A privileged position?

The influence of business interests in government consultations

Anne Skorkjær Binderkrantz, Peter Munk Christiansen and Helene Helboe Pedersen

Department of Political Science and Government, Aarhus University

**Abstract**

The relative influence of business interests in the formulation of public policy is disputed, and empirical results remain inconclusive. Business groups are generally expected to be more successful than other groups in influencing public policy because they are able to deliver detailed and technical knowledge about their sector and because the welfare of business is crucial for the economic wellbeing of society. However, based on an exchange relation logic we argue that the lobbying resources of business groups are not equally important across policy areas. We study overt influence in one stage in the policy making process and test how business influence is moderated by policy issue in a dataset containing all consultations on Danish bills in the parliamentary year 2009/10. In consultations regarding business regulation, business groups are indeed more influential than other interest groups, but in consultations regarding public sector services and general regulation, non-business groups tend to be more successful than business groups. Business has a privileged position, but only on its home turf.

Influencing public policy is a major raison d´être for interest groups. In most democracies, groups have ample options to express their views and opinions to decision makers. Among the most institutionalized channels of participation is the formal consultation of interested parties when new bills or regulation are prepared. Consultations are widely – and increasingly – used by governments in many countries, but the specific institutional set-up varies (Golden 1998; Halpin and Binderkrantz 2011; Klüver 2009; Lundberg 2012; West 2004; Yackee and Yackee 2006). Interest groups clearly value the opportunity to participate in consultations, and the sheer amount of responses proves that groups are willing to spend resources on their participation (Binderkrantz 2005; Furlong and Kerwin 2004; Halpin and Binderkrantz 2011). Even though consultations take place late in the decision making process, studies of EU policies as well as of US administrative rulemaking have demonstrated that consultations do indeed lead to policy changes (Golden 1998; Klüver 2009; 2011; 2012; Yackee 2005: 3).

When it comes to the issue of which interests are heard, it has often been argued that sectional groups – and in particular business groups – are better equipped to lobby than cause groups. The costs and/or benefits associated with government policy are more concentrated for business firms than for members of cause groups, business groups are well endowed with informational resources, and their members control society’s production capacity (Dür and de Bièvre 2007; Lindblom 1977). Empirical results concerning the influence of business in government consultations are mixed. Yackee and coauthors find that businesses often come out as winners (McKay and Yackee 2007; Yackee and Yackee 2006) and so do Jewell and Bero (2006), whereas Golden and Klüver find that issue characteristics are more important than group type (Klüver, forthcoming: 1129; Golden 1998: 261).

Based on a resource exchange logic of influence (Pfeffer and Salancik 1978; Bouwen 2004) we propose a new argument linking the effects of group type to policy area. According to this argument the likelihood that business groups mobilize and are successful depends on how valuable their resources are to decision-makers regulating a specific policy area. Business groups’ lobbying resources are not equally relevant to decision makers across all issues. Specifically, we expect business groups to be more successful than other groups in relation to business regulation, but not in relation to what we define as general regulation or public sector services. The role and importance of external interests thus depend on the type of policy a particular government agency is dealing with. This implies that a potential pro-business bias may not be found across all policy areas, but only in relation to policies where the specific resources of business groups put them in a favorable position.

This possible interaction effect is tested in a study of Danish government consultations. We apply the method used in US studies by Golden and Yackee (Golden 1998; Yackee 2005) and link group consultation responses to agency reactions. Influence is defined as changes in a policy proposal in response to a group demand, or more simply: Does a group get what it wants – or at least part of what it wants – by responding to a specific consultation? The setting is different from previous studies because Denmark is a parliamentary democracy with a corporatist legacy and because our study focuses on bills in a pre-parliamentarian phase rather than on administrative rule making.

The analyses are based on a unique dataset covering all bills introduced in the Danish parliament during the parliamentary session 2009/10. In Denmark almost all bills are introduced by the government. Draft bills are routinely sent out for consultation before being presented to parliament. We have registered all interest group responses in these consultations and linked them to agency reactions as specified in detailed ministerial consultation reports. This provides us with a measure of interest group influence across a large number of groups and consultations.

**A PRIVILEGED POSITION OF BUSINESS?**

The literature on interest groups often contrasts sectional groups to cause groups or public interest groups (Stewart 1958; Beyers 2004). Sectional groups represent a specific section of citizens in a society, such as farmers, blue collar workers or doctors, and they promote interests that will bring concentrated benefits (or prevent concentrated costs) to their members (Wilson 1980). Cause groups represent ideas rather than specific societal groups (Berry 1977), and they seek to advance diffuse benefits to their members as well as everybody else. There is fairly broad consensus in the literature that sectional groups – and in particular business groups – are better equipped to lobby since it is easier for them to mobilize and organize (Olson 1965; Dür and de Biévre 2007) and they are better at raising resources to supply the expertise the decision makers ask for (Bouwen 2004; Hall and Deardorff 2006; Klüver 2012).

Among the sectional groups, business groups are further argued to be in an especially privileged position, as they (partly) control society’s production capacity (Lindblom 1977). Firms and industries may threaten to move their production to another state or country if they find regulation too costly. Business groups also tend to be well endowed with specialized information that is in high demand with decision makers (Dür and Mateo 2013: 5), who may want their regulatory efforts to be as targeted and efficient as possible. Because business groups have extensive insights in the sectors they represent, they generally have a competitive advantage over other groups in terms of submitting relevant information to decision makers (Jewell and Bero 2006). It is empirically documented that business groups are overrepresented in the group system (Lowery, Gray and Fellowes 2005; Schattschneider 1975 [1960]; Schlozman, Verba and Brady 2012; Furlong and Kerwin 2004: 361). When it comes to participation in consultations a range of studies find business interests to be comparatively better represented than other group types (Jewell and Bero 2006; Naughton et al. 2009: 260; Yackee and Yackee 2006). Yackee and Yackee (2006: 135) conclude that: “Agencies appear to alter final rules to suit the expressed desires of business commenters, but do not appear to alter rules to match the expressed preferences of other kinds of interests”. This conclusion is supported by Jewell and Bero (2006: 645-6), who point out that business groups are better at representing their interests in the regulatory arena and that consultation contributions from business groups are characterized by more scientific, economic and legal data than contributions from other group types.

In contrast, earlier US studies did not find strong support for traditional theories of agency capture by business interests, although trade associations seemed to have some advantage (Furlong 1997: 340; Golden 1998). Klüver (2012) also concludes that lobbying success related to EU policy making does not vary systematically across group type, and that there are no signs of a systematic bias in favor of business groups. Hence, the verdict on the role of business is still inconclusive. We argue that this inconsistency may exist because the competitive advantage of business does not extend beyond issues related to regulation of the business sector itself. While some of the advantages of business groups – such as easier mobilization and general resource endowment (Bouwen 2004; Dür & de Bièvre 2007; Olson 1965) – may be relevant across all policy areas, other business resources are of particular relevance in regard to policies regulating business.

The idea of differing patterns of interest representation and influence across policy areas is classic. Lowi (1964: 688-9) famously argued that political relationships are determined by the type of policy at stake. He distinguished policy issues by outcome: distribution of goods, redistribution or regulation. Policy type will influence the political interactions. In this way policy areas constitute political arenas of power (Lowi 1964: 689). Based on Lowi’s categorization, Dür and Mateo (2013) find that business groups are particularly prone to use insider strategies of targeting decision makers when they work with distributive issues.

More specifically directed at the study of business *influence*, Smith (2000) proposed a distinction of policy issues according to the interest constellation of business classified as particularistic, conflictual, or unified. Counterintuitively, business groups were expected to be least influential on issues where business groups were unified. According to Smith, such issues are typically salient, ideological and partisan issues and decision makers will therefore base their decisions on ideology and partisan considerations paying attention to the public opinion rather than on opinions advocated by business groups (Smith 2000: 64-5).

Both of these perspectives emphasize variation across issues in the pattern of pressure put on decision-makers. We develop this line of argument to also account for difference in obtained influence by drawing on a resource exchange perspective (Pfeffer and Salanzic 1978; Bouwen 2004). Thus, decision-makers will listen to groups with the most valuable resources related to the specific policy area they are regulating. Decision makers demand resources to make and implement decisions. Resources can be political support and information and – as discussed above – business groups are often argued to be particularly well equipped with such resources. The value of group resources varies across political institutions and arenas (Bouwen 2004; Binderkrantz, Pedersen & Christiansen, forthcoming) and importantly also across policy types.

The resources of business groups are particularly important when it comes to issues regarding regulation of the business sector – business regulation. Business policies attract the attention of business groups because they imply concentrated costs or benefits for business (Wilson 1980). Further, the resources possessed by business groups – control over society’s production, information about possible policy consequences – are relevant to key decision makers in these areas. The competitive advantage of business groups discussed in the literature is thus particularly relevant for issues concerning business regulation.

Based on the likely value of group resources, business regulation can be contrasted with two other types of policy – general regulation and public sector regulation. General regulation concerns issues of general societal relevance such as immigration, income taxes, and justice. Costs and benefits are often diffuse and few business groups are expected to mobilize, although some issues such as income taxes and immigration may affect labor supply and marginal costs of production. However, when business mobilize their expertise will not be particularly relevant to policy makers in these areas. Business groups thus cannot be expected to be more or less influential than other group types.

Public sector regulation is related to the administration and production of public services such as health, education, and social services. Businesses do have strong interests in the provision of certain public sector goods, such as education and child care, because it affects the quality and supply of labor. However, in an exchange perspective information from public sector actors may be as crucial or more crucial to decision makers as the voices of business.

Summing up, two factors are important in determining the mobilization and influence of business groups: What is at stake for the group, and to what extent are the resources possessed by business groups particularly relevant to decision makers? Due to their extensive expertise and their importance for society’s productive functions, business groups get a very attentive ear among decision makers in business regulation. In comparison, regulation of the public sector and general regulatory issues are likely to be less salient to the business community and – importantly – the competitive advantage of business groups does not extend to such areas.

While theories focusing on the obstacles different groups face in mobilizing and on general resource endowment will expect uniform business influence across different policy areas, we expect the relative importance of business vis-à-vis other groups to depend on the issue. Business groups are expected to be more influential than other groups in regard to business regulation but not particularly more influential than other interest groups in regard to general regulation and public sector regulation.

**THE STUDY OF INFLUENCE**

Political influence is fundamental to interest groups. Studying influence is, however, notoriously difficult and many scholars have devoted their attention to more manageable questions (Dür 2007). Recent scholarship has taken up the challenge of studying group influence empirically using different approaches. Some focus on goal attainment by linking groups’ policy positions to political outcomes (Baumgartner et al. 2009; Mahoney 2007; Klüver 2009; Bernhagen 2012). Others trace group influence in specific cases (e.g. Kautto 2007; Givel and Glantz 2001; Christiansen, Nørgaard and Sidenius 2004), and yet others rely on self-reported influence, for example in surveys (Dür 2007; Pedersen 2013). Another approach is to study specific stages of the policy process (for a review see Leech 2010), and the advantage is that it links groups’ actions and their effects in terms of political influence. Further, it is possible to include a large number of cases in analyses. Only part of the policy process is captured in a given study, but the hope is that scholars can collectively examine “the development of policies from cradle to grave” (Furlong 1997: 341).

A wide range of studies look at group attempts to affect the fate of legislation once it has reached parliament (Baumgartner and Leech 1998; Truman 1951; Hall and Deardorff 2006; for an overview see Binderkrantz forthcoming), but this stage of the decision making process is only one of several stages where influence may be sought (Baumgartner and Leech 1998; Beyers 2004; Binderkrantz 2005). A particularly crucial venue in terms of affecting bills is the bureaucratic entity responsible for drafting legislation. Here, groups may seek influence using a wide range of methods including formal and informal contacts. Also, influence occurs at different stages of rule and bill preparation. Recent US research highlights the importance of the early stage, where the regulatory agenda is set and where at least some affected interests may be consulted (Naughton et al. 2009; West 2004) .

Here, we focus on the more formal consultation of interest groups before the introduction of bills in Parliament. We thus study the ability to affect bills in a relatively late stage of decision making rather than business influence on issue definition or success with keeping issues off the agenda.

Focusing on influence exercised through formal consultations enables a systematic comparison of interest group consultation responses and their effects across a large number of groups and issues. Much may have been won before a bill is sent for consultation, and much may also be won after the bill is introduced to parliament. However, we are confident that what we capture is indeed an important part of politics.

Surveys among groups confirm that responding to consultations is among the important instruments for affecting public policy (Binderkrantz 2005). When bills are sent out for consultations, groups reply and accommodations are made. While government concessions may be of varying importance, there is clearly something to be gained from participating in consultation (Binderkrantz 2005; Furlong and Kerwin 2004: 366; West 2004: 71). In mapping the effects of group responses we follow the approach used first by Golden (1988) in a study of selected rules and later by Yackee et al. (2006) in a broader study of US administrative rule making. Influence is defined as the ability to change a proposed bill. In their responses to consultations, groups provide ministries with suggestions for improvement (or they simply advise the ministry to drop the bill). These suggestions may be neglected, they may be partly accommodated, or the group may get all it wants. The standard of evaluating influence is the group’s own consultation response – does the group get what it asks for (or at least part of it)? In contrast to studies linking group positions to policy outcomes (Klüver 2009), this methodology entails documenting a direct relation between a group response and an agency reaction. In contrast to asking groups about their effectiveness in for example a survey, we do not need to deal with problems of under- or over-reported influence (Golden 1998: 248).

**MEASURING AND EXPLAINING INFLUENCE IN THE DANISH CASE**

Our empirical focus is consultations on bills carried out by Danish ministries. Denmark is traditionally a corporatist country, but Danish corporatism has weakened in recent decades, particularly in relation to policy formation (Christiansen et al. 2010; Öberg et al. 2011). In the same period, administrative consultations have come to play a much more important role. In the mid-1970s – often seen as the heyday of Danish corporatism – around one fifth of all bills were sent out for consultation (Christiansen and Nørgaard 2003: 107); today all bills are sent out and consultations have, to some extent, replaced corporatism.

Danish legislation is almost always prepared by the administration and introduced in parliament by the government (in the year under scrutiny all bills that were eventually passed were government proposals[[1]](#footnote-1)). With a few exceptions, a consultation is routinely carried out before a bill is presented to parliament.[[2]](#footnote-2) Consultations are published online and sent to a set of groups – mainly interest groups and public authorities – chosen by the ministry in charge of the consultation. The lists of groups invited to respond are very inclusive and anyone can reply to the consultation – if they find out about it. After the response date has passed, the ministry decides to what extent the proposal will be changed before it is presented to parliament. A consultation report containing all responses as well as the ministerial reaction to responses is prepared and forwarded to the relevant parliamentary committee together with the changed proposal. This report is publicly available on the parliament’s homepage.

The consultation process has some similarity with the rule-making processes analyzed by American scholars (e.g. Golden 1998; McKay and Yackee 2007; Yackee 2005; Jewell and Bero 2006), but there are also differences. In the Danish case consultations are a prelude to the parliamentary processing of a bill, which means that the final decision will be reached by a representative vote in parliament. US studies have focused on administrative regulation where the final decision is made by bureaucrats and thus not exposed to any democratic vote. These differences mean that partisan concerns and consideration of public opinion may be more important for ministerial reactions to consultations in the Danish context than for bureaucrats in US agencies. Therefore, the importance of business interests can be expected to be lower in this Danish case study, but any conclusions of course would require a systematic comparison.

**Establishing a measure of group success**

In order to obtain a relevant set of consultations, all 225 bills introduced to parliament in its 2009/10 section have been registered. Consultation was carried out for 204 bills, and two rounds of consultations were held for six bills. For one consultation, the relevant material could not be found, and four consultations received no responses from interest groups. The remaining 205 consultations thus form the basis of the analysis.[[3]](#footnote-3) Two of these bills were postponed to later sessions; the rest were eventually passed by parliament.

The advantage of this strategy of case selection is that it encompasses all consultations, allowing us to include a wide range of policy areas and both high-salience and low-salience issues in the analysis (Yackee 2005: 8). One caveat is that some bills sent out for consultation may never make it to parliament. After all, an often acknowledged effect of special interest group activity is to stop political proposals from being put into effect (Baumgartner et al. 2009). This may happen regularly in some political systems, but in Denmark bills are rarely withdrawn once they have reached the consultation stage. To check for occurrence, we visited the website “høringsportalen.dk” (<https://bdkv2.borger.dk/Lovgivning/Hoeringsportalen/Sider/Soeg.aspx>), which registers all bills sent for consultation in 2009/10, and established whether they were eventually proposed in parliament. Only three bills sent out for consultation in the relevant period were not proposed to parliament.

Our methodology for studying influence exercised in consultations is similar to the one used in studies of US administrative rule making (Golden 1998; Yackee 2005). The unit of analysis is a response by an interest group to a government consultation. For the 205 consultations we coded all consultation responses from national interest groups. Letters without substantial content (e.g., acknowledgement of receipt of the proposed bill) were not registered. We found 1,692 responses sent by 416 different groups.

Establishing whether letters have led to changes in proposed bills is a time-consuming process (Furlong and Kerwin 2004: 364). In constructing a measure of group success, we were aided by a ministerial practice of drawing up a “hearing report” detailing the ministry’s responses to the consultation. For each response, we checked the report to establish whether a group’s demands were met.

To establish the dependent variable – groups’ success – we registered whether a group’s proposed changes were: 1) fully or almost fully followed by the ministry, 2) partly followed by the ministry, or 3) rejected. In many cases the evaluation of success was not straightforward as ministries sometimes strive to appear accommodating while keeping the bill substantially unchanged. Instruction of the two coders was very detailed, and coders were told to report any doubt to the responsible researcher. An intercoder-reliability test of 66 cases resulted in a Cohen’s Kappa of 0.721.

In the multivariate analysis we constructed a dichotomous measure in which groups were assigned “1” if their proposals were partly or fully accommodated and “0” if their proposals were rejected or if they argued against the bill, but did not suggest specific amendments. Other groups argued in favor of the bill and made no suggestions for changes (373 groups) or simply misunderstood the bill (five groups). This reduced the sample so we were able to estimate the impact of 1,314 group responses: 613 (47%) group responses resulted in full or partial accommodation by the ministry.

**Measures of group and policy type**

All interest groups responding to at least one consultation were given a unique ID number allowing us to trace their pattern of activity across all consultations. Business groups were defined as any group with private companies or industries as members.[[4]](#footnote-4) 136 (33%) out of 416 groups responding to consultations represent business, and they produced 694 responses to consultations, constituting 41% of the 1,692 responses in the data.

The policy area of all bills was registered according to the codebook used by the policy agenda project (see: www.agendasetting.dk). The areas were then recoded depending on whether the area could best be classified as: 1) business regulation: agriculture, labor market, environment, energy, and business and consumer regulation; 2) general regulation: macroeconomics, civil rights, immigration, justice, housing, foreign affairs, EU, local and regional politics, and other; and 3) public sector regulation: the state church, health, education, culture and sports, traffic, defense, and research. In the multivariate analysis this variable is combined with the group type variable to create dummy variables for business groups and other groups respectively with regard to each policy area. Table 1 shows the distribution of the three policy types.

**Table 1 Policy types according to group responses and consultations**

|  |  |  |
| --- | --- | --- |
|  | Group responses | Consultations |
| Business regulation | 457 (27 %) | 74 (36 %) |
| General regulation | 619 (37 %) | 58 (28 %) |
| Public sector regulation | 616 (36 %) | 73 (36 %) |
| Total | 1692 (100 %) | 205 (100 %) |

**Control variables**

Type of interests and policy issue are not the only important factors for group success in consultations. We therefore include a set of control variables regarding group as well as issue characteristics.

At the group level the organizational characteristics besides type of interest have been argued to be important (Klüver 2012). Even though recent research has shown that financial resources may be of less relevance than assumed (Baumgartner et al. 2009), the issue is not settled. Rather than finances as such it may be important how groups utilize their resources. Based on reanalysis of the data originally compiled by Heinz and associates, McKay (2011: 13) concludes that: “While the general picture shows little measurable effect of organizational wealth on group’s policy success, the data suggest that how that money is spent can affect groups’ ability to get what they want”. Notably, some groups dedicate resources to build up large secretariats capable of interacting professionally with decision makers. This indicates emphasis on achieving political influence as well as possession of resources necessary for this type of interaction, for example supplying high quality comments in consultations (Yackee 2005: 3; Furlong 1997: 327).

To obtain data on group resources, a survey was administered to all identified groups, and 303 of 415 groups active in consultations (73%) responded. The survey was part of a larger survey among Danish interest groups, and the 1,109 groups that responded are used as a standard of comparison when we analyze the types of groups appearing in the consultation data. The questionnaire included questions about group resources including annual group income and number of employees working with politics in a broad sense (contacts to bureaucrats, politicians or reporters, conducting analyses and monitoring the political process). These different measures exhibit a high level of multicollinearity (the tolerance level for political employees is 0.225 when group income is included alongside the other variables in the multivariate analysis of influence). Only the measure of employees working with politics is therefore included in the analyses because staff resources are supposed to represent a more specific resource in relation to consultations than monetary resources (mean number of lobbying staff for all responding groups (N = 1,692) is equal to 7.6 (std. error = 21.3)). To obtain better linearity the measure was logarithmically transformed.

As far as issue characteristics, it has been acknowledged ever since Schattschneider (1975 [1960]) pointed to the importance of the scope of conflict that the outcome of any political battle depends on the mobilization of interests. Recent scholars have also emphasized that characteristics of the issue context may be as important as or even more important than group level characteristics (Mahoney 2007; Klüver 2011). One such factor relates to the salience of a proposal in general or in regard to the number of groups mobilized (Nixon, Howard and DeWitt 2002: 68), and Klüver (2011) finds that the effect of salience is moderated by the size of the lobbying coalition. We simply register the number of groups replying to the consultation to operationalize the salience of the bill to the interest group community.

On average eight interest groups responded to every consultation, with a maximum of 32 groups. Compared to activity levels in other studies, the level we find is low. In her study of 40 consultations held by US agencies, Yackee (2005: 8) found an average of 36 organized interests participating even though she used a broader definition of organized interests than ours. Klüver (2012: 1123) studied replies to 56 EU consultations and found almost 50 replies from associations per consultation. Lundberg’s (2012: 11) study of 33 consultations found an average of 30 replies from organizations. The relatively low activity level in the present study indicates that our consultations represent an “insider’s” game, where a limited number of groups seek to affect bills. It may partly be explained by an often very tight deadline for replying to consultations allowing little time for “outsiders” to prepare consultation responses. It may also be related to the practice of holding consultations for almost all bills, which means that even bills of little substantial interest to external actors are sent for consultation.

The content of consultation responses may also affect the likelihood of being influential. Interest groups have very different overall opinions about proposed legislation. Some groups are largely in favor, others are fierce opponents. Golden (1998: 61-2) argues that agencies tend to favor supporters of its rules over critics. Revisions suggested by a group that strongly opposes a bill are not very likely to be accommodated, whereas revisions proposed by a group that is generally in favor may have a better chance. This was coded based on group consultation responses. Responses were coded in the following three categories: 1) The group overwhelmingly supports the bill (objections are negligible); 2) the group supports the bill, but has significant objections; and 3) the group overwhelmingly opposes the bill. Since this coding is open for judgment, the coders were instructed carefully, cf. above. An intercoder-reliability test on a sample of 66 cases resulted in a Cohen’s Kappa of 0.65. Seven responses did not provide enough information to estimate the opinion. 468 (28%) of the 1,685 coded responses were strongly supportive of the proposal.

Finally, consensus among commenters and repetition of a comment might also increase an agency’s probability of accommodation (Nixon, Howard and DeWitt 2002: 63). McKay and Yackee (2007: 337) find that the balance of opinion matters as agencies are less likely to alter rules when lobbying is competitive and more likely when one side of a policy issue dominates the lobbying effort. However, their study does not take into account the general stance of groups on the proposed legislation, but rather examines in which direction proposals are changed. We combine the insight about the balance of opinion with the argument that agencies are most likely to favor supporters and register the share of all groups responding to a consultation that are generally against the bill. This measure runs from zero (no strongly opposing groups) to one (all groups responding are generally against the bill). The mean score is 0.15.

**BUSINESS GROUPS IN CONSULTATIONS. MOBILIZATION AND INFLUENCE**

The literature remains inconclusive regarding the importance of business in public policy making. We have argued that the likelihood that business groups mobilize and succeed depends on the type of policy, because their lobbying resources are not equally relevant to decision makers across different types of issues. Specifically we expect business groups to be more successful than other groups when they lobby on issues regarding business regulation, but not when they lobby on issues regarding general regulation or public sector regulation.

Table 2 shows the mobilization of different group types across the different types of policy. For each type of policy, groups are distributed according to their type. We distinguish between seven overall group types to provide insight into the types of interests advanced in consultations. As a standard of comparison, the table also shows the distribution of groups in the survey of all national interest groups. This may be seen as a proxy to the Danish interest group “population”.

**Table 2: Group type and policy area, column percentages**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | Business regulation | General regulation | Public sector regulation | All bills | ‘Population’as measured in group survey |
| Business groups | 60.4 | 37.8 | 22.1 | 41.0 | 25.3 |
| Trade unions | 14.2 | 22.6 | 25.5 | 20.3 | 14.2 |
| Associations of authorities and institutions | 7.3 | 10.1 | 26.3 | 14.9 | 6.3 |
| Professional groups | 1.4 | 5.2 | 1.8 | 2.4 | 11.5 |
| Identity groups | 3.7 | 10.8 | 15.9 | 9.9 | 14.4 |
| Hobby groups | 2.5 | 4.4 | 4.4 | 3.7 | 12.7 |
| Public interest groups | 10.5 | 9.1 | 4.1 | 7.8 | 15.6 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| *All groups* | *669* | *407* | *616* | *1,692* | *1,109* |

Note: Chi-square = 310.68, significant at the 0.001 level. Cramér's V = 0.303.

Overall, the data supports the pattern from US studies (Yackee and Yackee 2006) that business interests are very active participants. Across all consultations they account for 41% of replies. Trade unions and associations of authorities and institutions are also rather active. Combined, the three types of labor market groups account for more than 75% of all consultation replies (compared to a share of 45% of the group “population”). All other group types carry less numerical weight in the consultations than in the group “population” as measured in the survey. Professional groups and hobby groups are almost absent in consultations even though they each represent about 12% of all groups. Identity groups and public interest groups fare somewhat better with 10% and 8% of the replies respectively, but their participation is still below their share of the population. Other studies have found even lower levels of participation by public interest groups (Yackee and Yackee 2006: 133; Lundberg 2012:12), although Klüver (2012: 1123) reports that 20% of the groups participating in EU consultations are cause groups.

Importantly, attention from different group types is not evenly distributed across policy areas. In accordance with expectations, business groups are most active in consultations on bills related to business regulation – in fact six out of ten consultation replies are from a business group. They are also the most dominant group, at 37.8%, in consultations concerning general regulation. Their dominance does not extend to bills related to public sector regulation where institutional groups are most active. Replies are mainly from two groups, Local Government Denmark and Danish Regions, which organize the local and regional authorities. Trade unions account for a quarter of all replies in this area, presumably because they represent the public professions. Consultation responses from the remaining types of groups do not take up much space in government offices. Identity groups – typically users of public service – are most active in regard to public sector regulation, and public interest groups mainly respond to consultations regarding business or general regulation. The overall patterns of activity are systematically different depending on policy issue as illustrated by the significant chi-square test.

It is important to note that all consultation replies do not carry equal weight. In some areas the organization of interests is more concentrated than in others, and umbrella organizations may speak for a wide spectrum of underlying organizations. Another approach to comparing the relative weight of different group types is therefore to see in how many consultations each group type collectively appears (numbers not shown). Again, business groups dominate: At least one business group participates in 80% of consultations, trade unions in 57%, and at least one association of authorities and institutions in 51%. Identity groups and public interest groups are present in respectively 32% and 39% of consultations, while professional groups and hobby groups are only active in 15-17%. Overall, this matches the pattern from the analysis of the relative percentages of replies.

The next step involves testing expectations about influence. Each consultation reply is seen as an attempt to affect a bill, and we seek to explain whether the attempt succeeds. As discussed in the research design, success is defined as full or partial accommodation of a proposal. Lack of success is defined as having a proposal neglected or opposing a bill that is eventually put forward to parliament. The dependent variable is thus dichotomous; “1” represents at least partial accommodation, and “0” represents neglect, and we therefore perform a logistic regression. Since many groups are active in the same consultation, robust clustered standard errors in regard to consultations are used. The analyses have been repeated with similar results clustering the standard errors in regard to unique groups. All variables have been recoded to range from 0-1.

Table 3 shows the result of the multivariate analysis. Including data from the survey reduces the sample size to about 1,000 units. Since the response rate is high, we do not expect this drop to cause significant problems and an analysis excluding group resources shows similar results. Model 1 shows the impact of business and policy type including the list of control variables. Model 2 includes a set of dummy variables capturing the combined effect of group type and policy area. In Model 1 it is noticeable that business groups have no significantly different likelihood of being succesful in government compared to other groups. However, Model 2 confirms our expectations: Compared to other groups, business interests are significantly more influential on issues concerning business regulation. This result also holds if we change the category of reference: In regard to general regulations, business and other groups are not significantly different, and regarding public sector regulation business is actually significantly less likely to be successful (p = 0.049). Further, we have run the analyses separately for each type of policy, reducing the number of observations in every model substantially, and we arrive at similar results: Business is significantly more likely to be successful in relation to business regulation, but we find no difference between business and other groups regarding general regulation. Finally on public sector regulation, success by business groups is close to being significantly less likely (p = 0.081).[[5]](#footnote-5)

**Table 3: Multivariate analysis of succes (Logistic regression)**

|  |  |  |
| --- | --- | --- |
| **Predictor** | **Model 1** | **Model 2** |
| Other groups | Ref. |  |
| Business groups | 0.023 (0.181) |  |
| General regulation | Ref. |  |
| Business regulation | 0.292 (0.236) |  |
| Public sector regulation  | -0.193 (0.269) |  |
| Business regulation, other groups |  | Ref. |
| Business regulation, business groups |  | 0.678\*\* (0.236) |
| General regulation, other groups |  | 0.459 (0.369) |
| General regulation, business groups |  | -0.215 (0.316) |
| Public sector reg., other groups |  | 0.094 (0.267) |
| Public sector reg., business groups |  | -0.350 (0.346) |
| ***Controls*** |  |  |
| Political employees | 0.369 (0.276) | 0.492 (0.282) |
| Number of responses | 1.517\*\* (0.474) | 1.344\*\* (0.495) |
| Share of opposing groups | -2.882\*\*\* (0.637) | -2.924\*\*\* (0.669) |
| Group positive | Ref. | Ref. |
| Group somewhat positive | -0.418 (0.229) | -0.399 (0.226) |
| Group opposing | -1.022\*\* (0.312) | -1.013\*\*\* (0.307) |
| Constant | -0.062 (0.365) | -0.245 (0.368) |
| Pseudo R2 | 0.097 | 0.109 |
| N | 1,105 | 1,106 |

Note: Levels of significance: \* < 0.05, \*\* < 0.01, \*\*\* < 0.001. Standard errors are clustered with respect to consultations.

To get an idea of the substantial impact of the interaction term, we illustrate the predicted probabilities for success keeping all other variables at their means in Figure 3. Influence is clearly contingent upon policy area. When consultations concern public sector regulation or general regulation, business groups have a lower probability of success than other groups, but in regard to business regulation the opposite pattern is present. From the perspective of a business group, the likelihood of success is almost twice as high if the group responds to a consultation about regulation of specific sectors as if it responds to a consultation involving public sector regulation. For other groups, the likelihood of success is highest in consultations about general regulation (although the pattern is less marked than for business groups).

These results indicate that business groups are not more successful than other groups in general. But when they lobby on policy issues regarding business regulation – which they are most likely to do according to Table 2 – they are indeed more successful than other groups and seem to have a truly privileged position.

**Figure 3: Group type, policy area and influence (predicted probabilities)**

Note: The bars illustrate the predicted probability of influence with all other variables kept at their mean. The lines indicate the 95% confidence interval.

As far as the impact of the control variables, general resources in the form of professional staff have a positive but not significant effect on the likelihood of being influential (Model 1 and Model 2). This fits Baumgartner et al.’s findings (2009) for the US and Klüver’s (2012) for the EU. Having a professional secretariat may affect whether groups participate in consultations, but not whether they succeed.

Regarding the issue-specific variables, we find that the variables related to the mobilization of groups in the specific consultation are all significant. First, many responses to a consultation make influence more likely (Model 1 and 2). Second, if a large share of the responding groups opposes a bill, influence is less likely (Model 1 and 2). Third and finally, groups who are negatively inclined towards a bill are less likely to affect its content. This is in accordance with Golden’s findings (1998) for the US. Even with the relatively low levels of mobilization we find in Danish consultations, the number of groups that mobilize affects the probability of success.

**CONCLUSION**

The extent of business’ influence on public policy is disputed. Business groups are supposed to enjoy a privileged position in lobbying because they organize firms whose production is essential to the economic welfare of a country and because they are able to provide decision makers with detailed and technical knowledge about sector-specific issues. However, empirical studies arrive at contradicting results. We argue that a possible explanation is that business groups’ lobbying resources are not equally important across all types of political decisions. We expect business to be more influential than other types of interest groups on business regulation, but not on general regulation or public sector regulation.

Our analyses show that business groups do mobilize to a greater extent on government consultations regarding business regulation and that they are also more likely than other types of interests groups to influence bill proposals in this policy area. The absence of a privileged position on other policy issues is not due to a lack of interest – business groups do actually supply a large number of consultation responses – but rather to the reduced value of business group input outside their home turf. This supports our emphasis on the differential value of business resources rather than on different patterns of business mobilization across different issues. The most important finding in this study is therefore that the evaluation of a possible bias towards business depends on the issue. Rather than regarding issue level and group level factors as two independent and competing explanations of influence, it is fruitful to think in terms of interactions and specify the relevance of different group resources in relation to specific policy types.

Hence, the findings of this study lend strong support to the view that the resources controlled by different types of groups matter for influence (Bouwen 2004; Dür and Mateo 2013: 5). Business groups have extensive insights about the sectors they represent and are therefore at a competitive advantage when bills concern these sectors. While business groups have a privileged position in some situations, a different pattern is found in consultations related to general regulation and in particular to public sector regulation. In the latter, less than one quarter of consultation replies come from business groups and they have a lower probability of success than other groups. The privileged position of business groups is not universal across all policy areas (Smith 2000) even if business groups do have opinions on bills regarding general regulation and public sector regulation (cf. also Klüver 2011; 2012).

Our focus in this article has been on business influence in consultations on government bills. Two distinctions may be important for the generalizability of the results. First, different stages in the policy making process may exhibit different patterns of group influence. Notably, business resources may be more valued by bureaucrats in the rule development stage, and ‘early birds’ may be successful in shaping the regulatory agenda and in keeping issues off the agenda (Naughton et al. 2009). Second, patterns of mobilization and influence may depend on whether the consultation concerns a bill or administrative regulation. Notably, bills need to pass through parliament, and partisan concerns as well as concerns about the public opinion (Smith 2000) may thus play a more important role here. Future research may thus distinguish between the type of regulation in question as well as the different stages in the rule development.

These differences also have normative implications. While US studies have analyzed administrative regulations where the final decision is made by bureaucrats, our analysis has focused on the administrative hearing of bills that are eventually only passed if a parliamentary majority can be found. From a democratic perspective it may therefore be considered less problematic if some interests are more influential than others in a pre-parliamentary hearing than in consultations on administrative regulations. After all, the parliamentary process can be expected to serve as a check on the influence gained by interest groups in the consultations. Nevertheless, most of the gains obtained in the consultation process go untouched through parliament and the influence differentials between business interests and other interest will therefore also be present in the final bills.

Finally, the analyses illustrate that Danish bill consultations are an insider’s game. Denmark has traditionally been described as a corporatist country, and although corporatism has been in decline, the traditional partners of corporatism are still prominent participants in administrative decision making processes (Binderkrantz et al., 2014). The level of participation in consultations is moderate compared to other systems that are both very different from Denmark (US) and very similar (Sweden). While this may be related to overall differences in group populations or country-level institutional arrangements, it is also likely to be related to the specific institutions governing the consultations. Consultations held at different stages of the policy process and with different set-ups for replying are likely to lead to different patterns of mobilization. From a normative perspective this is encouraging because it points to the options politicians and bureaucrats have to induce more diverse participation by shaping institutional arrangements.

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1. Except one bill regarding housing facilities for MPs put forward by the parliament’s executive committee and enacted unanimously. [↑](#footnote-ref-1)
2. Main exceptions are financial bills, bills on tax agreements between Denmark and other countries, and bills on naturalization. [↑](#footnote-ref-2)
3. Only five of these 205 consultations did not include substantial responses from national interest groups. [↑](#footnote-ref-3)
4. In a more detailed coding, groups were coded into seven types: 1) business groups, 2) trade unions, 3) professional groups (e.g., teachers, doctors, and technicians), 4) associations of authorities and institutions, 5) identity groups (e.g., patients, students, and senior citizens), 6) hobby groups, and 7) public interest groups. The coding was based on group names and descriptions of groups on their websites. The coding was done by the authors with an intercoder-reliability test of 100 groups resulting in a Cohen’s Kappa of 0.906. [↑](#footnote-ref-4)
5. We have included further controls to test the robustness of the model. First we added a dummy specifying if business groups all supported/opposed the bill or not. This is a proxy for business agreement, but it has no significant impact and does not influence the results. Second, we included dummies for all ministries; this increased the explained variance and there are significant differences. However, there is no systematic pattern related to party or the intergovernmental power of the ministries, and the results regarding business success remain the same. [↑](#footnote-ref-5)