Sønderskov, 2009).

Have lobbying and the organization of relevant interest groups played a role in this connection. This is an empirical puzzle. Here, rational choice theory may offer an important insight by focusing on the role of lobbying in connection with the definition of environmental target levels (Svendsen, 2003). Thus, the idea is to focus on why some green industries are favoured as a tentative case of lobbying in the EU where certain industrial groupings may lobby to achieve their ends. Such application of rational choice theory to green industries has not previously been undertaken, and this gap between theory and practice has only recently been recognized (Mueller, 2003). As Svendsen and Vesterdal (2003), Coen (2007) and Gullberg (2008) note, rational choice theory has in general not yet

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been successfully applied. Other authors such as Tietenberg and Lewis (2009) and Daugbjerg and Svendsen (2009) note that, with respect to environmental regulation and green industries in general, the debate has until now rested largely on economic theory without regard to the political–administrative reality.

My aim here is to analyse the risk of hidden lobbying in the EU and to suggest a possible best-practice system for regulating such activities. Establishing clear rules for lobbying may reveal how various interests influence political decision-makers and political outcomes. Such regulation of lobbying exists at the moment in the US but not in the EU.

The next section highlights the hidden lobbying problem in the EU. The two specific cases of green industries, namely organic farming and the wind turbine industry, are then discussed. The observed empirical pattern is then explained by the critical use of rational choice theory. The next section considers a best-practice solution on how to regulate lobbying from the US.

Hidden Lobbying Activities in the EU

The hidden lobbying problem is the current state of affairs in the EU. In the absence of mandatory registration for lobbyists in Brussels, it is not yet possible to establish the actual number of lobbyists Thus, there is a strong need to develop better data on lobbying and interest organization politics in the EU (Coen, 2007; Berkhout and Lowery, 2008). In contrast to US scholars, who can take advantage of much research on US interest organizations using lobby registration data, EU scholars do not have access to such high-quality data sources due to the fact that lobbyists are not yet registered and regulated. Formal legislation in the EU matching the US Lobbying Disclosure Act of 1995 does not exist.

The European Commission estimates that around 15,000 full-time lobbyists work in Brussels and has acknowledged the need for formal regulation in its green paper on a European transparency initiative from 2006 (Kallas, 2005; European Commission, 2006a). Thus, indirect rather than direct measurement methods have prevailed in EU research until now.

The EU political system can be characterized as pluralistic with free competition among lobby groups. In this way, Brussels resembles Washington more than the EU capital cities, and pluralism primarily favours small producer groups who have a clear interest in preferring pure pluralism over corporatism, which automatically includes larger groups of consumers and more weakly organized producer groups (Svendsen, 2003).

Thus, the European Commission may distort the representation of producers from different sectors or countries in relation to the situation under free competition. As the initiator of legislation, the Commission can thus use its discretion to choose which producer groups it wants to incorporate in the legislative preparation processes (Schmidt, 1999; Wallace and Wallace, 2001). This is in stark contrast to, for example, the Scandinavian corporatist model with its formalized rules for incorporating all affected interests in the decision-making processes, i.e. both producers and consumers (Christiansen and Nørgaard, 2004).

The Commission currently has no rules to regulate lobbying in the EU. However, the SEAP (Society of European Affairs Professionals), the European interest organization for lobbyists, has rules for good conduct. SEAP was founded in 1997 and its goal is to encourage professionalism and self-regulation among lobbyists. SEAP finds that self-regulation is the most effective way to control lobbyists and has therefore prepared a recommended code of conduct (SEAP, 2007). The code is formulated in broad and vague terms and talks about professionalism etc. but hardly has any effect in terms of regulating behaviour. The European Parliament also requires 'practices for good lobbying'. In contrast to the Commission, the European Parliament has an exhaustive list of interest groups with access to Parliament meetings (European Parliament, 2004). Just as with the SEAP code, it is unclear what 'good conduct' means. When have the rules been broken? The worst thing that can happen to lobbyists who behave 'dishonestly' is that they lose access to the Parliament.

Lobbying plays an important role in a pluralistic system, and it is crucial for any interest group to hire the best lobbyists and build a base in Brussels. Furthermore, we know that most interest groups represent producers. In their study from 1995 of 693 formal EU interest groups, Greenwood and Aspinwall (1998) found that two-thirds were producer groups. Approximately one in every five represented non-profit interests such as environmental or aid organizations, whereas only one out of 100 represented consumer organizations. Wesselius (2005) estimates

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that approximately 70% of all lobbyists in Brussels represent producer groups, 10% work for consumers and non-profit interests, and the last 20% represent regions, cities and international institutions. For example, Central Denmark Region has its own office, 'Central Denmark', in Brussels (Central Denmark, 2007).

Overall, there is a lack of transparency in the EU system. Therefore, the Commission has suggested making lobby activities transparent via the implementation of three proposals. First, information on the cooperation between special interest groups and lobbyists will be published on the Internet, including data on who the lobbyists represent, their general goals and how they are funded. The second proposal is voluntary registration of special interest groups in the EU's database for interest organizations. A voluntary registration system must be established that gives lobbyists an incentive to register, namely that consultation regarding EU initiatives is contingent upon registration. Moreover, lobbyists must sign a declaration that they will adhere to an established 'practice for good lobbying'. Third, the Commission encourages voluntary self-regulation among lobbyists in relation to the 'practice for good lobbying'. The Commission recommends that lobbyists fulfil the following minimum standards in their self-regulation: (1) interest groups are honest about their motives when they contact the Commission; (2) interest groups should not give the Commission misleading information; and (3) interest groups do not offer inducement in return for favourable regulation (European Commission, 2006b). The operative word in the Commission's proposal is *voluntary*: voluntary registration and voluntary self-regulation for special interest groups, so formal and mandatory regulation of lobbying in the EU remains lacking.

Case Studies

Organic Farming

Environmental Target Level

Organic farming is part of the Common Agricultural Policy (CAP). The CAP was the first redistributive policy of the EU and for many years the only one (see Bache and George, 2006, pp. 378–402, for more details on the CAP system). Basically, the CAP provides means to ensure the transfer of funds from direct aids to farmers and market measures ('Pillar 1' of the CAP) to rural development measures ('Pillar 2').

Environmental protection and sustainability are emphasized as important motivational factors for rural development and organic farming (Pillar 2). This part of the CAP, however, contains no binding or explicit goals for the EU at large or for the individual member states regarding the development of organic farming. To a large extent, it is up to the individual member state to decide whether to support organic farming or other initiatives that benefit the rural districts (European Commission, 2008a).

The EU's subsidy schemes for organic farming fall under both Pillar 1 and Pillar 2 in the CAP. First, organic farming is entitled to direct subsidies under Pillar 1, just as with conventional farming (European Commission, 2008a). Second, organic farming may receive support via the development of rural districts (Pillar 2). The support is allocated via the member states' rural development programmes (Ministry of Food, Agriculture and Fisheries, 2008).

The Commission has recently prepared an action plan for organic foods and organic farming. The plan contains a number of initiatives to advance organic farming, improve the norms by making it more effective and transparent, and increase consumer trust (European Commission, 2008a). In general, the action plan aims to promote information-based development of the organic foodstuff market and to streamline state subsidies for organic farming further, and also the EU's standards for organic import and control measures must be improved and strengthened (European Commission, 2004: 3). However, the action plan does not state any explicit or binding target levels for the development of organic farming for the EU or the individual member states.

Group Size

The largest interest group for organic farming at EU level is the IFOAM EU Group, an independent group under the International Federation of Organic Agriculture Movements. IFOAM is an international umbrella organization that aims to promote organic farming and organic farming methods. IFOAM was established in 1972 in France and consists of approximately 700 organizations from more than 100 countries (IFOAM, 2008).

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The IFOAM EU Group was formed in 2000 as a replacement for The EU Regional Group, which was originally formed in 1990. The IFOAM EU Group has approximately 300 members in the EU, including organic organizations, consumer groups, producer groups, research institutions, certification centres, consultant groups, development organizations and distributors. The goal is to represent the members' interests in the EU. The IFOAM EU Group has an office in Brussels, which was established in 2003. The group is represented in several of the Commission's committees and in the standing committee for organic farming (IFOAM, 2008). IFOAM's website does not mention lobbying efforts (IFOAM, 2009).

The group size for organic farmers has been ascertained at 186,045 (with help from Økologisk Landsforening – the Danish national organic association) in the 27 EU countries (FiBL, 2008). In other words, the organic farmers make up a large but dispersed group.

Wind Turbines

Environmental Target Level

In contrast to organic farming, there are clear and explicit targets for environmental target levels regarding renewable energy. First, by 2010, 12% of the total energy consumption in EU15 must come from renewable energy. In addition, 22.1% of the electricity consumption must be produced from renewable sources. Second, by 2020, 20% of the total energy consumption in EU27 must come from renewable energy (European Council, 2007).

The first main target of 12% renewable energy was introduced in a White Paper in 1997 (European Commission, 2007). It was followed by a directive in 2001, which again announced a general target level of 12% (Directive 2001/77/EC). The directive obliges the individual member states to define national recommended targets for future consumption of electricity from renewable energy sources (expressed as a percentage of the electricity consumption for the next 10 years) and develop action plans to achieve them. The member states are obliged to complete an analysis every other year of the success rate as far as fulfilling the recommended national target levels. The analysis is submitted to the Commission, which assesses the member states' progress and whether the national targets are in accordance with the general goal of 12%t of gross energy consumption (Official Journal of the European Community, 2001).

Regarding the second main target, in 2006 the European Council approved a new action plan for 2007–2009, which includes a binding environmental target that, by 2020, 20% of the EU's total energy consumption must come from renewable energy sources. The Commission converts the binding target in the legislation via national target levels (Danish Energy Agency, 2007; European Council, 2007).

The European Wind Energy Association (EWEA) has calculated that the second main target will on its own mean that more than one-third of the EU's electricity will come from renewable sources in 2020 – up from 16% in 2006. Furthermore:

> "By 2020, wind energy is expected to have overtaken hydropower as the EU's largest source of renewable electricity and the European Wind Energy Association (EWEA) believes that renewable energies – with a significant contribution from the wind sector – alongside energy efficiency constitute the only possible solution to the EU's future energy challenges" (EWEA, 2010).

Group Size

The largest wind interest group at EU level is the EWEA, which was founded in 1982 and has approximately 450 members from 45 countries. A large proportion of all producers in the wind turbine market are members of the EWEA. In total, these producers represent 90% of the global wind market. In addition, members include component manufacturers, research institutions, entrepreneurs, financing and insurance companies, and consultants. EWEA's headquarters are located in Brussels in the Renewable Energy House, where the Association coordinates EU policy, communication, research and analysis (EWEA, 2008). In 2000, the EWEA and the eight other large industries in renewable energy formed the European Renewable Energy Council (EREC), which represents the general interests of the industry (EWEA, 2008).

In contrast to that of the IFOAM, the EWEA's website emphasizes that they undertake 'intensive' lobbying to promote their case (EWEA, 2009). How they do this is not stated. The number of wind turbine manufacturers in

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the EU – such as Vestas and Siemens – has been ascertained at 15 (BTM Consult, 2008). Wind turbine manufacturers make up a small and focused group.

Summary

Overall, a difference in terms of environmental target levels is observed when comparing wind and organic farming at EU level. Ambitious target levels for renewable energy will benefit the wind industry when its future market grows. In contrast, no similar environmental target levels exist that will increase the future market share for organic farming at the EU level. In the latter case, the individual member states can largely decide on their own whether they want to use the resources allocated under the CAP for rural development to promote the development of the organic sector.

Rational Choice Explanation

Meso Level

Modern rational choice theory primarily deals with the meso level and can be described as a three-stage rocket. The first stage is that of Downs (1957), who sees politicians and other decision-makers as economically rational and profit-maximizing. The meso level may thus have considerable impact on politicians' attempts to aggregate preferences for all citizens and provide collective goods for society as a whole. The result is a 'second-best' world characterized by special interest groups and lobbying.

The second stage is that of Buchanan and Tullock (1962), who add to Downs' economic rationality assumption by arguing that economically rational producer groups will seek rent via government interventions in the market economy. Politically distorting interventions in the market economy could include special permits to local producers or taxes on imports. Although consumers and taxpayers lose out due to higher prices or taxes, producers can still obtain an economic net gain from a regulation that protects them compared with the situation under perfect competition. As argued by Tollison (2000), producers may rationally spend up to this total economic gain to promote legislation that is in their favour. In fact, they may spend enough of their gain to make deregulation socially unprofitable (see also Rowley, 2001). The general argument is that producer groups will invest in lobbying up to the amount (the 'rent') they may gain as a result of a political intervention.

The third stage is that of Olson (1965, 1982, 2000), whose main argument is that group size affects the ability to organize and initiate lobbying. Rational choice theory generally predicts that small groups can solve the collective action problem and are willing to invest in lobbying up to the amount (the rent) they can gain as a consequence of a political intervention. Rent seeking is to seek redistribution in one's own favour at the expense of one's fellow citizens. These redistributive gains could come in several shapes and forms, such as subsidies, environmental targets, licences or other types of market protection. Hillman (2003, p. 447) notes that rent seekers do not present themselves with the challenge of 'what productive activity can I undertake today to earn income?' Rather, they ask 'what can I convince someone to do for me today?'

Group Size Theory

We will focus on the third stage and consider the empirical puzzle in this theoretical framework. Here, the main argument in Mancur Olson's *Logic of Collective Action* is that the size of a group determines its ability to organize and to carry out lobbying (Olson, 1965). It may be easier for small producer groups with concentrated advantages to overcome the collective action problem and engage in lobbying than for larger consumer and producer groups with more dispersed advantages.

This called into question the traditional theory of the group, which held that an individual would voluntarily act in support of common group interests and values as a logical consequence of the widely accepted premise of rational self-interest. Groups were simply viewed as voluntary organizations furthering their common interests. Olson (1965) maintains that this is not so.

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Even when the aggregate gains to a green industry group from attaining a collective good (such as an environmental target level) greatly exceed the total costs of that action, it does not follow that the action will take place: individual rationality does not necessarily lead to collective rationality. The 'invisible hand' fails, so to speak, for larger groups. Why is it so? Let us take a closer look at the number of members in the two green industries as an example of Olson's group size theory (Table 1).

First number of organic farmers was 186,045. Let us now assume, in a hypothetical example, that the value of the good, if provided, would be shared equally among all the members, so each would receive a benefit valued at $1,000.

This means that the total gain for the green industry of an environmental target level increases the future market share of this group by €186,045 million. Assume further that the total lobbying cost of convincing politicians to provide the environmental target is €1 million. Although the group as a whole would stand to reap benefits worth more than 186 times the amount of money invested in providing the good, the net gain to any individual member who chooses to provide the good on his or her own is clearly negative, namely – €999,000. In the absence of organization, the good will therefore not be provided. This group would thus be classified as 'large'.

Now consider the group of wind turbine producers with its 15 members. If the good is provided and the total value of the collective good to the group is similar to that of organic farmers, namely €186,045 million, then each member will experience a net gain valued at €12,403 million. Assume also that the total cost of lobbying when providing the good is €1 million. As each individual member's net gain from providing the good is clearly positive in this case (€11,403 million), the good will now be provided even in the absence of organization. Group members will be active and have a strong incentive to communicate and try to split the costs of lobbying as well. This group would thus be classified as 'small'.

As a result, the link between individual rationality and group rationality depends on the individual net benefit from contributing to the collective good of an environmental target level for the group as a whole. For more negative A_i, the more likely it is that the group will fail. The net benefit or advantage, A_i, that any individual i would get from a collective good for which he or she pays in full would be the benefit or 'value' , V_i, to the individual minus the total cost of providing the good, C:

$$A_i = V_i - C. \tag{1}$$

If A_i is clearly positive, individual i is part of a small group and the collective good will be provided; if A_i is approximately zero, individual i is part of an intermediate group and the good will not be provided; and if A_i is clearly negative, individual i is part of a large group and, again, the good will not be provided Olson (1965, p. 23).

Thus, the large and loosely organized group of many producers with dispersed advantages, i.e. organic farmers, is expected to be a weaker political actor than the small group of few large producers, i.e. wind turbine producers. It is easier for the small group to solve the collective action problem and to act as one unit. The individual costs of taking the initiative to carry out lobbying in the large group are typically much greater than the individual advantages. Normally, it would never pay for the individual member of a large group to protest and carry out lobbying on their own.

In a small privileged group, unlike in a large group, a collective good will therefore often be provided voluntarily because each member – or at least one of them – will benefit, even though this member has to bear all the costs. Smaller groups with face-to-face contact can also exert social pressure. These 'privileged' groups are not only based on economic incentives but also on social norms, which makes it even easier to organize. They have regular face-to-

	Organic farmers (large group)	Wind turbine producers (small group)
Common goal	Environmental target level	Environmental target level
Number	186 045	15
Individual gain (V_i)	€1000	€12,403 million
Total gain	€186,045 million	€186,045 million
Total cost (C)	€1 million	€1 million
Individual net gain ($A_i = V_i - C$)	€1000 – €1 million= – €999.000	€12,403 million – €1 million= €11,403 million

Table 1. Group size and green industries.

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face contact at meetings, corporate events, etc. In contrast, the 'latent' groups are so large that they cannot all know each other – making social pressure impossible.

Mobilization of large groups is therefore extremely difficult and takes more time than mobilization of small groups. Only when the right circumstances and the right leadership are present will group formation occur. The same argument can be used for agricultural organizations in Western Europe, which – like large groups – have developed slowly over centuries; for example, see Pedersen (1988) and Svendsen (2001) regarding the slow development of agricultural organizations in Scandinavia.

In summary, Olson's theory on group size thus offers one explanation of the empirical puzzle observed, namely that the small group of wind turbine manufacturers is better at overcoming the collective action problem and lobby effectively to reach their goals than the large group of organic farmers.

Discussion

The variation in group size and concentrated advantages thus suggest a logical explanation of the observed variation in environmental target levels and the likelihood of larger future market shares. This claim is tentative and, of course, needs to be tested more rigorously in future research.

One alternative explanation could be that conventional non-organic farmers see organic farmers as a threat to their own market and would lobby against them for that reason. According to the website of conventional (non-organic) producers, the General Committee for Agricultural Cooperation in the European Union, organic farming should rather be promoted (COPA-COGECA, 2009a). A number of official statements support this claim:

> 'All aspects of organic production need to be developed further in Europe in order to meet this increasing interest.' (COPA-COGECA, 2009b, p. 2)
>
> 'Copa-Cogeca believes that the scope of the legislation should be extended to include nonfood farm products, like textiles and cosmetics, and "catering" products (for restaurants, canteens, schools, etc.).' (ibid, p. 3)
>
> 'Copa-Cogeca is of the opinion that information and promotion campaigns are needed to better inform European consumers about organic production and to boost its development.' (ibid., p. 4)
>
> '... there is an opportunity for organic farming, as the front-runner in agriculture, to pass on specific know-how in order to allow conventional farming to continue to improve environmental protection. This is why there is an increasing need for cooperation between both types of farming.' (ibid., p. 5)
>
> 'In Copa-Cogeca's view, organic farming, as an integral part of European agriculture, provides consumers with a large variety of delicious food which is easily accessible and which can form part of a healthy and balanced diet.' (ibid., p. 7)

This position is further emphasized by the fact that COPA-COGECA in its position paper directly recommends that, 'There must be more incentives for development and production of organic goods" and that, 'It is particularly important to improve the quality of organic seeds as they currently have a lower agricultural quality than conventional seeds.' (COPA-COGECA, 2009c, p. 2).

Finally, COPA-COGECA directly recommends that the European Commission stimulates further '... development of the organic farming sector by encouraging the setting-up of producer organisations. The Action Plan should contribute to a stronger organization of the organic food chain and a stronger participation of producers in the chain in order to ensure higher added value and fair incomes.' (COPA-COGECA, 2009d, point 5).

Overall, conventional farmers see organic farmers as a supplement that they actively promote rather than as a competitor. COPA-COGECA actually promotes organic farming and explicitly encourages the European Commission to help establish producer organizations for organic farming at the EU level.

For wind turbine producers, a possible alternative explanation could be that conventional energy producers support the development of renewable energy. The websites of conventional energy producers do not, however,

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indicate a clear positioning on renewable energy (see, for example, the website of The Union of the Electricity Industry, EURELECTRIC, 2009). The statements are broad and general, such as the example below from the website of The European Petroleum Industry Association (EUROPIA, 2009):

> 'EUROPIA contributes in a constructive and pro-active way to the development of policies to safeguard the secure and sustainable manufacturing, supply and use of petroleum products, by providing competent input and expert advice to the EU Institutions, Member State Governments and the wider community.'

Best Practice System

Following Lukes (1974), the issue regards the ability of powerful actors to shape policy processes so that they further – or fail to challenge – their own private interests. This raises questions about the need for regulation of such lobbying activities – but what should such regulation look like? When considering a best-practice system for regulating lobbying, the EU may look to the American experience. In contrast to the EU, lobbying activities in the US are far more transparent as a result of legislation. The Lobbying Disclosure Act of 1995 replaced the Federal Regulation of Lobbying Act of 1946. American special interest groups are now legally required to register, and they have to report their activities to the authorities every 6 months, including areas of their lobbying activities, bureaucrats contacted, names of lobbyists employed and total lobbying expenses; in addition, the reports must be publicly available. For example, a study on the energy giant Halliburton from Texas shows that it spent $250,000 on lobbying between 1 January and 30 June 2004 in connection with, among other things, asbestos legislation, promotion of power-related aspects in the ongoing World Trade Organization negotiations and continued cooperation with the American armed forces (Svendsen, 2008; see also Shughart and Razzolini, 2001, on lobbying activities in the US).

The following three points (US Senate, 2007a) could be directly transferable to the EU:

(1) American interest groups have an obligation to register, i.e. it is not voluntary, which has been suggested by the Commission in the Transparency Initiative.
(2) Interest groups must report their activities to the authorities every 6 months, including information about the areas in which they are lobbying, which bureaucrats they have been in contact with, names of lobbyists employed and the total costs for lobbying activities. The reports must be fully accessible to the public.
(3) Sentences for various types of offence are precisely defined in the US. The American super-lobbyist, Jack Abramoff, pleaded guilty to a number of offences precisely because formal rules existed (Milbank, 2006). If Abramoff had been a lobbyist in Brussels, other things being equal, it would probably have been more difficult to sentence him in the absence of formal regulation.

Furthermore, the EU should consider establishing a website such as that of the US Senate where all registration, documentation, etc., is made accessible to the public (US Senate, 2007b). As of January 2011, regarding regulating lobbying in the EU, a voluntary Register, in the context of the European Transparency Initiative, has existed since June 2008 (European Commission, 2008a). This initiative was motivated by the fact that: '... the European Commission wishes to let citizens know which general or specific interests are influencing the decision-making process of the European Institutions and the resources mobilized to that end.' (European Commission, 2011). What is completely missing on the current agenda, however, is a careful consideration of mandatory registration based on the US experience.

Conclusion

As originally stated by Lukes (1974), hidden and non-observable political activities also affect political outcome. Lobbying is such an activity. Thus, the research aim here was to evaluate the problem of hidden lobbying activities and suggest a best-practice solution for future regulation.

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Given the current absence of regulation in the EU, however, it is, for example, impossible even to establish the number of lobbyists. To illustrate the risk of hidden lobbying in the EU, a tentative case was applied as a first preliminary step. The empirical puzzle was to consider whether hidden lobbying could explain why the wind sector had achieved environmental target levels whereas the organic sector had not at the EU level. Rational choice theory at the meso level was used to consider the observed empirical pattern. Both these sectors are today represented at EU level. Two factors, however, favour wind turbine manufacturers over organic farmers. First, the wind turbine organization EWEA was founded as long ago as 1982, whereas the organic organization IFOAM EU was founded only in 2000 and did not open its office in Brussels until 2003. The relatively early development of the EWEA and its strong political impact may be due to the modest number of 15 wind turbine manufacturers. In contrast, there are today approximately 186,045 organic farmers, i.e. a large group with dispersed advantages and limited incentives for individual farmers to lobby and exert political pressure, even via the interest group, because the costs typically exceed the individual benefit. It is therefore more difficult for organic farmers to overcome the collective action dilemma and procure collective goods for their group.

According to Olson's group size theory, the small group has concentrated advantages, which gives individual members more incentive to initiate lobbying and cooperate to share the costs involved. This provides a collective good, for example in terms of an environmental target level for the special interest group. Rational choice theory at the meso level views political agents as economically rational, so if a group can obtain economic gains by lobbying, it will do so. The theory thus suggests that small groups – e.g. wind turbine manufacturers – will be better organized than large groups – e.g. organic farmers.

The EU can be characterized as a pluralistic system with free competition among lobby groups in which the absence of regulation leads to free competition among competing interest groups, giving small groups with concentrated benefits from lobbying great opportunities. Thus, the rational choice theory may prove to be a useful analytical tool for understanding lobbying and the EU's policies in a given area, for example when establishing sector-specific environmental targets. Wind turbine manufacturers must therefore be aware that their small number gives them a competitive advantage over larger groups such as organic farmers. The latter must therefore be aware that their group size provides relatively less pressure from individual members in terms of lobbying and political initiative. The carrot is that if the large group can stand united and avoid the majority of members taking free-ride, then it is possible to distribute the costs of lobbying across many members in the EU. The stick is that if joint and effective lobbying does not take place at the EU level, organic farmers will lose out in the long run compared with other green sectors, such as wind turbine producers. When the financing of such organization at the EU level is in place, it will be possible to invest in effective lobbying and thus obtain large benefits for the individual organic farmer, for example in the form of more ambitious environmental targets at EU level for organic products.

The answer is that the EU should consider implementing a best-practice regulation of lobbying based on the US experience. Formal legislation in the EU corresponding to the US Lobbying Disclosure Act of 1995 does not exist at the moment. Based on US legislation, the EU could as a starting point introduce the following three rules: (1) all lobbying groups must register, (2) all lobbying groups must publicly report their activities to the authorities every 6 months and (3) all lobbying groups must be sanctioned if defined rules for 'good behaviour' are violated.

Such new policy initiatives would open up stronger symmetric incorporation of both small and large groups. Furthermore, as a positive spill-over effect, it would be easier for social scientists to measure and test the impact of lobbying on EU policies. Acquiring publicly available data as in the US would allow direct measurements and quantitative tests of the significance of lobbying. Multiple direct measurements of lobbying will map the interests that are being represented in the EU's political decision-making process.

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