# Interest Groups in the Regions: Economic, Organizational, and Institutional Approaches

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## ABSTRACT

On the final day of 1992, the European Union celebrated the "completion of the single market". The removal of non-tariff barriers to trade was projected to increase incomes in the Union by an average of five percent. The increase, of course, is not distributed evenly across regions and sectors. Economic integration implies high potential costs to less competitive producers, many of whom are concentrated in lagging and declining regions. Are outcomes inevitably unfavorable for these economic actors - or can they affect who "wins" and who "loses" from economic integration? And how do they attempt to do so? Because the success of economic integration depends on widespread political support, these questions are of considerable importance to the European Union. They are also the questions which underlie this paper.

Adjustment to European economic integration takes place not just in Paris, Rome, and the other national capitals, but in regions and towns throughout the European Union. Unfortunately, the existing literature on economic adjustment in Europe neglects the sub- national level, and misses an interesting and essential part of adjustment politics. From the other direction, case studies of cities, states, and regions all too frequently treat the sub-national entity as a self-contained unit of analysis, failing to conceptualize politics as a game which is played across the entire national territory.2 The objective of this research, then, is to analyze the political strategies of sub-national interest groups within the context of the EU's single market.

In this paper first I discuss how changes in the EU affect regional interest groups and then I present three approaches for explaining their responses: economic, organizational, and institutional. I proceed with an empirical test of the political institutional variable -- specifically, political decentralization -- in a bivariate analysis of regional interest group strategies. This is done in a paired multi-sectoral comparison of French and Italian business associations. The investigation uses a "most similar case" design; by conducting the research in similar border regions of similar countries, I ensure adequate control over alternative explanatory variables. The project is also designed as a "crucial case" comparison. There is a distinct, but relatively small, difference in the degree of regional autonomy in Italy and France, which makes for a demanding test of the neo-institutional approach. The data support the hypothesis that the territorial distribution of power has a significant effect on the strategies of regional economic interest groups.

## 1. REGIONAL INTERESTS AND EUROPEAN INTEGRATION

At the end of 1992 the European Community reached an important landmark with the "completion of the internal market". The Single European Act (SEA) removed the most important barriers to the movement of goods, services, capital, and labor. Nearly 300 directives eliminated physical, technical, and fiscal barriers to economic integration. The SEA has been projected to increase aggregate incomes in the European Union by about five percent (Cecchini, 1988, pp. 97-102). This increase, however, will not be distributed evenly across the Union. The effects will vary considerably across countries, regions, and sectors (Buigues, Ilzkovitz, and Lebrun, 1990; Devinney and Hightower, 1991, pp. 186-189). Economic liberalization implies high potential costs to less competitive producers, and concerns about the possible negative distributional effects of the single market are especially pronounced in the EU's poorer regions and in declining industrial districts.3 To alleviate these apprehensions, and to ensure political support for the SEA, the Council embraced the goal of "social and economic cohesion" within the Community (Council, 1986; Hannequart, 1992). The tangible expression of this nebulous goal was a doubling in expenditures for structural adjustment programs in problem regions (Marks, 1992).

The "deepening" of economic integration has been accompanied by symbolic and concrete steps toward European political integration, realized most importantly with the Treaty on European Union. The SEA and Maastricht have revitalized the debate over the essential character of the European Union.4 Some scholars emphasize the enduring intergovernmental basis of European integration, and indeed argue that EU institutions strengthen the ability of central governments to achieve domestic policy goals (Keohane and Hoffman, 1991; Moravscik, 1991, 1993). Others observe the gradual evolution of a federal system (Burgess, 1989). Although it may not yet resemble the federation envisioned by Spinelli and other leading federalists, the European Union is nevertheless seen by many scholars as an arrangement in which member states have transferred a distinct portion of their sovereignty to a supranational level.5 David Cameron's assessment is representative of this perspective:

> ... the likely character of the EC of the 1990s: a supranational entity endowed with new and strengthened institutions and powers, able to influence and constrain, if not determine, the domestic economic policies of its members;...poised to cross the threshold to full economic integration; and increasingly taking on some of the forms and functions of a political federation (Cameron, 1992, p. 173).

While most observers have focussed on the transfer of power from the nation-state to the EU, others detect another important, if less dramatic, transfer of power--from the central governments to sub-national levels (Sharpe, 1993). The region (or meso-level) has attracted the greatest attention for at least three important reasons. First, the EU has targeted the region as the primary level for its economic development programs. With the reform of the structural funds in 1988 regional representatives have an important new role in tripartite negotiations with national and European representatives (Commission, 1989). The Maastricht Treaty establishes a Committee of the Regions which gives regional authorities formal consultative representation in the Union. Second, many of the European nation-states, even traditional unitary states such as Belgium, Spain, France, and Italy, have decentralized political power during the past two decades. Regions in these countries have new powers especially with regard to regional economic development (Nanetti, 1988; Sharpe, 1993).6 Third, the abolition of national barriers has facilitated the emergence of new regional economic growth poles, no longer limited by, and now frequently spanning, the national frontiers.7 Together, these developments have inspired visions of a "Europe of Regions".8 Wolfgang Streeck and Philippe Schmitter (1991) describe a:

> ...transformation of national into regional economies and of sub-national regions into subunits of a supranational economy [which] amounts to a regionalization of Europe as well as at the same time a Europeanization of its regions.9

Indeed, a manifestation of this trend is the rapid growth in the formal representation of regional governments in Brussels (Keating, 1993, p. 306; Marks and McAdam, 1993; Mazey and Mitchell, 1993, pp. 105-108).

The relationships between sub-national, national, and supra-national levels of government are complicated further by the contentious issue of subsidiarity. Subsidiarity is commonly understood to mean decision-making at the lowest practicable level (Laffan, 1993, p. 43; Nicoll, 1993, p. 23; Wilke and Wallace, 1990). The national disagreements and compromises over Europe's future direction are clearly apparent in the Maastricht Treaty's ambiguous references to subsidiarity (Peterson, 1994). British and Danish efforts to use subsidiarity to limit EU power are evident in Section 3b of the Treaty:

The Community shall act within the limits of the powers conferred upon it by this Treaty and of the objectives assigned to it therein. ...In areas which do not fall under its exclusive competence, the Community shall take action, in accordance with the principle of subsidiarity, only if and in so far as the objectives of the proposed action cannot be sufficiently achieved by the Member States and can therefore, by reason of the scale of effects of the proposed action, be better achieved by the Community.

European federalists were unable to retain treaty language which called explicitly for a European federation, but they can still point to Article A, which calls for member states to:

... continue the process of creating an ever closer union among the peoples of Europe, in which decisions are taken as closely as possible to the citizen in accordance with the principle of subsidiarity.

Regionalists may see in Article A the "intellectual foundation" for a "Europe of the Regions" (Scott, Peterson, and Millar, 1994), but others believe that Maastricht has no implications for internal relations between member states and their regions (Neunreither, 1993; Nicoll, 1993). The significance of subsidiarity may depend ultimately on its interpretation by the Court of Justice, but there is disagreement even over whether the principle is judiciable (Laffan, 1993, p. 43; Neunreither, 1993, p. 216; Nicoll, 1993, p. 23).

While most scholars find a Europe of the Regions scenario unrealistic (Anderson, 1990: Keating, 1993; Marks, 1993; Sbragia, 1992), we are seeing, at a minimum, what Gary Marks calls:

... the emergence of multilevel governance in the European Community, characterized by co-decisionmaking across several nested tiers of government, ill- defined and shifting spheres of competence... (Marks, 1993, p. 407).

The changes in the EU have necessitated a reexamination of the vertical links between supranational, national, and sub-national levels of government, and the newly emerging horizontal networks of sub-national governments (Ladrech, 1994; Leonardi and Nanetti, 1990; Smith and Ray, 1993). These new, and extremely complex, institutional relationships have important implications for organized economic interests and for the European political economy more generally. There are many questions about how economic interests will respond to the new European Union. Many new channels of influence have opened up. Alberta Sbragia believes that organized interests, "...typically must use, and will need to keep using, channels provided by national governments in order to maximize their influence" (Sbragia, 1992, p. 290).10 Other scholars highlight the rapid proliferation of lobbies and lobbying in Brussels (Mazey and Richardson, 1993). Wolfgang Streeck and Philippe Schmitter see the likely evolution of highly complex pattern of interest representation, perhaps resembling:

an American-style pattern of "disjointed pluralism" or "competitive federalism," organized over no less than three levels -- regions, nation-states, and "Brussels." As in the United States and perhaps more so, this system would be characterized by a profound absence of hierarchy and monopoly among a wide variety of players of different but uncertain status (Streeck and Schmitter, 1991, p. 159).

When we turn to the American interest group literature for guidance through this complex scenario we are left disappointed. The American interest group literature converges with the literature on federalism, and we are often told that interest groups in federal systems have a larger number of channels for influencing public policy than groups in unitary systems.11 Unfortunately there is very little empirical research which tests this important theoretical proposition. The key empirical interest group literature focusses exclusively on the national level (Bauer, Pool, and Dexter, 1963; Berry, 1984; Cigler and Loomis, 1991; Heinz et al, 1993; Schlozman and Tierney, 1986).

Recent studies of private sub-national interest groups overlook their political activities across territorial levels of government. A four volume collection of studies on state-level interest groups provides a wealth of data on lobbying activities in the state capitals.12 Unfortunately, this otherwise excellent series tells us nothing about the lobbying activities of state-level interest groups in Washington. We learn a great deal about interest group patterns in the states, but we do not necessarily have a better overall understanding of interest group strategies in federal systems.

In a European Union with increasingly federal characteristics, we must move beyond the conventional practice of treating different governmental levels as discrete units of analysis. More appropriately, we must move toward a multi-level model, in which interest groups at any territorial level are free to lobby government at any number of levels. This type of model is depicted in Figure 1 below.13

Figure 1
Multi-level Lobbying Model
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2. EXPLAINING INTEREST GROUP STRATEGIES

How, then, do regional economic actors respond to change and uncertainty in the international economy? To whom do they turn, and how can we best explain the logic of their responses? Research on economic adjustment has typically employed national and sectoral comparisons, but now a more disaggregated analysis is justified. The changes taking place in the European Union are extremely complex and they have varying effects on different regions, sub-sectors, classes, and firms. Interests are aggregated with great difficulty and often result in "lowest common denominator" policies. Even relatively similar interests may display divergent strategies (Golden, 1988). Economic integration is accompanied by new rules, new resources, and new players. Interests are highly fragmented, and political strategies are not easily predicted (Lange, 1992).

Business owners and corporations have several options when facing international economic changes. They may feel no need to make adjustments in response to market integration, or they may change any number of internal or external business strategies. They may also attempt to improve their competitive position in the integrated market by influencing public policy. A political strategy could be pursued independently or collectively. Firms and economic interest associations must decide which resources to expend, and the manner in which they could best be used. Interest groups and firms can lobby government at any number of levels, from supra-national to communal. The regional level of government holds new interest because of the availability of the EU's structural adjustment funds. Interest groups can also attempt to influence policy by using other pressure tactics such as public relations campaigns and demonstrations, as French agricultural interest groups so frequently have done. An analysis of regional economic adjustment strategies must consider at least three plausible explanations.

One possibility is that interest group strategies depend on economic structural factors. We would expect similarly affected economic actors to have similar responses to economic change (e.g., the chemical industry in Britain behaves like the chemical industry in Germany).14 The sectoral impact of the Single European Act has been analyzed in several European Union and academic studies. These studies typically project the market impact of integration by analyzing factors such as price disparities, trade ratios, firm size, capital and labor intensities, and the extent of non-tariff barriers (Buigues, Ilzkovitz, and Lebrun, 1990; Commission, 1988; Mayes, 1991; Smith and Wanke, 1993). Researchers can test the statistical relationship between economic structural variables and the adjustment strategies of economic actors.

A second explanation of regional interest group strategy focusses on how regional interest groups are organized. Interest group structure likely depends on market structure (e.g., firm size, geographical concentration, etc.) and on government structure, especially the territorial decentralization of the state (Coleman and Grant, 1985). Organizational structure, however, may also have an independent effect on short-term interest group strategies -- this hypothesis must be tested empirically.

Several recent comparative studies find that there is wide variation in the organizational structure of regional economic interest associations. Interest group organization varies along two key dimensions. The first dimension marks the degree of sectoral differentiation: interest associations may represent a single economic sector, or they may be comprehensive, open to firms in any sector. A second dimension identifies the relationship between regional and national associations. A regional association may be entirely independent, or at the other extreme, it may be a completely subordinate unit of a national association (Coleman and Grant, 1985; Coleman and Jacek, 1989; Golden, 1988; Schmitter and Lanzalaco, 1989; van Waarden, 1989).

The links between interest group organizational structure and interest group strategies have not been examined systematically, but we can suggest several tentative hypotheses about this relationship. For example, an association representing a single sector may be expected to have a more coherent policy and political strategy compared with a comprehensive association. Policies and strategies in both types of associations are the products of bargaining and compromise, but interests are much more heterogenous in the comprehensive association, and this may be associated with ineffectual or infrequent interest representation for individual sectors.

Similarly, the degree of autonomy of the regional interest group is likely to have consequences for political strategy. The interests of the national and regional associations may diverge for numerous political and economic reasons. Regional interest associations may be constrained in their political activities if they lack financial and decisional autonomy. Regional autonomy may be associated therefore with a higher incidence of lobbying and other political activities. An independent regional association may be more politically active simply because it has to conduct all of its own lobbying whereas a regional subunit of a national association could rely on the national association to lobby the central government.

A third approach for explaining the regional politics of adjustment derives from the "new institutionalist" literature. Various comparative national studies have shown how state and societal institutions shape different economic policy choices in otherwise similar countries (Katzenstein, 1985; Hall, 1986; Zysman, 1983). Political institutions are no longer seen as "black boxes" having little impact on social outcomes (March and Olsen, 1989). Advocates of the "new institutionalism" argue that "...institutions define the identities, preferences, and values of individuals, groups, and societies (Anderson, 1992)." But critics charge that the empirical support does not yet justify such claims. Many of the cross-national comparisons have simply been too blunt to discern sectoral and regional variations in economic adjustment patterns.[15] Even though there is substantial evidence that institutions in some manner mediate policy-making and economic policy, it is not at all clear how, and under what conditions, this happens.

If institutions are defined as the "rules of the game", the most important institution for regional actors is the constitutionally-defined territorial distribution of power between the center and periphery. Leonardi and Nanetti (1991) describe the continuum of possible institutional relationships between national and sub-national units of government. At one extreme is the unitary state; at the other is a federal state. Devolutionary states, including France and Italy, lie somewhere in between. They are characterized by decisional, administrative, and financial power-sharing between the central and sub-national governments. The relationship between these forms of territorial government, and the distribution of EU member states along this continuum, are presented in Table 1.

Table 1

Nature of relationship between national and sub-national units of government

| Unitary | Devolutionary | Federal |
|---|---|---|
| Centralized decision-making and administration carried out through national administrative machinery; financing from centre | Shared decision-making and administration devolved to sub-national governmental units; partial self-financing by sub-national governmental units; revenue sharing | Differentiated decision-making; areas where federal units are sovereign; administration conducted by them; taxing power |

Distribution of countries along the continuum

| Unitary | Devolutionary | Federal |
|---|---|---|

UK
Ireland
Greece
Portugal
Spain
Italy
France
Netherlands
Denmark
Germany
Belgium

[Editorial Note: It was not possible, due to problems during conversion, to determine what the position of the nation-states actually was. Readers should consult the original paper]

Source: Robert Leonardi and Raffaella Y. Nanetti, "Emilia-Romagna and Europe: a case study of regional transformation in preparation for the Single Market" in R. Leonardi and R. Nanetti, eds., The Regions and European Integration: The Case of Emilia-Romagna. London and New York: Pinter Publishers, 1990.

The decentralization experiments in Italy, France, and other countries have prompted political scientists to take a new look at regional government.16 Research on political decentralization is moving away from a legalistic and descriptive approach to one concerned with political and economic outcomes (Bennett, 1990; Keating, 1988; Nanetti, 1988). The degree of centralization has important implications for governmental responsiveness and efficiency, and, perhaps most importantly, for the distribution of economic resources (Wolman, 1990). Anderson's (1992) recent study of regional politics in Britain and Germany shows how different territorial arrangements of government produce different patterns of regional politics. Federal Germany and unitary England are located, of course, at opposite ends of the political decentralization continuum. Now that Anderson has made a successful case using very different systems, we can execute a more difficult test of the institutionalist approach by using the French and Italian cases to test whether narrower differences in regional structure and power correspond to differences in economic adjustment patterns.17 If variations in political patterns can be attributed to the relatively small institutional differences between the two countries, the neo-institutional approach will have passed a rather demanding test.18

As a result of the decentralization reforms of the early 1980s, the French région increasingly resembles the Italian regione.19 Numerous government functions and resources have been transferred from Paris and Rome to these intermediate levels of government. Perhaps most importantly, in both countries the regions have the primary responsibility for regional economic development and planning. The regions have an important role in numerous economic activities, including agriculture, tourism, business development, transportation, and job training (Leonardi and Nanetti, 1990; Muret and Peyré, 1992; Nanetti, 1988; Schmidt, 1990).20

Despite the apparent similarity of the French and Italian regions, there are many interesting and potentially important differences in their legal and financial autonomy. The political impact of these institutional differences has not been studied. There have been very few comparisons of French and Italian regions since the French decentralization reforms (Keating, 1988). And even though the EU has given the regions a prominent new role, and "subsidiarity" has become an important operating principle in Brussels, very little empirical research has been done on regional politics in the new European Union.21 The "Europe 1992" process, with its distinct beginning and end points, presents a unique opportunity to test systematically whether political institutions make a difference in patterns of economic adjustment.

## 3. RESEARCH DESIGN AND METHODOLOGY

Figure 2
Location of the Case Study Regions
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To better understand the significance of political institutions to economic actors, I have designed a comparative study of interest groups in French and Italian regions.22 Like Gourevitch (1986), I compare political responses to the identical economic shock in different political systems. The objective of the research is to determine whether the degree of political decentralization has a significant effect on regional interest group strategies in single market Europe. The principal analytic approach is the comparative method, using a "most similar case" design. I conduct an intensive empirical investigation of a small number of cases, controlling for alternative explanations (such as position in the international economy) through careful case selection (Collier, 1991; Lijphart, 1971; Ragin, 1987). The interest groups come from two regions with numerous economic, political, and cultural similarities: Liguria, Italy, and Provence-Alpes-Côte d'Azur, France. Using the most similar method carries the risk of "overdetermining" outcomes by unnecessarily narrowing the range of potentially important explanatory variables. To address this problem I introduce variation across economic sectors and conduct ten paired sectoral comparisons. Using multiple most similar case comparisons gives us greater confidence than does a single sectoral comparison that we are not making erroneous generalizations from unrepresentative cases. Increasing the number of sectoral comparisons also permits the use of statistical analysis to test competing explanations. Both quantitative and qualitative analyses are used, and they are intended to complement one another.23

The Regions

The comparative case study is conducted in the border regions Liguria, Italy, and Provence-Alpes-Côte d'Azur (PACA), France (see Figure 2). Border regions have an intrinsic appeal in most similar case research designs. Beyond sharing a common border, in most cases they also have numerous social, economic, and technological similarities. It would be difficult to find regions in two different countries which are more alike in economic structure than Liguria and PACA. These two regions constitute the central part of an evolving economic zone stretching from Barcelona to Livorno, informally known as the Mediterranean Arc. Liguria and PACA are important economic regions which have been attempting to move away from a dependence on declining ports, shipbuilding, and other heavy industries. Both regions qualify for the EU structural funds for "converting regions affected by industrial decline". Nationalized industries play an important role in the economies of the two regions. Each region has a small, but high-value agricultural sector. The sectoral shares of agriculture, industry, and services are virtually identical in Liguria and PACA (see Table 2). Income levels are roughly equivalent and

Table 2
Sectoral Shares of the Regional Economies

| | By value-added, 1988 | | By employment, 1991 | |
|---|---|---|---|---|
| | PACA | Liguria | PACA | Liguria |
| Agriculture | 2.4% | 2.3% | 3.8% | 3.9% |
| Industry | 24.5 | 26.4 | 22.3 | 24.0 |
| Services | 73.1 | 71.3 | 74.0 | 72.1 |

Sources: European Commission, Regions: Statistical Yearbook, 1993; Eurostat, Basic Statistics of the Community, 1992.

unemployment is above the EU average in both regions. An EU study categorizes both regions as "intermediate" (rather than "central" or "peripheral") in terms of economic position in the unified market (Keeble, Offord, and Walker, 1988). Another EU report places the two regional capitals, Marseilles and Genoa, on a list of cities with the most serious urban problems (Chesire et al., 1988).24

This choice of cases allows us to control adequately for numerous alternative explanatory variables, including: structure of the regional economy, and integration into the national economy and the European economy.25  Cultural differences between the two regions are also of minor significance because of their shared historical experiences.  Liguria has been under direct or indirect French control on numerous occasions, going as far back as Charlemagne, and as recently as 1815, under Napoleon. Nice, the major city in eastern PACA, was under the control of the House of Savoy for nearly five hundred years.  It was ceded to France in 1860 as the price for French consent to the new Italian state.26  Finally, there are also similar political cleavages in the two regions.  Both regional governments have been dominated by center-right coalitions, while the principle city governments have been under left control.27  Liguria and PACA do not match up perfectly, of course (e.g., Liguria has no equivalent of the Front National), but we can hardly do better at this level of analysis.

## Economic Sectors

Most studies of economic adjustment focus on industry and agriculture, neglecting the service sector.  This research examines adjustment patterns in all three sectors, but emphasizes services, the largest sector not only in the case study regions, but in all of the European Union.  The number of sub-sectors chosen reflects the overall importance of each sector to the regional economy.  The sample includes agriculture as a single sector, along with three industrial sub-sectors (metal and machine products, chemicals, and construction) and six service sub-sectors (commercial agents, tourism, freight forwarding, finance, business services, and professional services).  Except for agriculture, a single business association has a monopoly over regional interest representation for each of these sub-sectors. A list of the interest associations is presented in Appendix 1.

The sample includes many of the important economic activities in Liguria and PACA affected by the "Europe 1992" process.  The effects of the Single European Act vary considerably across these sectors.  The removal of non-tariff trade barriers will have a direct and significant effect on the chemical industry, on construction, and on freight forwarders.  In contrast, the effect of the SEA on business services and tourism is low and mostly indirect.

## Hypotheses

I test the strength of the neo-institutional explanation of adjustment strategies to European integration.  The central research question is:  Whom do interest groups lobby for public policies to improve their competitive position in the single market?  I use the choice and frequency of various interest group political activities as the dependent variable in the study.  The null hypothesis is that we would expect to find no differences in the strategies of French and Italian interest groups paired by economic sector.  The null hypothesis will be rejected if we find statistically significant differences in the strategies of the paired interest groups.  The alternative hypothesis is that adjustment strategies depend on the degree of political decentralization of the state.

The relationship between center and periphery spans a continuum ranging from a unitary to a confederal state.  This relationship is captured empirically through various measures of regional and local autonomy (Nathan and Balmaceda, 1990; Smith, 1985).  Greater regional autonomy increases the variety and number of resources and policy instruments available locally, and it places government officials closer to regional interest associations.  Therefore greater regional autonomy should lower the costs and increase the expected payoffs of lobbying the regional government, other things being equal. In decentralized political systems we would expect interest groups to lobby the regional government more frequently than the central government.

I test the hypothesis that greater decentralization is associated with a higher frequency of choosing a sub-national government as a lobbying target.  The frequency of lobbying the central government is expected to be negatively related to state decentralization.  I also test the hypothesis that the frequency of regional government lobbying relative to central government lobbying will increase with greater state decentralization.28 29

This is not to say that political institutions are the only, or even the central, part of the story.  Or that they operate outside of the larger set of socio-economic structural constraints.  Putnam, et al. (1993) show quite clearly that the identical political institution (Italian regional government) performs very differently in diverse settings.  And certainly political institutions do not operate in a mechanistic or deterministic fashion.30  Rather, institutions are conceived of as resources which can be exploited by political actors with varying degrees of success, depending on numerous social, political, and economic factors. As an initial step toward a fuller, multivariate, analysis we control for these other factors and focus on the independent effect of the institutional variable.

Dependent Variable: Interest Group Strategies

Economic actors can protect their interests through a wide variety of economic and political strategies. I have collected data on these activities from twenty business interest associations. The interest groups are evenly divided between the two regions. I conducted structured interviews with the secretaries-general or directors of the regional interest associations. The interviews were held from April to June 1993. They lasted from thirty minutes to two hours, averaging about fifty minutes.

In the interviews I asked the interest group representatives a series of open-ended questions concerning the effects of the Single European Act, the political responses of the interest association, and the role of the regional government. Business associations then completed a written questionnaire which reported on the economic and political responses of their members to the Single European Act. I also asked the respondents to complete a written questionnaire with closed-ended questions concerning the normal political activities of the interest associations. Data from the questionnaires include the frequency of lobbying by level of government and by institution (executive or legislative). Even though the focus of the research is on the regional level, social actors who are organized at the regional level can be politically active at any level of government. Therefore the questionnaire includes lobbying at every significant governmental level. As a check on data reliability the questionnaires also ask for the interest group representative's ordinal ranking of lobbying frequency at each governmental level. Additional data have been collected on the frequency of contacts with political parties and the frequency of other political activities, including public relations campaigns, legal actions, and demonstrations. Wilson's (1983) survey of French interest groups is used as a model for some of the written questions.

Explanatory Variable: Regional Autonomy

In France and in Italy the region is the sub-national level which has been granted primacy in the spheres of economic development and territorial planning, the areas of greatest interest to regional business associations. There is no agreement on how meaningful regional reform has been in either country. One finds enthusiastic (Putnam, et al., 1993; Schmidt, 1990) and skeptical (Hine, 1993; Marcou, 1990) appraisals of regional reforms in both countries.

The skeptics raise two major points. The first criticism is that decentralization never went far enough; in both countries political opponents were able to block meaningful reform. The second critique, which has potentially important implications for the institutional approach, is that the formal powers which the regions were granted remain largely inconsequential in the face of political realities. Michael Keating (1988, p. 197) argues that, "In both France and Italy, regions have by and large been taken over by existing political elites and subjected to traditional political practices." Clientelism thrives at the regional level in both countries. As a direct result, regions largely are unable to formulate coherent public policies. Instead, expenditures follow a political logic -- saupoudrage in France, pratiche spartitorie in Italy -- as funds are scattered to influential clients. In some cases, especially in Italy, the creation of regional government has brought neither democratization nor efficiency, but clientelism and corruption at its worst. Thus the performance of regional government falls far short of the ideals originally espoused by its proponents.31 The normative concerns about the performance of regional governments, however, do not militate against the importance of regional resources to private interests. As Putnam indicates, "By the beginning of the 1990s, nearly one-tenth of Italy's gross domestic product was being spent by the regional governments, only slightly below the figure for American states (Putnam, 1993, p. 25)."

Even if regional powers in France and Italy remain far from those found in federal states, clearly both countries have departed substantially from their highly centralized systems. More important for the present analysis is the relative placement of these two states in the larger continuum. We turn, therefore, to a comparative analysis of regional autonomy. Regional autonomy can be defined various ways and it can incorporate numerous factors. There are at least three important dimensions of regional autonomy: legal status, legislative autonomy, and financial autonomy (Paladin, 1992; Rose, 1985; Smith, 1985). We find that the Italian regions have greater autonomy than the French regions in each of these dimensions.

A fundamental difference between the French and Italian regions is their legal status. The powers and functions of Italian regions are firmly established in the 1948 Constitution. In contrast, French regions have only a statutory basis which, in principle, can be overturned easily.

Two key dimensions of legislative autonomy are the policy domains (alternatively described as "functions" or "competences") of the regional government, and the degree of central control over regional legislation (Nathan and Balmaceda, 1990; Paladin, 1992; Rose, 1985; Smith, 1985). Edward Page is probably correct to conclude that a multi- country comparison of local government functions would be "long, tedious, and, given the great variability of descriptions of services cross-nationally, fruitless (Page, 1991, p. 14)."32 A much simpler two-way comparison indicates that the Italian regions have formal authority in a wider range of policy areas than do the French regions.33 In practice, however, both countries have many overlapping responsibilities among different levels of government (Cassese and Torchia, 1993; Marcou, 1990; Sanantonio, 1987; Schmidt, 1990). In both cases the primary formal mechanism of control for the central government is an a posteriori right to refer questions about the legality of a regional action to the constitutional court. In the Italian case, if regional legislation conflicts with the "national interest", the central government has the right to ask Parliament to adjudicate the matter (Sanantonio, 1987; Schmidt, 1990). Of course there are also many informal mechanisms of political control, whether through the bureaucracy or through political parties (Hine, 1993; Sanantonio, 1987; Tarrow, 1977).

Financial autonomy is usually assessed using indicators such as revenues (e.g. dependence on the central government), expenditures (e.g., regional expenditures as a percent of total government expenditures), or a combination of the two. On the revenue side, the Italian regions depend much more than the French on central government transfers. This gives the French regions somewhat greater flexibility to program expenditures without central government interference. It also provides the French administrators with greater financial stability and predictability than what is found at the Italian regional level (Owens and Norregaard, 1991; Rey and Pola, 1990).

For a study of interest group lobbying, however, it is arguably more important to focus on expenditures rather than revenues. French regional budgets have been increasing steadily since 1982, but the French central government still retains control over most expenditures. In the late 1980s central government expenditure was about 82 percent of total government expenditure in France, compared with approximately 73 percent in Italy (Owens and Norregaard, 1991, p. 26). By this conventional measure Italy continues to be the more decentralized polity. This finding is corroborated by budgetary data from the regional level. Regional government expenditures are about twenty percent of central government expenditures in Italy (1991), but only about four percent in France (1992, provisional).34 It is true that a significant portion of regional expenditures are programmed in Rome. However these funds are earmarked in broad categories, and central government officials normally do not interfere in the specific budgetary decisions made at the regional level.

## 4. RESULTS

Analysis of the data lends support to the hypothesis that the political activities of interest associations depend partly on the territorial distribution of power between the central and sub-national levels of government. Table 3 provides summary descriptive statistics on the frequency of interest group contacts across territorial levels of government, and by governmental branch. The table also includes the frequency of contacts with Euro- parliamentarians, and with the regional association's national organization. Lobbying frequency has been coded on a four point scale, where "never" is coded 1, "rarely" is 2, "occasionally" is 3, and "often" is 4. For analytical purposes we assume that these categories lie at equal intervals from each other. The data are consistent with the multi- level lobbying model. Regional interest groups lobby every level of government, from local to supra-national. The frequency of contact at some levels, however, was rather low. This is true for the departmental/ provincial level, and in the French case, at the municipal level. The Italian interest groups lobbied the regional government more frequently than the French, and they were much more likely to leave central government lobbying to the national interest association. French interest groups lobbied the central government and parliament more frequently than did the Italian interest groups. Contact with Europarliamentarians was low in both countries.

Table 3
Lobbying Targets of Regional Interest Associations

| Lobbying Channel | France (n = 10) Mean | France (n = 10) S.D. | Italy (n = 10) Mean | Italy (n = 10) S.D. |
|---|---|---|---|---|
| CITY | | | | |
| Mayor | 2.4 | 0.9 | 2.5 | 1.0 |
| Cabinet | 2.0 | 1.2 | 2.8 | 1.2 |
| Council | 1.6 | 0.9 | 2.4 | 1.0 |
| PROVINCE/DEPARTMENT | | | | |
| Executive | 2.3 | 1.1 | 2.4 | 1.0 |
| Council | 1.6 | 0.5 | 2.0 | 1.0 |
| REGION | | | | |
| Executive | 2.8 | 1.2 | 3.2 | 1.2 |
| Council | 2.3 | 1.0 | 2.8 | 1.2 |
| CENTRAL | | | | |
| Executive | 2.8 | 1.1 | 2.4 | 0.8 |
| Parliament | 3.3 | 0.6 | 2.8 | 0.9 |
| Central government via national association | 3.1 | 1.0 | 3.6 | 0.9 |
| Europarliament | 2.2 | 1.0 | 2.2 | 0.6 |

Text of question: With what frequency do you use the following channels to propose, or to demonstrate support of, a law, a decree, or an administrative act?

Coding: 4 = Often; 3= Occasionally; 2 = Rarely; 1 = Never

The differences between the lobbying strategies of French and Italian interest groups become sharper when they are examined in paired comparisons. Figure 3 provides a graphic display of lobbying at the regional level. The Italian scores are higher than the French scores for seven sectors, they are equal for two sectors (chemicals and finance), and French scores are higher only in one sector (freight forwarding). Figure 4 displays central government lobbying frequencies. French scores are higher than Italian scores for six sectors, and they are equal for four sectors (metal and machine products, freight forwarding, finance, and business services).35

Interest groups face resource constraints, so they must determine the set of strategies which optimizes their available resources. The neo-institutional hypothesis suggests that the relative frequency of regional interest group lobbying at the central government level compared with the regional level will be higher in France than in Italy. This was true in eight out of ten paired comparisons. The relative frequency of central-to- regional government lobbying was lower in France than in Italy in one of the paired comparisons, and it was identical in another case. The results of this cross-national comparison are presented in Figure 5 and in Table 4.

Table 4
Frequency of Central-to-Regional Government Lobbying

| France > Italy | France = Italy | France < Italy |
|---|---|---|
| Agriculture | Finance | Freight Forwarding |
| Metal/Machine Products | | |
| Chemicals | | |
| Construction | | |
| Commercial Agents | | |
| Tourism | | |
| Business Services | | |
| Professional Services | | |

## The Single Market in Construction

The construction sector provides a good illustration of multi-level lobbying, and it is an example of a sector which supports the institutional hypothesis. Situated somewhere between the industrial and service sectors, construction accounts for five to six percent of gross value added in both France and Italy (Statistical Office, 1993). The construction industry employs between six and ten percent of the work force in most of the EU countries (Malsot, 1993, p. 315). Average firm size is comparatively small, with over 90% of European construction firms employing fewer than ten people. Construction remains a highly localized market. According to one estimate, intra-community trade in construction amounts to no more than two percent of the value of all construction in the EU (Malsot, 1993, pp. 327-8).

The Europe 1992 project included numerous provisions which directly or indirectly affect the construction sector. For example, various standards for construction products have been harmonized.36 The sector also will be affected indirectly by the harmonization of occupational safety, environmental, and labor standards, and by reductions in material transport costs. By far, the most important effect, however, is the opening of public procurement bids to foreign firms.37

Government contracts account for over twenty percent of the value of total construction in most of the countries. Therefore, the opening up of the public procurement process in the EU may have a significant impact on the construction sector over the medium and long term.38 Liberalization of other markets should also have indirect effects on trade levels of construction services. An EU study categorizes construction as one of the service sectors likely to be highly impacted by the SEA. Two types of firms are most likely to benefit from trade liberalization: the major European firms, which are experienced in handling foreign contracts, and firms located in border areas (Malsot, 1993; p. 328).

PACA. Construction accounts for about six percent of the value of the regional economy, slightly above the national average. Construction firms in PACA are represented by the Fédération Régionale du Batiment (PACA), which is the regional branch of the Fédération Nationale du Batiment. There are about 6000 member firms in the regional association.39

The federation did not expect to see a substantial short-term impact of the Single European Act on its member firms. The tightening of building regulations, for example, was not expected to have a significant impact on their competitive position in the European market. French construction firms were already operating under some of Europe's strictest technical and quality regulations. In principle the upward harmonization of standards should provide an advantage to French firms relative to some of their competitors, but it was difficult for the federation to make a concrete assessment of this.

The opening of public contracts to foreign builders provides them with a new entree into the French market, but the impact of this change also was uncertain. The immediate effect of the liberalization of public procurement was expected to be imperceptible because of the overwhelming impact of the economic recession. The longer-term outlook for public and private contracts depends somewhat on the scale of the projects. The French industry feels confident about its ability to compete for large-scale projects. France has a high degree of market concentration in the construction sector, and the dominant position of the major French firms has made it difficult for foreign firms to penetrate the French market for large-scale projects.40 Rather than opening up shop in France, foreign firms, especially British and Italian, have been entering into partnerships with French firms, or have been trying to purchase them.41 While confident about its ability to retain control of the domestic market, the federation was less optimistic about developing new markets in other states. Member firms have tried to enter the Italian market, but these efforts repeatedly have met with failure.42

Labor is the critical cost variable for the industry. With the single market, the federation is quite concerned about the comparatively high level of French social wages, especially as it affects their ability to compete with Italian firms for medium and small scale projects. Federation officials accuse Italian firms of engaging in "commando tactics" because they move in and out of the French market for six-month periods, the maximum permitted without having to pay the higher French employment benefits. These concerns have been conveyed to policy makers at the national level. The federation makes frequent use of indirect channels through the national association, but it also has frequent direct contact with politicians and government officials in Paris.

Taxes and public works projects are the other key concerns which shape the political strategies of the federation and its member firms. Construction is taxed directly or indirectly at every governmental level. Property owners pay the national and regional taxe foncier, tenants pay a departmental and regional taxe d'habitation, and builders pay the taxe locale d'équipement. Accordingly, lobbying at every governmental level has been aimed at influencing fiscal policy. The construction industry is also in frequent contact with each of the sub-national levels of government on matters related to public works projects.

Liguria. The Italian construction industry is Europe's third largest (after Germany and France), with sales of ECU 76 billion in 1990. The Italian construction industry is one of the least concentrated in Europe; Italy has few of the continent's largest firms (Malsot, 1993, p. 319). There are approximately 2800 to 3000 construction firms in Liguria, with some 1000 of them in the province of Genoa.43 Average firm size is about 7 to 10 permanent employees, and about fifty laborers. About one-third of the firms belong to the Associazione Costruttori Edili (ASSEDIL), the Genoa branch of the Associazione Nazionale Costruttori Edili.

The association's analysis of the impact of European integration on construction is similar to their counterpart's in France, yet their political strategies are somewhat different. The elimination of non-tariff barriers would not likely have a significant impact in the short-term because of the economic recession and because of the Italian political crisis. The second half of 1992 brought a sharp decline to a relatively lackluster market, and public works contracts began to dry up as the corruption investigations widened.44 The SEA would likely provide new opportunities to Ligurian firms, but when and to what extent, was difficult to determine. Some of ASSEDIL's firms have already been involved in projects in Nice, and it was expected that in the single European market there would be an increase in this type of cross-border work. On the other hand, the Ligurian firms are smaller than firms in most European countries, so it will be difficult for them to compete in larger and more distant markets.

The association did not expect foreign firms to have much success in Liguria. Even though foreign firms may bid on Italian public works contracts, the daunting complexity of the administrative procedures governing the sector makes market entry difficult for foreign firms. Even the nearby French have not been able to establish a presence in the region. Additionally, much of the work in Liguria is in renovation rather than in new construction (there is extremely little land available for new construction in Liguria), and the local firms are more specialized than most of the European firms in building renovation. Thus the association does not foresee any great market shifts in the local and regional markets.

The political battlegrounds for ASSEDIL traditionally have been the city and the region. The city because of its public works projects, and the region because of the regulatory powers it holds in the areas of urban and environmental planning. An effective coalition of environmental groups, the left, and the tourism industry has been successful in limiting construction projects in the region. For example, Regional law no. 7 of 1993 requires that all construction in the tourism sector be approved by the regional tourism plan. The regional government, however, had no tourism plan prepared. Similarly, Regional law no. 9 of 1993 intended to minimize soil erosion, prohibits any construction near water sources. As water sources exist throughout Liguria, new construction is at a standstill. The association has made frequent use of the Regional Administrative Tribunal to challenge unfavorable legislation. Only rarely does the association lobby government at the national level.

## The Deviant Case of Freight Forwarding

The most problematic case is freight forwarding. Closer examination of this case points to differences between the two countries in the sectoral decentralization of power. Shipping is the most important means of freight transport in both regions. Italy has a complex system of port management. There are four different models of port authority, each of which is present in Liguria. The Port of Genoa, by far the largest, is considered an autonomous port, but the director is a political appointee from Rome, and the Region of Liguria has no formal authority. The regional government has responsibility only over the smaller ports of "regional interest". In contrast, French legislation requires the fifty percent participation of local authorities in the management of the Port of Marseilles-Fos. In the exceptional case of freight forwarding it becomes understandable why regional interests in France lobby at the regional level, while the Italians look to Rome. To explain the non-predicted cases may require a revised model which accounts for differences in the decentralization of sectoral governance structures.

## Testing the Institutional Hypothesis

We can test the null hypothesis that there is no statistically significant difference in the strategies of interest groups paired by sector by using a t-test (two-tailed, at the .05 level) of the mean difference between French and Italian interest groups in their frequency of lobbying at different levels of government.[45] Alternative hypotheses would be that French interest groups lobby the central government more frequently than the Italians, and that Italian interest groups lobby the regional government more frequently than the French. A third alternative hypothesis, and the most important for understanding the strategic choices of interest groups, is that the frequency of lobbying at the central government level compared with the regional government level will be higher in France than in Italy.

To conduct the t-tests, a mean score of lobbying frequency across branches (e.g., executive and legislative) at the central and regional levels is calculated for each interest group. The relationship between central and regional government lobbying is calculated as an index by subtracting the regional lobbying score from the central government lobbying score. All of the difference scores are calculated by subtracting Italian scores from French scores. Thus, under the alternative, institutional, hypothesis we would expect to find a negative mean difference for regional level lobbying, and a positive difference for central government lobbying and for the relative index of central-regional lobbying.

Table 5 presents the results of the t-tests. We can reject the null hypothesis (at the .05 level) that there is no statistically significant difference between the paired interest groups for lobbying frequency at the central government level. The other two measures were in the correct direction, but they were not statistically significant at the .05 level. When freight forwarding is excluded from the analysis, all three measures are statistically significant at the .01 level.

Table 5

Differences in the Lobbying Frequencies of Paired French and Italian Interest Groups

N = 10

| | French Score | Italian Score | Mean of Difference | S.D. of Difference | T-Stat. | Prob. |
|---|---|---|---|---|---|---|
| Regional Gov't | 2.55 | 3.00 | -0.45 | 1.21 | -1.17 | (.271) |
| Central Gov't | 3.05 | 2.60 | 0.45 | 0.44 | 3.25 | (.010) |
| Central/Regional Relative Index | 0.50 | -0.40 | 0.90 | 1.49 | 1.91 | (.088) |

Excluding Freight Forwarding

N = 9

| | French Score | Italian Score | Mean of Difference | S.D. of Difference | T-Stat. | Prob. |
|---|---|---|---|---|---|---|
| Regional Gov't | 2.44 | 3.22 | -0.78 | 0.67 | -3.50 | (.008) |
| Central Gov't | 2.94 | 2.44 | 0.50 | 0.43 | 3.46 | (.008) |

| | | | | | | |
|---|---|---|---|---|---|---|
| Central/Regional Relative Index | 0.50 | -0.78 | 1.28 | 0.94 | 4.08 | (.003) |

## 5. CONCLUSION

We can draw at least two conclusions from this summary analysis. First, regional economic actors do indeed attempt to influence public policy across the entire national territorial space. They do not limit themselves to their own geographical jurisdiction, as the associations' own organigrams would suggest. This strongly suggests that interest aggregation at the national level is perceived to lead to ineffectual action. Nor do interest groups necessarily leave European Union lobbying in the hands of their national associations. Although most of the interest groups contacted European officials infrequently, several regional interest groups had regular direct contacts with Europarliamentarians and with Commission officials in order to influence EU policy. These findings support the arguments of scholars who see distinctly new political processes and patterns evolving alongside the traditional channels through the national capitals. Neither the corporatist model nor the conventional pluralist model appears appropriate in these two cases. Interest groups sought a variety of things from governmental officials, from regulatory relief (chemicals) to programmatic changes (farmers) to government contracts (business services). The overall picture is one of a pluralist model of interest intermediation, with interest groups selectively applying pressure depending on the general powers and the specific sectoral powers of the different levels of government. If we seek to understand interest group strategies, it would be a mistake to focus on a single level of government. Multi-level governance calls for multi-level interest group models.

A second conclusion from this research is that the choice of lobbying target depends on political institutions, specifically, the territorial arrangements of government. The degree of regional political autonomy in France and Italy is distinctly different, but not very far apart. In a carefully constructed comparative crucial case study, the strategic choices of French and Italian regional interest groups appear to be related to the formal distribution of power between the central and sub-national levels of government. As we would expect, the differences in the strategic choices made by the French and Italian interest groups are not great, yet they are significant. Regional interest groups in France more frequently choose to lobby the central government, while their Italian counterparts have more frequent contacts at the regional level. This research highlights the relationship between political decentralization and regional interest group strategies in an integrated Europe. We must now begin to examine the implications of regional autonomy for successful regional economic adjustment.

## APPENDIX 1
## LIST OF REGIONAL INTEREST ASSOCIATIONS

Genoa/Liguria

Associazione Costruttori Edili
Associazione Liberi Professionisti
Associazione Spedizionieri Doganali
Federazione Regionale Coltivatori Diretti
Sezione Finanza, Associazione Industriale
Sezione Industrie Mecaniche, Associazione Industriale
Sezione Industrie Chimiche, Associazione Industriale
Sezione Servizi Avanzati, Associazione Industriale
Sindacato Agenti Rappresentanti (FNAARC)
Unione Regionale Ligure Alberghi e Turismo (URLAT)

Marseilles/PACA

Chambre d'Agriculture, PACA
Chambre des Professions Liberales
Chambre Professionnelle des Agents Commerciaux
Chambre Syndicale des Industries Metallurgiques et Connexes des Bouches-Du-Rhone
Chambre Syndicale des Societes d'Etudes et Conseils de France
Comite Regionale des Banques de PACA
Federation Regionale du Batiment
Syndicat des Transitaires de Marseille Fos et sa Region
Syndicat General des Industries Chimiques, PACA
Union des Cafes, Hotels et Restaurants des Bouches-du-Rhone

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