

# The importance of transparency in lobbying laws politics essay



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This paper underlines the importance of understanding that only setting laws for regulating lobbying practices as anti-corruption measures is not enough. Making the practice as transparent as possible is the key to reach out to civil society. This paper will focus on the lobbying system in Lithuania, where despite having lobbying laws/ regulation of interest groups it has been unsuccessful in integrating the support of civil society. I argue that this is due to the lack of transparency in the lobbying system. This essay will apply a model on how effective it would be to make lobbying costly combined with transparency, that would result in lowering corruption and integrate civilian advocacy in political systems to step up to the democratization process.

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## SECTION I-Introduction

All political regimes have organizations like interest groups whether the type of system is democratic, authoritarian or totalitarian. Interest groups have not been studied extensively or analyzed in developing democracies the way they have been in developed democracies.

An important characteristic of interest group organization in developing democracies is the history of their authoritarian past. These better described as power groups, tend to dominate interest group and lobbying activities. They differ from the more institutionalized and formalized interest group activity of developed democracies. By ‘institutionalization’ we are referring to an increasingly independent civil society, a rising range of interests and interest groups and a political culture that views interest group activity and lobbying as legitimate and vital to the long term sustainable democratization process. (Thomas, Hrebenar, 2008).

In order for a constitutional democracy to emerge, general societal behavioral change must occur in which a) no significant political group

attempts to overthrow the democratic regime; b) even during severe political and economic predicaments, the public will seek political change from within the democratic process; and c) all political players will act to resolve conflict through established constitutional standards. (Przeworski, 1991; O'Donnell, 1992; Linz and Stepan, 1996).

The objective of this paper is to show that making interest group and lobbying activities transparent and regulated, could result in the emergence of not only a constitutional democracy but in decreasing corruption levels within the political system. In section 2, I will present the specificities of developing democracies' interest groups, while in section 3 I will focus on Lithuania. I will analyze the Lithuanian findings in section 4, recommend a blend of transparency lobbying laws coupled with making lobbying costly (based on models) as a corruption deterrent in section 5, and conclude in section 6.

## SECTION II-Features of interest group systems in developing democracies

One of the major roles that interest groups perform in established democracies is being a major medium of representation for various sections of society. This is not really the case in developing democracies. In advanced democracies, because a large percentage of the population belong to interest groups, there is more transparency in their activities and may be even more important than political parties in performing a mass representational task (Thomas, 2001).

In developing democracies there are common patterns of interest group activity that are typical of their authoritarian days. This can obstruct the <https://assignbuster.com/the-importance-of-transparency-in-lobbying-laws-politics-essay/>

development of an independent civil society and the establishment of an extensive and effective interest group system.

The restricted independence of interest groups from the past, where in some countries they were banned as in communist systems may influence their independent functioning under a developing democracy. Special interests were often generally viewed as illegitimate in authoritarian regimes. The general public was socialized to believe that interest groups worked against the national interest. Many developing democracies face a major challenge to foster a political culture that includes acceptance of interest group activities and a belief in their political efficiency so that extent that citizens will join and use them as a major means representational voices. (Thomas, 2001)

Informal groups were the norm under the authoritarian regimes and remain a dominant force as opposed to institutionalized structures. Therefore, a very narrow range of groups likely exists when the system begins to transition to democracy. Elites have been very successful in using

power groups and so have little incentive to develop formalized and institutional interests that might reduce and destroy their power. Therefore there is little interest group and lobbying structures in a newly democratizing country to provide the foundation for the development of a professional advocacy sector. In 2005 in Lithuania there were only seven individuals who could be considered contract lobbyists, (Thomas, 2001) in Bulgaria there were none till 2006. (Thomas, 2004).

There are less formalized lobbying strategies and tactics in developing democracies to voice political preferences as compared to those in established democracies. The main tactic used is through insider contact of elite-power groups with public officials. In many societies corruption and payoffs also form major influence. Though protest groups may emerge through the course of these actions, and demonstrations may be used, they seldom affect efficient public policy decision making. (Thomas, 2001).

### SECTION III-Case Study of Lithuania

The lobbying community in Lithuania is underdeveloped, corrupt and negatively perceived by society. This is attributable to their legacy of communism which heavily influences the efficiency with which interest groups and lobbyists operate. This results in rising suspicion among the eyes of the public and government officials which impedes the development of an effective lobbying community. Lithuanian interest groups do not use sophisticated lobbying practices and access is largely based on personal connections and corrupt practices. (Hrebenar; McBeth; Morgan, 2008).

Two international indexes illustrated how modernized Lithuania has become since the collapse of the Soviet Union. According to the Heritage Foundation the 2006 Index lists Lithuania as the 23rd most 'Free Nation.' Transparency International's 2005 Corruption Perceptions Index holds Lithuania as its 44th least corrupt nation. Overall these international indexes portray Lithuania as a country with moderate levels of corruption, a growing and active interest group system with business interests balanced by an efficient labor movement, with a civil society comprised of a responsible media and the

general public willing to engage in regular interest group politics. This, however, is not the case according to a 2005 University of Utah research project, where they found that Lithuanian interest groups and lobbyists were majorly characterized by interests of government elites and business leaders.

Interest group and lobbying activity in Lithuania is underdeveloped and unsophisticated in the sense that it is repressed by low perceptions of political effectiveness by the general mass and dominated by business interests. Negative perceptions of lobbying and the ineffective lobby laws contribute to the burgeoning and unrefined state of lobbying in Lithuania. These pessimistic public attitudes are amplified by the effects of communist attitudes and the Lithuanian lobbying law which presents significant obstacles to the formation of interest groups (extensive registration processes) and the implementation of lobbying activities. The prevalence of corruption and long-established personal connections are major lobbying tactics and result in a dichotomy in the minds of the public in differentiating between private and public interests. The present law also fails to elucidate increased transparency and legitimacy of lobbying activities, which are the core artifices of an efficient democracy. (Hrebenar; McBeth; Morgan, 2008).

Labor is weak as a political and lobbying force in Lithuania due to the legacy of its control by communist leaders, and it results in its failure to use modern strategies of lobbying. The labor sector is small and fragmented. However, the business community has transitioned to sophisticated interest group and lobbying systems. This is due to its extensive resources and contacts that the business communities have with the Lithuanian Parliament and the

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executive branch. It can be said that only those interest groups with a great deal of resources have power in Lithuania. A significant factor to take into consideration in business lobbying is the financial resources that these communities have and that there are more than 100 members of the Lithuanian Parliament that have business connections and interests but only four that represent labor. There are few professional lobbyists who are registered (only 11 registered lobbyists in Lithuania in 2005). Many groups come to the Lithuanian Parliament with their complaints but fail to suggest possible solutions and courses of political action to solve these problems. (Hrebenar; McBeth; Morgan, 2008).

The lack of a professional lobbying community in Lithuania may persist in the future because the use of personal contacts to contact public officials makes the development of a lobbying bodies redundant, the lack of knowledge among groups about sophisticated lobbying tactics may include a lack of knowledge about the value professional lobbyists, and the small population of Lithuania infers that informal politics prevails as a result of personal contacts. Hence, there is not enough pressure or incentive to develop advanced interest group techniques including professional lobbying groups. (Hrebenar; McBeth; Morgan, 2008).

Corruption is widespread in Lithuania and affects the interest group system. It affects how people go about 'lobbying', including using bribes to public officials, passing contracts to friends etc. Corruption in the system contributes directly to the very negative view of interest groups and lobbying by the public (Baltic Times, 2004). Corrupt methods of lobbying (bribery and gratuities) are not accepted as ethical, but identified as the most effective <https://assignbuster.com/the-importance-of-transparency-in-lobbying-laws-politics-essay/>



and practiced methods of lobbying that can be used for interest group to achieve desired results. (Hrebenar; McBeth; Morgan, 2008).

The lobby law is unsuccessful in Lithuania because it is too restrictive. While many individuals engage in activities that are legit lobbying, negative views on the part of the public and public officials along with a troublesome registration process and expensive registration fee, dissuades most individuals engaged in lobbying activity from registering. The general consensus is that the lobby law is not feasible, is ineffective and is likely not applicable to a developing democracy with an emerging interest group system like Lithuania. (Hrebenar; McBeth; Morgan, 2008).

Since there are very few registered lobbyists, most lobbying is conducted through unregulated and non-transparent means. Thus the law does not account for the predominant amount of the actual lobbying that takes place in Lithuania. A regulatory system that would be more efficient is a monitoring system which requires reporting of lobbying activity, more information and transparency on lobbyists and their interests, and also providing information on the money that is spent on lobbying. Since the Lithuanian lobbying law is associated with corruption and negative perceptions, registering is a major disadvantage to those who legally register as paid lobbyists. (Hrebenar; McBeth; Morgan, 2008). Overall, there is a disincentive to do so.

By simply integrating lobbying laws into a regulatory system will not result in dramatically reducing corruption levels. Lobbying practices should be transparent to the public, the civil society needs to understand the need for

the lobbyist's activities and be active advocates of it, and therefore transform them into a crucial component of a functioning democracy.

#### SECTION IV-Analysis

In order for a successful democracy to emerge, it is vital that the civil society has the confidence in their political infrastructure. Interest groups and lobbyists work towards the benefits of society, and it is important that the general public feel safe and confident in order to integrate voices in parliament.

Building an effective interest group and lobbying system in burgeoning democracies requires taking more aggressive steps to fight corruption altogether, since it lies deeply rooted in their systems. Interest group politics and lobbying must be included into the media's discussion of politics. As a matter of fact, in order to tackle it from the bottom, regulated media scrutiny is required. Taking into account the suspicion that most citizens hold and is wary of most political moves, they must learn and understand that such politics are legitimate and acceptable. To achieve this, it may be plausible to introduce studies of legitimate lobbying activities in school/university curriculums. In the Lithuanian system the more difficult aspect to change is probably the civic society ideals and beliefs and the attitudes of the Lithuanian population and elites. An effective interest group and lobbying system is especially difficult to build in a post-authoritarian state, given their ingrained belief systems and ideals.

Lithuanian democracy is nearly two decades old and clearly the interest

group and lobbying system has not emerged as a strongly constructed

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cornerstone. The lack of citizen knowledge about the significance of an independent and politically sophisticated civil society to modern democratic politics indicates that the core requirement of a transparent lobbying system was amiss from the beginning.

#### SECTION V-A Recommendation-Making lobbying costly

A way in which extraneous and meaningless lobbying can be overcome is by making the activity itself expensive. Someone considering whether to become a lobbyist has to consider the costs of lobbying activities. These costs consist of organizational costs and informational costs. If they want to perform seriously as lobbyists, they have to show that the information that they obtain is reliable and based on sound evidence and information. In some cases, intricate technical information is difficult and costly to obtain. Lobbyists may have to pay for high costs to obtain expert information to credibly provide what is demanded by the authorities in question. These high costs may sometimes dissuade certain lobbyists from entering the entire race altogether unless they have credible motives to do so.

We can refer to Potters and Van Winden (1992) model of persuasive costly lobbying and try to understand it in mathematical equations:

Lobbyist incurs a cost  $C \geq 0$  when lobbying

- when  $C = 0$  informative lobbying only occurs when  $d \leq (\theta_H - \theta_L) / 2$
- when  $\theta = \theta_H$  there is no risk of false reporting
- when  $\theta = \theta_L$  and  $C > 0$ , the lobbyist now has to incur a cost to report.

Hypothesis: policy maker takes lobbyist's claims at face value, and interprets lack of lobbying as

$$\theta = \theta_L$$

To understand the incentive for the lobbyist at equilibrium cost, when  $\theta = \theta_H$  the lobbyist incurs the costs only when

$$-(q_H - q_H - d)^2 - C \geq -(q_L - q_H - d)^2$$

$$C \leq (q_H - q_L) (2d + q_H - q_L)$$

when  $q = q_L$  the lobbyist refrains from lobbying only when

$$-(q_L - q_L - d)^2 \geq -(q_L - q_H - d)^2 - C$$

$$C \geq (q_H - q_L) (2d - (q_H - q_L))$$

There is a range of lobbying costs for which the lobbyist communicates with the policy maker

in the high states of the world. In this case the policy maker acknowledges this and always implements his preferred policy.

Is the lobbyist better off when costs are positive and  $d > (\theta_H - \theta_L) / 2$ ?

$$C = 0 \Rightarrow p = E(\theta) \text{ and } E(u(p, q)) = 0.5 (-(E(\theta) - \theta_H - d)^2) + 0.5 (-(E(\theta) - \theta_L - d)^2)$$

$$C > 0 : E(u(p, q)) = 0.5 (-(d^2 - C)) + 0.5 (-(d^2)) = -d^2 - C/2$$

the lobbyist is better off when  $C < (q_H - q_L)^2 / 2$

From this model, we clearly get the intuition that if registered lobbying activities are made costly the lobbyist will have lesser incentive to engage in unnecessary meaningless lobbying activities. Therefore, transparency coupled with making lobbying costly could discourage selfish lobbying practices.

## SECTION VI-Conclusion

In any political power structure the actual bodies that create laws as well as the tools for implementing them are usually at the top of the political hierarchy. Here, we seem to be finding more and more, that it is easier to compromise amongst themselves - than to continue guarding and representing the more plebeian interests. This is even more true today where we have a vital separation between national politics and globalization - which in principle are at loggerheads. As a result politicians are even more compromised and helpless against the over-powering globalized corporate interests and instinctively know that it is a losing battle to fight against them. As we are now witnessing, politics everywhere is bereft of political ideology and entirely married to economic priorities. In such an atmosphere, creating moral strictures to hem the growing influence of special interest bodies (a majority of which are corporate or backed by very powerful groups (NRA and the Jewish Lobby in the USA are examples) is a dead cause.

The BEA scandal in the UK is a fine example of how Politicians hide under a a blanket cover (they have specially created for their own benefit) of national security - a catch 22 situation, because, according to them, it cannot be transparent for the very same reason that it is secretive. Increasing,

governments everywhere have found this the most useful tool to degrade democracy everywhere.

Organizations which use corrupt practices will not take to transparency operation and regulation of lobbying. They will feel exposed as this is associated with changes in laws such as the political parties in proportion to its funding, in terms of laws governing the methods of financing campaigns. While discussing lobbying, unions should also be taken into account, which often become the most influential lobbyists. In the process of building a representative democracy it is necessary to create mechanisms which openly discuss issues that they can be resolved in favor of society and not just for the benefit of private or group interests. A cornerstone to this objective may be a combination of effective and modern lobbying laws, meeting the goals of representative democracy based on principles of transparency and publicity. In developing democracies like Lithuania, it is vital to keep the civil society informed about regulated lobbying activities which are designed to benefit the public. Otherwise there is the risk of them being left to speculate the ' evils' of interest group activities, which their legacies have socialized them to do so.