

Macroeconomics

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**MODELS OF LOBBYING:
INTERNATIONAL EXPERIENCE
AND UKRAINIAN SPECIFICITY**

Abstract

The paper analyses the models of lobbying used by special interest groups active in the market economies. The urgency of the research was conditioned by the fact that lobby causes decisive influence on the development of public sector economy, social goods financing and pragmatism of public choice in terms of democratic transformations. The author offers the ways to improve the interrelationship between the business and the state power by means of lobbying based on the European experience of public choice.

Key words:

Bureaucracy, deputy, «green paper», lobbying, model of lobbying, special interest group, public choice, public sector, welfare economy, «white paper».

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Introduction

The aim of this article is to suggest civilized methods of lobbying decisions, which influence significantly the functioning of the state economy in general and public sector in particular. This is especially important since, under conditions of democracy and establishment of market economy, the distributive and redistributive processes in one way or another base on a stable mechanism of lobbying typical of all democratic states. However, the Ukrainian economic and political life shows a variety of problems with introducing legal models of lobbying, capable of not only defending the interests of certain «oligarchy clans», but also favouring the improvement of the social and economic situation in the country, achieving the Pareto-optimum on the way to welfare economy, and overcoming crises related to the irrationality of public choice.

In public economics, the problem of lobbying is regarded as an element of bureaucracy economics, when investigated are the model of political circulation (by analogy with the model of economic circulation), political processes, profit-oriented behaviour, different voting styles, and activity of special interest groups [1; 2; 3]. In the model of political and economic circulation, the voters vote for politicians, while politicians appoint the bureaucrats which exercise direct influence over the voters. Bureaucracy is not related to voters' interests. It serves the interests of various echelons of legislative and executive power. According to R. Nurejev [1], bureaucrats not only realize the adopted laws, but also play an active role in elaboration of laws by providing politicians with information and realizing the adopted laws through the system of commands. Special interest groups can use bureaucrats to pass the information to politicians to the group's best advantage, thus manipulating them (Figure 1).

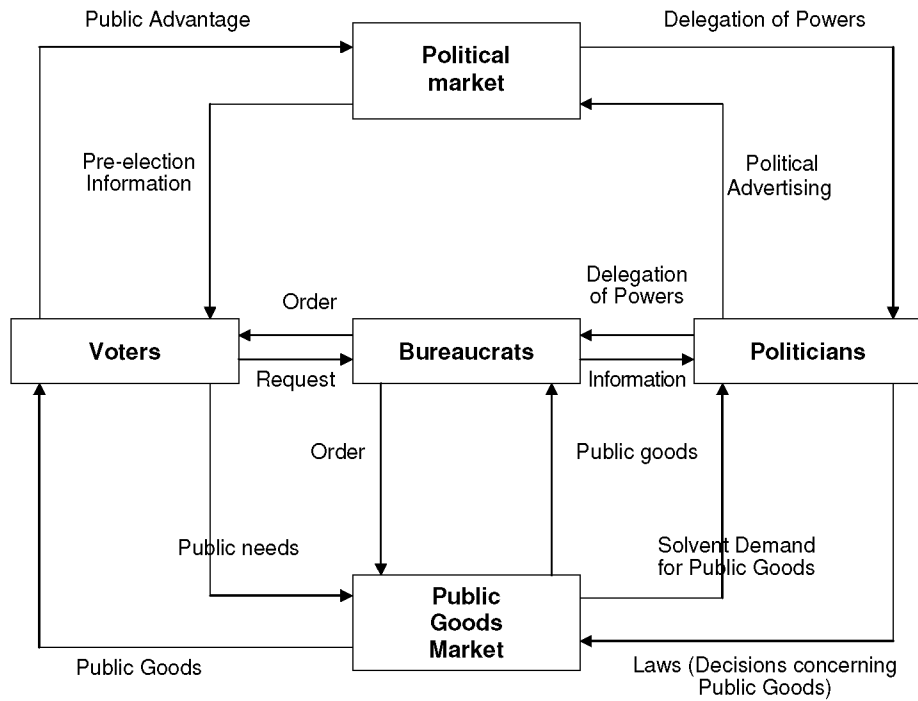
Professor M. Olson, Head of Centre for Collective Choice Research at Maryland University, made a great contribution to the analysis of special interest groups and the theory of lobbying. A series of his works («The Logic of Collective Actions» 1965, «Grandeur and Decline of Nations» 1982, «The Power and Prosperity» 2000) helped to form a new paradigm of social choice, fundamental analysis of interest groups' instruments of influence on the social decision-making process, discovering internal mechanisms of economic policy realization in sphere of fiscal, monetary, pricing, social, innovation, structural, investment, and foreign economic regulation. M. Olson worked out a concept of the «settled gangster», in which, by means of modelling and historical examples, he persuasively proved that for normal economic life, the country needs a stable government. Later, the scientists of the Center for Economic Policy Research [4] justified his theory and proved that open economy needs larger public sector since – given globalization – it is *a priori* more unstable.

However, despite fundamental research of the theory of social choice, bureaucracy and political decision-making procedures performed by foreign economic and political scientists, there still are many questions that – owing to their

complexity, heterodoxy and disputability – remained uncovered in the works of specialists in public finance and public sector economics. Among them is the problem of scientific substantiation of the process of interest lobbying, which is the subject of the given article.

Figure 1.

The Model of Political-Economic Circulation [1: 92]



1. Phenomenology of Lobbying: Gnoseological and Historical Approaches

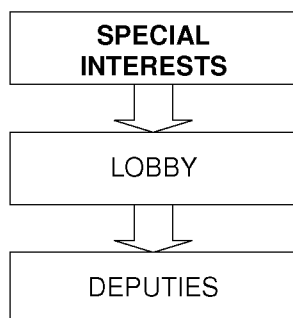
The definition of lobbying is historically bound with the early-XVIIth century's Great Britain. At first, lobby meant an «anteroom», but from 1640 this term was used to designate premises near legislative halls, where legislators met with citizens. The members of English parliament often took a walk around the halls before voting, while those who disturbed deputies by asking them to vote for this or that project were called lobbyists. From Great Britain – the country with the oldest parliament in the world – lobbying spread to almost all countries over the next two centuries. Its modern sense was fixed only in the XIXth century.

Lobbying is a system and practice of realizing the interests of different groups of citizens by means of exercising organized influence on legislative and administrative activity of state authorities [1: 375; 5; 6; 7; 8]. The groups of special interests are considered to include persons (natural and legal persons) for whom similar measures produce unidirectional utility changes. Such entities use the lobbying mechanism for realization of their own interests (Figure 2).

The producers and sellers of specific goods (products or services) try to maintain a stable connection with the representatives of power, since the regulation of prices, taxes, interest rates, terms of enterprise construction and reconstruction, state purchases, exports and imports is a «matter of life and death». They influence legislators and bureaucrats through letters, telegrams, mass media, demonstrations, and bribery [6]. Thus, all these techniques of exercising influence over public agents to facilitate making a political decision advantageous to a limited group of persons is called lobbying.

Figure 2.

The Mechanism of Lobbying



Special interest groups will have their expenditures repaid if the bill they support is adopted. The benefits to follow will be realized within the group, whereas its costs will be born by the society. The concentrated interest of few thus wins over the scattered interests of the many. That is why the relative influence of special interest groups is larger than the share of votes they have. Under direct democracy, the decisions beneficial only to certain groups would not be made if every voter directly exercised his own will. The deputies are also interested in active support from influential voters because it increases their chances for re-election. Lobbying allows raising funds for the election campaign and political activity.

In the developed countries of the West, lobbyists are qualified specialists capable of gathering all necessary information and «persuading» public agents to adopt decisions for the benefit of the group whose interest they support. Sometimes lobbyists act as intermediaries in dealings between the interest groups and the politicians, thus affecting the political course of the country. Being a rather prestigious field of activity, lobbying is frequently called «the fifth branch of power». Thus, lobbying plays an important role in the mechanism of democracy.

Lobbying can show itself in different spheres of social and economic life of the society and thus, have different types. For example, depending on the branch of power where the problem is being solved, we can distinguish legislative, executive, and judicial lobbying. Depending on the level of the managerial decision pursued, lobbying can be applied to law-making (lobbying in legislative bodies through normative acts), law-enforcement (lobbying through law-enforcement acts) and law-interpreting (lobbying through acts of interpretation of law). Depending on the nature of interest pursued, lobbying can be political (financial, economic and social groups that strive for influence by participating in political struggle and elections campaigns), social (trade unions, veteran, women, youth, and ecological organizations), economic (financial groups, corporations and branch companies that have monopoly structures and own banking structures, mass media, representatives in the parliament or political movements), and legal (ministries, departments, state committees that support the adoption of separate legislative acts). Depending on the time characteristic, lobbying can be one-off and permanent. Depending on the beneficiary, lobbying can take on the following forms: 1) lobbying by different social structures (public organizations, movements, parties, groups, trade-unions); 2) lobbying by public offices (ministries, departments, state committees); 3) regional lobbying (representatives from regions, districts and other areas exercising influence over state power to solicit for privileges and preferences for their regions); 4) international lobbying (influence of foreign interest groups or national groups on state authorities in order to obtain certain decisions).

One of the most complete classifications of lobbying was offered by the American economists B. Wolpe and B. Levine [7], according to which lobbyist groups are divided into outside lobbyists, corporate or in-house lobbyists, business and professional association lobbyists, public-interest groups and trade/labour union lobbyists (Table 1).

Table 1

Classification of Lobbyists

Lobbyists	Description
Outside/Contract Lobbyists	Law firms, corporations that specialize on links with state structures, PR-firms and natural persons having work experience in state structures contracted by large companies (e. g. General Electric – a traditional leader among commercial corporations in terms of expenditures on links with government – was serviced by more than 10 contract lobbyist structures in 2003).
Corporate or In-house Lobbyists	Such lobbyists get fixed salaries and protect the interests of only one client. One can become a corporate lobbyist by moving along the corporate career ladder: «marketing – sales department – managerial office». Those are exactly the corporate lobbyists who decide on the feasibility of attracting contract lobbyists.
Business and Professional Association Lobbyists	This group of lobbyists promotes the collective interests of enterprises in one or several branches of economy. These collective interests are articulated by different associations, which can be divided into three groups: 1) multi-branch associations that unite representatives of many branches (The U.S. Chamber of Commerce, The National Association of Manufacturers, The Business Round Table); 2) mono-branch associations that unite representatives of one branch (The Motion Picture Association of America, The National Automobile Dealers Association); 3) professional associations that unite representatives of one profession (American Immigration Lawyers Association, National Association of Realtors).
Public-Interest Groups	These groups defend the rights of women, ethnical and sexual minorities, animals; unions of people with cancer, AIDS, etc. Groups that protect public-interests are directly opposite to associations because they are lobbying not in their economic interests, but in their vision of public interest (non-commercial charity organisations). The lobbying potential of public-interest groups stems from large numbers of their members, which can influence elected congressmen by mass distribution of letters, participation in demonstrations or through «hot-lines» («grassroots lobbying»). Examples to such lobbying are American Cancer Society, which has 300 000 volunteers and 8 state lobbyists (lobbying budget financing of cancer experiments, prohibition of smoking in restaurants and bars); Humane Society of the United States, which has 4 permanent lobbyists and several thousands of volunteers (lobbying against keeping exotic animals as pets);

Lobbyists	Description
	The National Association for the Advancement of Coloured People, with 500 000 volunteers and 1 state lobbyist (lobbying protection of rights and freedoms of the coloured).
Trade/Labour Unions	Trade unions seldom use direct lobbying (the costs of lobbying the employees' interests made only 1% of total lobbying costs in 2003). Major lobbying methods are «lobbying trough constituents» and campaign contributions. Labour unions are the most ideological lobbyists (the analysis of their funds distributions shows that more than 90% of them are received by democrats).

Lobbying, as any other social institute, can be used either for the benefit of the whole society or for realization of certain political interests, depending on cultural, political, social, and economic environment, and circumstances that can endow lobbying with positive or negative features. For lobbying to be of benefit for the whole society, certain conditions should be met: real validity of democratic institutions and norms, economic and political stability, freedom of mass media, and stability of civil society. Unless these factors are met, the use of lobbying in public interests can hardly be realized. Under economic, political, and cultural crisis, transition period and uncertainty, when every class and group strives to «snatch» as much as possible at this very time, lobbying breaks beyond the civilized limits and gets more disadvantages than advantages.

As an unorthodox phenomenon, lobbying should be analyzed in terms of gains and losses, distinguishing its positive and negative features. The classification of pros and cons of the lobbying companies is presented in Table 2.

Table 2

Advantages and Disadvantages of Lobbying

Advantages	Disadvantages
1. Lobbying forces state authorities to «stay fit». Given separation of powers, each branch of power can use different lobbies depending on their interests. In the US Congress, legislators officially cooperate with lobbyists of certain interest groups, thus strengthening the positions of legislative power.	1. Lobbying can «wash-out» the society's democratic fundamentals and transform democratic institutes into a strong instrument for certain power groups.
2. Lobbying appears as an instrument for self-organization of the civil society, which helps to mobilize social support or	2. Under certain circumstances, lobbying measures appear as an expression of social injustice (as shows the social

Advantages	Disadvantages
<p>opposition to a certain law draft and to influence the politicians. Lobbying in this case challenges bureaucracy. When the state goes through the process of establishing market relations, it continuously loses its positions in protecting the interests of different social groups. Thus, this gap should be filled with the respective structures of the civil society.</p>	<p>practice of some western countries, the effectiveness of big business lobbying is incomparably higher than that of the other groups and structures). This revolving situation can destabilize the economy, unbalance the interests, and contribute to enhanced tension in the society.</p>
<p>3. Lobbying creates possibilities of satisfying the interests of different types of minorities, thus appearing as a special form of political pluralism.</p>	<p>3. Sometimes lobbying appears as a «conductor» of illegal pressure on state authorities. Here, the matter in question is such its types (bribery, corruption) that «undermine» the foundations of power.</p>
<p>4. Lobbying fulfils its principle of freedom of state structures, associations, and public organizations, owing to which they can independently try to solve their problems having a definite set of ways and methods of such activity.</p>	<p>4. Lobbying can become an instrument of preferential gratifying of foreign interests at the expense of national interests.</p>
<p>5. Lobbying is used as a peculiar social and political stimulation oriented at accelerated implementation of certain objectives and inducement to specific action. With this approach, lobbying acts as a method to activate various processes in the sphere of politics.</p>	<p>5. Lobbying can serve and protect bureaucracy, nationalism, radicalization of «special interests».</p>
<p>6. Lobbying allows expanding the information and organizational base of the decisions taken, thus paying substantial attention to conceptualization of the society's urgent needs. Lobbyists provide public authorities with the information about issues going through parliamentary hearings and inform them on the situation at the lowest social level (lobbyists act as sellers of information). Because of lobbying, the interests of different groups gain acute urgency and social significance, while the structures at power become convinced in the need for their fast, efficient and full satisfaction. Lobbying appears here as a system of argumentation and mechanism of preparation and adoption of certain documents.</p>	<p>6. Lobbying sometimes impedes stable and timely state policy, as it can be directed, for example, at continuous redistribution of the budget, frequent priority changes, and consolidation of one branch of power at the expense of another.</p>
<p>7. Lobbying can be viewed as an instrument of co-operation between the executive and the legislative powers. The separation of powers does not set them</p>	<p>7. Lobbying, for the most part, blocks really necessary managerial decisions and hinders socially-useful interests while favouring bureaucratic interests.</p>

Advantages	Disadvantages
opposite. Thus, the mutual aid of ministry lobbyists and deputy committees benefits both, since it is not profit-oriented and comes within normal political life.	
8. Lobbying can be viewed as a broader instrument of reaching a compromise and reconciliation among various interests. It is general knowledge that lobbying groups, which stand up for diametrically opposite interests of their «bosses», however weird as it may seem, contribute to finding the common ground and balance of power and reaching consensus in managerial decisions. Lobbying, thus, is based on mutually beneficial cooperation.	8. Lobbying can also serve to realize a more «prosy» objective – to enrich certain elites (lobbying means the existence of strong groups at power, which use all possible measures to redistribute material goods to their own benefit).

* Based on [1; 5; 7; 8; 9; 10; 11].

Among the factors that determine the volume and essence of work necessary to perform lobbying are the following [10; 11]:

1. **Availability/unavailability of necessary links.** One of the fundamental resources of lobbying firms is the availability of relations with certain persons exercising influence over the decision-making process. The absence of steady relations with one of the parties or the needed ministry determines the choice of an outside lobbying structure. Outside lobbyists cannot be acquainted with all the politicians as well; therefore, certain clients may be served by several outside lobbyists.

2. **Competence of lobbyists.** The variety of activity sphere covered by the notion of lobbying predetermines high differentiation of the lobbying services market. In addition to multi-functional lobbying agencies, there are many narrowly specialized firms. The traditional functional spheres attracting clusters of the most competent professional lobbyists include (1) federal marketing; (2) budget appropriations; (3) fiscal affairs; (4) legislative affairs; and (5) regulatory affairs.

3. **Transaction costs.** In applying the principles of transaction cost theory of Coase [12], Figueiredo and Kim [13] studied the causes for vertical integration of lobbying. The statistical analysis of 150 lobbying contacts between the US entities and the Federal Communications Commission produced the following conclusions:

- if the problem to be lobbied concerns a particular firm, the services of outside lobbyists would not be wanted, since the latter can get access

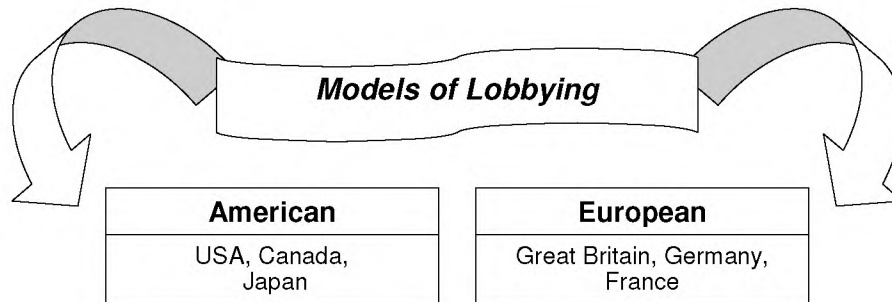
to specific information, the outflow of which can seriously harm the business;

- if the possibility of information outflow is not a serious threat (the problem is typical of the whole branch), the firm is more likely to use services of outside lobbyists;
- should the lobbyists on staff be unable to independently solve the problem, the firm would hire several outside lobbyists and entrust each of them with a separate part of the project in order to diversify the risk of information outflow.

Despite the specifics of lobbying policy and the irregularity of the tools used by interest groups in different countries, we can single out two basic models of lobbying (Figure 3): (1) the American (USA, Canada, Japan) model and (2) the European (Germany, France, Great Britain) model.

Figure 3.

Models of Lobbying



2. The American Model of Lobbying

The USA. The USA is a typical lobby land. The first amendment to the US Constitution guarantees Americans the right to petition, which in practice is realized not by ordinary citizens, but by professional «pushers» that promote the interests of businesses or parties.

The American tradition of lobbying as a specific political phenomenon roots in the times of President Ulysses S. Grant (1869-1877) – the US civil war general (1861–1865). The world's first Federal Regulation of Lobbying Act was

adopted in the USA in 1946. Article 308 of it obliged lobbyists to register in Congress and disclose their interests, sources of financing and personal income.

In the early 70-ies, corporate lobbyists were numbering over 60% of all registered lobbyists, although only 4% of the US population was in business associations (only in Washington, the number of registered lobbyists is nearly 70000 persons). The expansion of professional lobbying in the USA reflects the aspiration of the Americans for maximal specialization, and that is why the reputation of the lobbyist in the USA does not differ much from the reputation of a lawyer or a bodyguard who are expected to be «cynical» in protecting the interests of a client, even without sharing his opinion.

In 1980-s, public associations and business structures started establishing committees of political action in order to support separate candidates or parties at the elections, which offered vast possibilities for lobbying (the American League of Lobbyists was set up in 1979). The support was realized mainly through financial contributions for the election campaign of the candidate (party). The financial activity of such committees and possible limits of contributions are regulated by a separate law. After the supported candidate won the elections, the committee would have a moral and legal right to influence this politician.

In 1995, the new «Lobbying Disclosure Act» was adopted which actually legalized lobbying as professional activity. According to this document, a lobbyist is a natural or a legal person who receives payment to lobby on behalf of the client and makes more than one lobbying contract [14]. The law sets clear thresholds for an organization or a person to be qualified as a lobbyist for taxation purposes; it determines lobbyist registration requirements and unequivocally distinguishes legal and illegal instruments of influence on the covered officials. In accordance with the spirit of individualism, the American lobbyists aim to establish personal contacts with the «necessary people» from the «power corridors» (some lobbyists are ex-politicians who use their former connections).

Today, lobbying in the USA has reached such a scope that it is viewed as a whole industry. Washington became the capital of lobbyists, which concentrates the federal bodies, Congress, Senate, courts, law and lobbying firms, and representative offices of corporations. The Washingtonian «interest-promoting industry» employs five times more specialists than does the production industry. Every Congressman accounts for about 125 lobbyists, while Federal Government's lobbying expenses make about \$8.4 bln. annually. A large part of the structures of the American society belongs to Jewish, Polish, Arab, and Japanese lobbies that promote the interests of their national communities and countries of origin to the best of their abilities.

Canada. But for the issues concerning elections and financing of the parties' activity, lobbying in Canada remained unsettled at the federal level until 1988. The need for lobbying regulation was motivated by the very same factor that determined the need for regulating the elections and party financing – the desire to give more transparency and decency to the state power. In the process of state power becoming more complex, whereas attempts to lobby government

structures more active, a series of acts was adopted in 1960-1970 to introduce the mechanism of control over this sphere of activity. During 1969-1985, separate members of the parliament have introduced nearly twenty «individual» bills on lobbying (which was induced by aspiration for transparency, openness, democracy of state power through disclosure of information about those who tried to influence official bodies). However, the attempts to regulate lobbying had failed for a long time until this question became priority for the power.

Due conduct in the structures of state power became a major question during the federal elections of 1984, since politicians admitted that the citizens of Canada were expecting greater transparency of political processes. In August 1985, the prime-minister declared the government's intention to create the National system of lobbyist registration. To stimulate discussion, the government put the document titled «Lobbying and Registration of Paid Lobbyists» on the referendum. The document offered basic principles to underlie the lobbying legislature: openness, clarity, providing access to power, and administrative simplicity [15].

After public hearings, the law «About Lobbyist Registration» was adopted in 1988 and effective since September 30, 1989. A few years later, in 1995, the law underwent substantial changes aimed at improving the registration system (specifying the information disclosure requirements, adopting the lobbyist's code of conduct, and introducing the electronic registration system).

The law in force obliges persons paid for «establishing contacts with public officials» to register. «Public officials» include almost all persons elected or assigned positions at federal bodies, including members of parliament and their representatives, officials of federal ministries, departments, representatives of Military Power of Canada and Royal Equestrian Police of Canada. The Law «On Lobbyist Registration» does not apply to judges, province legislators, municipal employees, diplomatic representatives of foreign governments, or legal persons of some international organizations.

Lobbyists in Canada solve a huge circle of problems. The list of 20 most typical lobbying spheres in Canada is presented in Table 3 (as of 1.01.2002).

All lobbyists must disclose information; in particular, they must indicate client name, employer name, as well as names of principal or subsidiary companies benefiting from lobbying. Lobbyists must also report on their organizations, coalition members, specific issue being lobbied, federal ministries or departments contacted, source and size of any state financing, and methods of establishing contacts used, as well as overall corporate activity.

Each lobbyist is personally responsible for adhering to registration provisions. Those who do not register or file faulty information are subject to sever sanctions (\$100000 of fine or up to 2 years of jail).

Table 3

The Most Typical Spheres of Lobbying in Canada [16; 17; 18]

Rating	Branch of Economy	Rating	Branch of Economy
1	Industry	11	Energy
2	Taxes and public finances	12	Government purchases
3	International trade	13	Financial institutions
4	Environmental protection	14	External economic relations
5	Science and new technologies	15	Intellectual property
6	Health protection	16	Regional development
7	Transport	17	Labour protection
8	Consumer rights	18	Telecommunications
9	Domestic trade	19	Small business
10	Labour relations and training	20	Agriculture

Japan. Japanese citizens influence their government and legislators in several ways:

1) democratically, by voting for the party (candidate) most exactly representing the political looks of the citizens;

2) by organizing meetings of citizens with members of parliament in order to solve personal problems or share opinions on political questions and legislative initiatives;

3) by grassroots lobbying;

4) lobbying government by influencing certain public policy areas or specific legislative acts.

According to national legislation of Japan, a deputy of Japanese parliament is not obligated to abandon his business even during his parliamentary activity [10]. However, he must pay the tax on corporate interest lobbying. Japanese professional lobbyists offer a range of services to their clients: 1) analytical research and development, monitoring, analysing and providing feed-back (providing clients and public officials with information about governmental documents, certain policy issues, and legislative initiatives); 2) organizing visits and meetings, preparing reports, speeches and press-releases; 3) voting for or against legislative initiatives; 4) making necessary telephones calls and organizing presentations; 5) giving strategic advice about where and when it is possible to get involved in the policy-making to receive maximal socio-economic effect.

The basic lobbying rules in the country were determined to be: transparency, confidentiality, conflict of interests (Figure 4).

Figure 4.

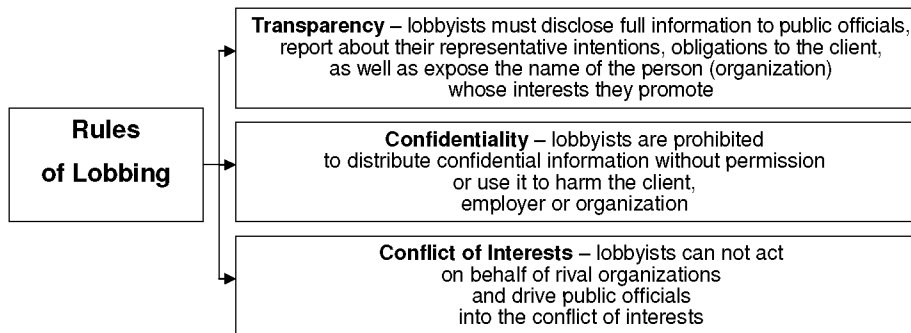
Basic Rules of Lobbying

Table 4

Lobbying Campaign Organization Procedure

Function	Description
Analysing Situation	Analysing causes for the existing situation, history of the covered subject, data accumulation; employing SWAT-analysis to evaluate client's positions and estimate the probability of success.
Formulating Strategy	Analysing the client's and competitors' previous actions, setting options of influence and estimating probability of result, elaborating preliminary plan, and choosing the strategy
Planning Campaign	Working on the selected strategy (choosing target audience, using proper recruiting time, depriving the participant of his personal initiatives, informing on the essence of the campaign, elaborating the content and organization of the campaign), exercising legal control over the firm's own activity, elaborating the anti-crisis plan, choosing proper date for action, training.
Planning and Realizing the Action Plan	Realizing the estimated «peak» of efforts, controlling the actions of mass-media, providing materials, implementing basic plan, staying ready to spend additional efforts in order to realize the action.
Summing up	Analysing the actions taken.

The Japanese experience of organizing lobbying firms allows determining basic lobbying principles (Table 4):

- permanent support groups and training systems available at large advocacy groups;
- mass character, reflected in financial support provided by lobbying firms, strategic thinking and lobby coalitions, active use of mass-media, deepened specialization, and use of polling to support any lobbying activity;
- technology, appearing in computerization of operations, corporate coordination, monitoring of events, mobilization of forces, and distribution of information;
- combination of lobbying and advertising technologies (PR-technologies);
- geographical coverage and activity in every region.

3. The European Model of Lobbying

Great Britain. British legislation approves lobbying, recognizing lobbyists as parliamentary agents. Before approving a certain bill, the parliament issues a so-called «green paper» intended to invite lobbyists to discussion. The discussion results in the «white paper» which becomes the foundation of the bill. On publication of the «white paper», no lobbying for changes in it is allowed.

The lobbyists responsible for contacts with legislators pursue several objectives:

- to improve relations with the «tops» of the state power;
- to track the work of legislative and executive bodies in the fields and issues having substantial influence on the life of citizens in a certain electoral district;
- to activate electoral concern for matters of state administration at all levels;
- to influence legislation pertinent to economic interests of local voters or enterprises.

When acting in the interests of certain groups, the lobbyist deals with publicity. The lobbyist's mastery of the art of Public Relations (abilities to establish personal relations based on trust, to provide convincing information to public officials and electorate) determines whether he will fail or succeed in lobbying. However, he as well needs to have comprehensive knowledge of state administration, legislative process, social policy, and formation of public opinion.

The British law on lobbying permits members of parliament to officially promote commercial interests of one of the parties to a contract (for example, M. Thatcher promoted the interests of *British Petroleum*). The turnover of British lobbyist coalitions exceeds £500 million per year [16].

Germany. In Germany, special interest groups directly influence political institutions without professional mediation. When in the USA business tries to distance emphatically from the government, in Germany it tries to get directly involved in the political decision-making. State and administrative bodies of Germany are supported by various consultative centres initiated by interest groups. Since the activity of such centres is not regulated by law (there is no law about lobbying), they work on establishing sensible relations between big business and state apparatus. The most influential of the interest groups can even nominate their «own» deputies for election to Bundestag.

Thus, in Germany, the lobbying of interests takes the form of consultations. Various advocacy bodies, committees and commissions operate in almost all departments, providing lobbyists with the opportunity to get involved in the lawmaking and supplying governmental bodies with additional organizational and informational resources. The working rules stipulate that a deputy to the German parliament can be compensated to promote the interests of business representatives, as long as the issue concerns not a separate company, but the whole industry.

The specific feature of German lobbying is its close ties with political parties. A number of lobbyist associations advocate parties on the development of economic sections of their programs. An interest group often «buys» a place for an acceptable, from its point of view, person in the list of deputies to Bundestag. Political parties, in their turn, do not mind «reserving» several places for the deputies from such groups.

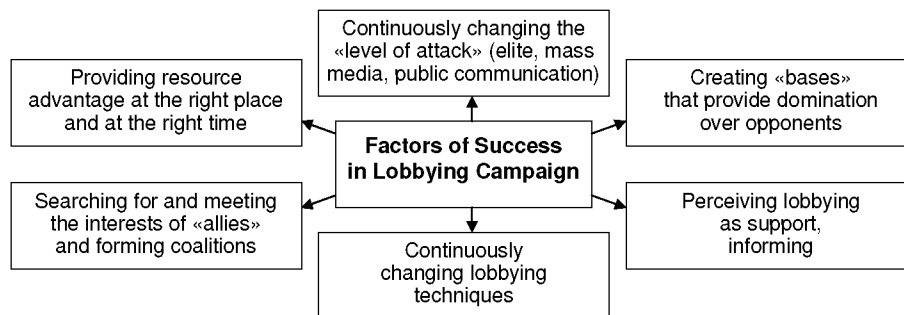
As Germany does not have a unique federal law on lobbying activity, the lobbying procedure is regulated by a set of legal acts as stipulated by the specificity of this country's political system. The Germans avoid using such terms as «lobby», «lobbyist», «lobbying», which seem to be negatively tinted. The term «interest group» is more frequent. Here, the government, headed by federal chancellor, is the basic lobbying agent – approximately 3/4 of all bills are drafted by the government and administrations of different levels.

France. The Activity of the National Social and Economic Council of France, fixed in the country's Constitution, serves two important functions: 1) providing high-quality and comprehensive involvement of business in the development of socio-economic policy; 2) creating conditions for dialogue among different interest groups. The Council numbers 231 advisers (a third from the state, a third from business and a third from trade unions) elected for 5 years. The Council examines the issues suggested by the government or by their own initiative. The regulative body of the Council – the Bureau – appoints the commission authorized to prepare drafts or researches, which are later made public, passed on directly to prime minister and both chambers of the parliament.

French specialists in lobbying single out six basic factors of realizing a successful lobbying campaign (Figure 5), which allow to avoid the «traps» of lobbying: engaging in the lobbying activities without consideration for procedural steps; running the risk of exceeding the campaign budget without adequate efficiency increase; running the risk of the interest group losing control over the elected official.

Figure 5.

Factors of Realizing a Successful Lobbying Campaign



France implemented a strict lobbyist attestation procedure aimed at checking the abilities and skills of such specialists. Thus, lobbyists must meet the following criteria:

- 1) flexibility of communication;
- 2) ability to assimilate considerable volumes of information;
- 3) analytical thinking;
- 4) good psychological skills;
- 5) ability to set specific aims and objectives.

Today, the EU countries have only 20 thousand registered lobbyists.

4. Realities and Civilizational Requirements of Forming a Ukrainian Model of Lobbying

Deep changes in the Ukrainian society led to rapid growth of new organized (including corporate) interest groups and concern for lobbying, primarily on the side of corporate structures and different public associations. We have to acknowledge that this phenomenon was characteristic of the former USSR as well, even though lobbying then existed in a specific form pertaining to the authoritarian society. Under weak democratic traditions and regulations, this important social institution was deformed. The rigidity of commanding and administrative structures, as well as almost absolute «power» of the party and state machinery, substituted lobbying with corruption and «telephone right». Consequently, the egalitarian ideas and their practical realization hindered the proliferation of civilized lobbying.

Ukrainian lobbying, as well as lobbying in Russia, bares a «mafia» tint, since political and economic elites are substantially distanced from the ordinary citizens. Lobbying in Ukraine shows itself in collisions of «oligarchic clans», whereas many politicians continue to combine business with politics (thus lobbying their own interests).

The development of lobbying in Ukraine can be conditionally divided into two periods. The first period (1991-1998) can be called «oligarchic». In fact, it was characterized by signs of uncivilized lobbying, the distinguishing feature of which was the acquisition of property and business privileges by using uncompetitive methods (tenders and competition were kept secret, state credits were issued without due substantiation, administrative decisions were taken under conditions of legal vacuum). As the market mechanism developed, came the period of civilized lobbying (starting 1999), which is characterized by competitive methods of influence on the enterprise sector (PR and advertising campaigns, initiation of expert evaluation of administrative decisions), as well as availability of lobbying institutes either as organizations or groups of individuals.

In Ukraine, as well as in other post-soviet countries, lobbying does not exist officially (there is no legislative base). However, the process of initiating steps as to formation of legal base on lobbying has already started. In 1999, a bill «About Lobbying in Ukraine» was submitted for consideration by Deputy I.F.Sharov. The document recognized lobbying as an effective instrument of influencing legislative and executive bodies of state power and local governments, as an effective method of exercising direct influence of the citizens and their groups over political, social and economic situation in the country, as a form of realizing the power of the people in Ukraine. The bill defined lobbying as the activity of citizens and any legal form of their associations registered as «lobbyists», aimed at exercising legal influence on the bodies of legislative and executive state power and local authorities in order to protect the interests of different groups of people interested in realizing certain economic, social, and cultural policy in Ukraine; to contribute to reali-

zation of the state protectionist policy at the national, regional, industry levels; to form the legal basis for appropriate interests of the lobbyists; to build the system of practical realization of respective political, social and economic programmes, and certain public opinion in the country.

The law specified the rights and duties of lobbyists, their registration procedure, lobbying objects and subjects, supervision and control over lobbyist associations, responsibilities for violation of lobbying legislation, etc. According to the bill, the right to carry on «corridor negotiations» with public officials and force them to make certain decisions should be given to those persons who are professionally engaged in this business. For this purpose, it was stipulated that the lobbyist should be issued a license so that he could act similar to attorney. However, the bill did not determine the degree of administrative and criminal responsibility for breach of the law, did not take into account all lobbying techniques elaborated by the world practice (Figure 6), did not specify which lobbying methods should be considered legal and which – illegal. By now, the bill has not been approved by the Supreme Council yet, and it is not in force at the moment. However, there is hope that its improvement with respect for legislature of the European countries will allow to «de-shadow» the profession of lobbyist in the future.

According to Ukrainian journalists and political scientists, the difference between the Ukrainian lobbyist and, for example, the American lobbyist is similar to the difference between the «new» Ukrainian businessman and the British lord. What in Ukraine is used to be called lobbying falls under the definition of corruption abroad [19; 20]. The Ukrainian representatives of big business try to personally lobby their interests in legislation; thus, there are a number of cases when a Ukrainian lobbyist represents both the client and the advocate of himself.

Today, almost the whole spectrum of Ukrainian business is represented in the Supreme Council of Ukraine. This situation is actually understandable: why should one depend on and pay someone else, if it is possible to protect and lobby one's own business by one's own strength?

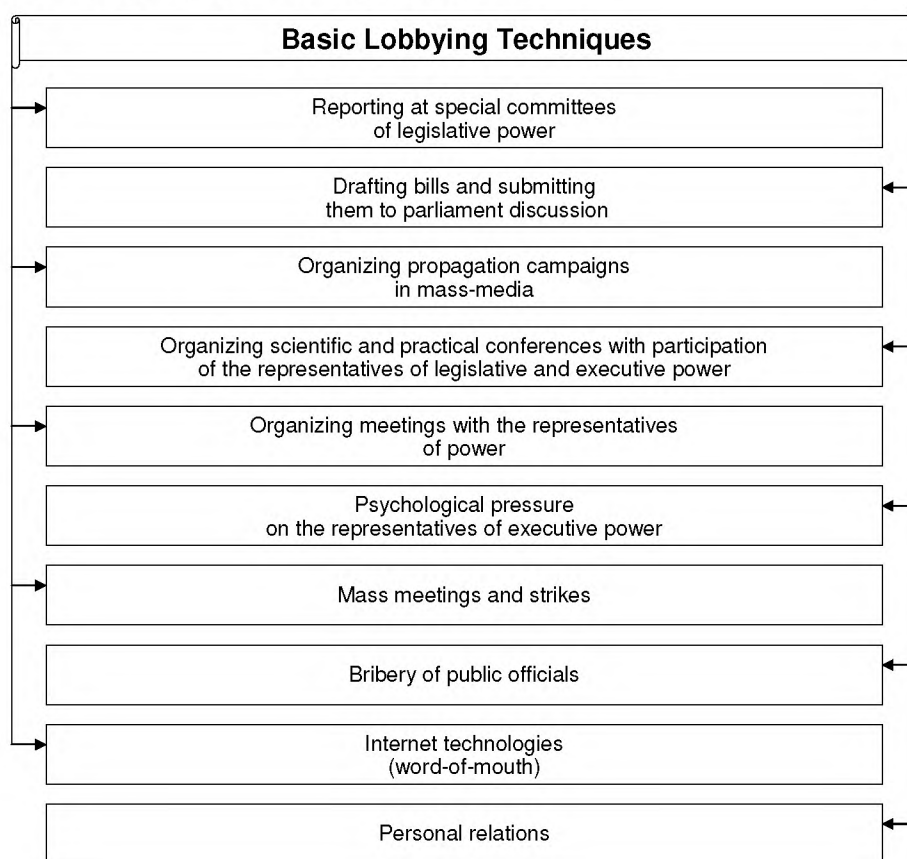
Deputy S.Sobolev distinguishes between «healthy» and «unhealthy» lobbying, acknowledging that the latter is more widespread in Ukraine [21; 22]. The «unhealthy» lobbying is typical of the bills on the peculiarities of privatization, special zones, priority areas, agricultural support, debt cancellation, tax privileges, and changes in customs policy. Among the «authentic» lobbyist laws, we would like to mention the decision of the Supreme Council about the support of Paralympics movement, according to which certain organizations are granted tax privileges; the other examples are the law on duty-free imports of grain in Ukraine, the law on telecommunications, and the law on advertising.

Despite the availability of various lobbying techniques (Figure 6), only two of them are widely spread in Ukraine. The first one is the least complicated, but, at the same time, the most expensive. It consists in «bribing» deputies in order to make them «push the correct button». The negotiations on this are held with the leader of the fraction or party group. When the fraction's leader decides on whether to support the bill or not, the ordinary deputies will hardly retreat from

the fraction's «general line». The second lobbying technique is more complex since it presumes «hiring» of several deputies who submit a bill for consideration in the Supreme Council and defend it publicly when needed. Along with that, a series of «necessary» publications is «bought» in the mass-media. The whole procedure of such lobbying costs the client several dozen thousands of dollars [22]. The idea behind this process is that deputies will be under huge workload and too busy fighting in political battles to analyse the bill under consideration thoroughly, and thus, will approve it without much attention paid. As a rule, this scheme is used when pushing through the parliament a bill which is beyond the competence of most deputies.

Figure 6.

Basic Lobbying Techniques [7; 11; 23; 24].



The model of Ukrainian, as well as Russian, lobbying is characterized by a great number of formal business associations and public unions. However, absolutely atypical the process of «conquering» political parties by big business is developing in Ukraine. Another specificity of the Ukrainian practice, as analysts assert, is lobbying through the Cabinet of Ministers and the Administration of President [21; 22]. This is confirmed by the number of submitted and adopted initiatives of the respective bodies. The reason for this practice is the complexity of passing bills through the Supreme Council and the efficiency of «internal» lobbying in the Cabinet of Ministers. The results of the survey held by the «Kompanyon» magazine [22] showed that lobbying through the Cabinet of Ministers was the most effective. Decisions of the Cabinet are more effective than laws, as they come into force from the moment of signing and do not have to be given three readings in the Supreme Council. Such document costs much less for the client. The main lobbying method in the Cabinet of Ministers is the so-called «corridor lobbying», the essence of which consists primarily in pushing necessary decisions and eliminating the unnecessary decisions. The basic mechanisms of «corridor lobbying» consist in the need to assess the real system of functioning of the bureaucratic apparatus and the scheme of state decision-making process, as well as to evaluate the psychological traits of public officials and the degree of their susceptibility to influence of the immediate surroundings.

Some large Ukrainian companies, mainly in the chemical and metallurgical industry, have already established special «power relations» departments. The task of such divisions, usually headed by former officials, is to initiate the most favourable treatment for the company in the state structures. Another form of «white» lobbying is realized by professional associations of specific market segments (Figure 7). These organizations are financed from membership dues; they are officially involved in law-making and organize different conferences to build positive public opinion as for their activity.

However, «white» lobbying is not widespread in Ukraine, as it is less effective than «shadow» lobbying. «Shadow» lobbyists can be divided into branch and private lobbies. The first defend the interests of the whole industry, whereas the second promote the interests of specific banks and companies. As a rule, «shadow» lobbyists have close relations with the «necessary» official. According to one of such «shadow» lobbyists [20], his duties are to be acquainted with all relatives of influential «friends» and even to remember their dates of birth.

The price for such lobbying services depends on the level of lobbying: the most expensive lobbying project of any country is its budget, while the cheapest lobbying service is deputy's request (its cost can range from \$1000 to \$100000).

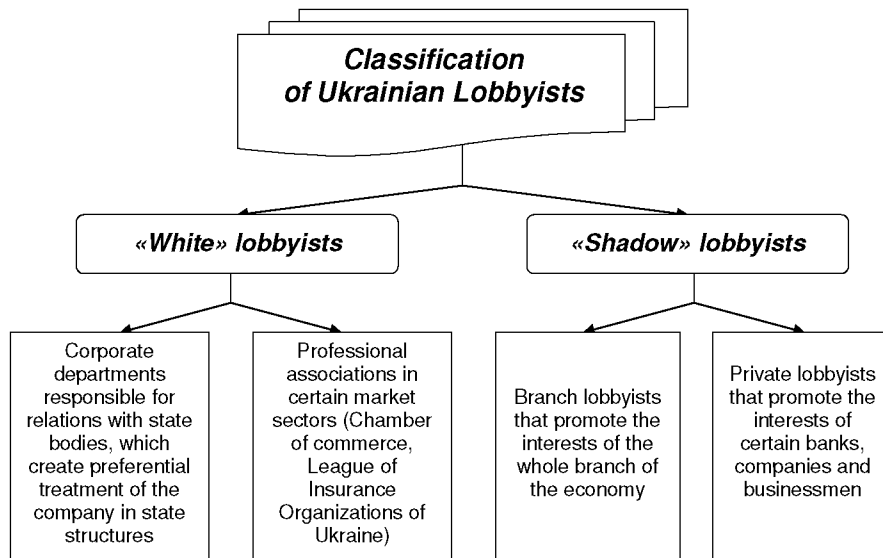
The Department of Conflictology of the Centre for Political Research «New Wave» published in the middle of 2000 the rating of the most influential lobbyists in Ukraine [21] including: 1) the group of O. Volkov, the main business of which is lobbying and which «solves questions» both in the Supreme Council and in the President's Administration both in Kyiv and in the regions of Ukraine; 2) the group of V. Medvedchuk and V. Surkis, which defends its own interests in

the field of energy, banking, mass-media, agribusiness and sports industries; 3) the group of V. Pinchuk and V. Derkach – the most active lobbyist of big Russian business in Ukraine (metallurgy, Crimean resort complex, mass-media industries); 4) the group of I. Plyushch, which promotes interests of agrarian business; 5) Donetsk financial and industrial group of R. Akhmetov and V. Yanukovych, which controls coal and metallurgy and mass-media industries; 6) the group of P. Poroshenko, which controls confectionary, brewing, banking, and motor-car industries; 7) the group of S. Tygypko, which lobbies for banking business, mass-media, etc.

Consequently, the lobbyists in Ukraine are represented by practically all members of the parliament, which distinguishes Ukrainian lobbying model from those in the countries of continental Europe and the USA.

Figure 7.

Classification of Ukrainian Lobbyists



Conclusions

1. Lobbying is decisive as a basic form of cooperation between business and politics. The social significance of lobbying consists in its ability to connect the society's key areas: entrepreneurship, state administration and public policy. These spheres own different socially important resources: administration has power to influence decision-making; policy forms legislation and determines optimal circulation of public interests; entrepreneurship possesses financial resources. Civilized lobbying consists in correlating the consequences of the decision taken with the system of generally accepted societal values and needs of national security. Lobbying also means exercising psychological influence – by means of persuasion, bribery and compulsion (pressure, blackmail) – over the motivational sphere of the persons authorized to make decisions.

2. The competition of lobbyist groups is one of the main preconditions for open and transparent lobbying activity. Rivals try to control each other, and thus, they are forced to appeal to mass media for help and to promulgate their interests and the interests of their opponents. Owing to this, wide circles of political elite and public get involved in the information exchange.

3. Regulation of lobbying contributes to its legalization and transformation into an equal institute of democratic society. Acting legally, lobbyists are forced to keep their activity in conformity with the procedures set, which gives a possibility of control and imposition of sanctions in case of offence. All lobbying entities are subject to similar conditions; this creates little possibilities for preferential contacts with public officials. In view of this, the adoption of the law on regulation of the lobbying activity can become a powerful instrument of lobbying legitimization. The world experience of cooperation between lobbyists and politicians proves that the managed lobbying is much more socially effective than the unofficial lobbying; it generates social utility and plays a significant role in democratization of the society (USA, Great Britain, and Germany).

4. Considering positive foreign experience, we suggest using the following mechanisms to form a «transparent» and civilized model of the Ukrainian lobbying:

- legalizing lobbying by adopting respective legal acts, which would specify legal (drafting laws and passing them to discussion; holding conferences with participation of the representatives of executive and legislative branches; reporting in legislative committees) and illegal (bribery of public officials; spreading discreditable information or gossip via the Internet) methods of lobbying;
- introducing administrative or criminal responsibility for filing faulty information in the registration forms;
- introducing differentiated tax on corporate interest lobbying, which must serve as the state's additional source of revenues;

- introducing a system of lobbyist attestation; lobbyists must meet such criteria as analytical thinking, ability to assimilate large volumes of information, flexibility, ability to set aims and objectives, and good psychological preparation.

5. The institute of lobbying can serve to arrange social interests, thus complementing the constitutional system of democratic administration. The prohibition of lobbying can result in disappearance of the mechanism of matching the interests and determining the priorities in preparation or adoption of legislative acts.

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