Politics and Economic Regulation*

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Introduction

Since World War II, the democratic capitalist societies have, for the most part, experienced quite considerable economic growth, but growth rates have been substantially different in different countries. While some of the OECD-countries, like Japan, had very high growth rates, and most, like the Federal Republic, have grown considerably, a few, the United Kingdom especially, have experienced considerable growth problems. In Mancur Olson's view (1982), many of these differences can be explained in terms of interest organisations. He argues that democratic capitalist societies will have greater growth problems the longer they have experienced a period of political liberty and stability, and the more special interest organisations have developed and influenced policy-making.

Olson's theory, which goes far beyond conventional theories of economic growth, points to the importance of public policy-making and its determination by various organised interest groups. He demonstrates, theoretically at least, that specialised interest groups acting in a condition of pluralist interest intermediation tend to enhance public policies, which negatively affect an efficient operation of the market and a flexible adjustment of the economy to changing conditions. More specifically, they tend to promote protectionist policies restricting competition as well as innovation. As a result, societies in which policy-making is strongly influenced by a large number of special interest groups tend to experience slow growth or even stagflation.

The tendency outlined above is, according to Olson, deeply rooted in the behaviour of organised interest groups. Promoting the interests of their members, they usually press for policies which do not necessarily fit macro-economic conditions. Although we may assume that economic growth is a com-

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mon interest to almost all interest groups acting in a capitalist society, we nevertheless cannot assume that most of these interest groups effectively act to promote growth. On the contrary, the more specialised interest groups are, the more they press for particularist and protective policies, neglecting the general interest in growth. The specialisation of such groups offers strong incentives to act as free riders with respect to economic growth and to maximise their special interests even at the expense of economic growth. The reason for this is simple: small and specialised interest groups can hardly maximise the utility which they provide to their members by acting in terms of a general interest in growth, but rather provide most utility to their members by concentrating on their special interests. By the same token, only large interest groups tend to act in terms of the general interest in economic growth.

A long period of political liberty and stability enhances, according to Olson, the formation of a large number of small and specialised interest groups in a society. A large number of small and specialised interest groups, in turn, is likely to lead to distributive coalitions which attempt to control prices and entry to the market and to protect the different groups against socio-economic change as well as other risks accruing from an effective operation of the market. In other words, distributive coalitions formed by small and specialised interest groups strongly promote protective government intervention into and government regulation of the economy.

Olson's theory offers an interesting potential explanation of much of the low performance or even failure of economic policy which the democratic capitalist societies have experienced over recent years or even decades. Although Olson formulates his explanation in historical terms, it points to a systematic relationship between a society's interest structure and its economic performance.

Put into general terms, Olson's argument assumes that the efficiency of economic policy and economic performance in a society is lower, the more pluralist its organised interest structure and the less the political system is capable of integrating interest intermediation. This argument fits well with a large body of literature referring to systematic deficits in interest aggregation in the modern pluralist democracies. According to Olson, government regulation of and intervention in the economy is bound to be inefficient, because government, strongly influenced by a pluralism of specialised interest groups, fails to provide for comprehensive interest aggregation. (Alemann and Forndran, 1983; Czada, 1983; Lehmbruch, 1977; Lehner, 1979; Schmitter, 1977).

There is certainly some truth in this argument which, indeed, points to a crucial problem of modern pluralism. Nevertheless, the conclusions generally derived from the argument do not necessarily hold, since no account is taken of the institutional structures within which pluralist interest intermediation occurs. In what follows we will argue that, given the pluralism of interests generally characterising the advanced capitalist societies, government capac-

ity to regulate the economy efficiently largely depends upon the structural arrangements of interest intermediation and aggregation. We shall first develop this argument in theoretical terms, and then discuss it with reference to the examples of banking regulation and consumer protection in the United States and the Federal Republic. Finally, we shall return to the conjectured relationship between institutional structures and the performance of government regulation of the economy. In this context, we will also be concerned with the role of parties in regulatory policy. In conclusion we shall argue that Olson's theoretical argument only fits in political arenas in which organised interests interact more or less directly with the political administration. In political arenas in which intermediation by political parties is common and politicising strategies are frequently adopted pluralist interest intermediation from a general interest perspective is much more effective and efficient.

I. Political Structure and Economic Regulation: A Theoretical Explanation

Olson's theory and its neglect of structural arrangements is implicitly based on a model of the policy process which contains a strong analogy to the market. It is the model which is basically postulated by the pluralist theory of democracy, and which assumes that policies are the direct output of the interactions among interest groups. Government as a functional and processual institutional structure does not exist. Rather, government is considered to be effectively a process of log-rolling among organised interests. Given such a view, it is important to analyse, as does Olson, the structure of organised interests in order to understand policy output and policy outcome. In other words, this view relates policy-making directly to the structure of distributive conflict and distributive coalitions because it is based on a political market model of government; the type of model on which an economic theory of politics usually rests.

In modern democratic capitalist societies, distributive conflict is not only strongly organised in terms of a large number of pressure groups, but also strongly institutionalised within elaborate political structures including a well developed governmental organisation. This implies that distributive conflict also takes place within institutional structures that shape the interactions among organised interest groups. We may, therefore, reasonably assume that policy and policy performance is strongly influenced by the structure of government; that is by the political-administrative system, and the interplay between it and the organised interest groups.

This in effect is Franz Lehner's argument (1983). He demonstrates, using the example of Switzerland, the importance of institutional structures. He shows that in Switzerland consociational decision-making overarchs a highly differentiated and pluralist interest structure and provides for a highly en-

compassing policy-making process. Switzerland's policy performance is, therefore, much better than Olson's theory would lead us to expect. However, the truly encompassing policy-making process in Switzerland does not produce the same effects as Olson postulates. Growth rates in Switzerland are considerably higher than a pluralist interest structure should permit in this view, but at the same time considerably lower than they ought to be in a condition of encompassing interest intermediation. The Swiss case, thus, hardly fits Olson's theory. The reason is basically the impact of the specific institutional structure of Swiss politics which on one hand restricts the effectiveness of special interest groups, and, on the other, is associated with high transaction costs which account for a considerable degree of inertia.

Lehner's argument, stated in more general terms, points to a number of structural features which may be of relevance here: namely structural elements integrating or disintegrating interest intermediation and aggregation. In different governmental systems, different structural arrangements shape organised interest intermediation and control to a greater or lesser extent. They also influence the power of particular interest groups and the possibilities for the formation of distributive coalitions. In étatist systems, like France, for example, effective distributive coalitions are more difficult to achieve than in systems, such as the United Kingdom, with much less central bureaucratic control of policy-making. Similarly, unitary and centralised government certainly provides different conditions for interest intermediation and aggregation than federalist government. Finally, interest intermediation and aggregation is subject to different degrees of political control in systems with relatively strong party government, such as the Federal Republic, compared with systems with weaker party government, such as the United States. (Hayward, 1976; Jordan, 1981; Lehner and Schubert, 1984; Rose, 1974).

If we analyse the relationship between institutional structures and economic policy, we should not, of course, confine ourselves to basic constitutional structures alone, but need to consider the organisational and relational structures of the governmental apparatus as well. A major, often dominant element of modern governmental machinery is the bureaucracy. As is well-known, bureaucracies in the modern capitalist state have strong control over public policy. The administrative structure of government, thus, is of crucial importance in our analysis.

There are a large number of studies that demonstrate that the considerable scope and complexity of governmental activity in the modern capitalist state tends to produce a highly fragmented bureaucracy, which is paralleled by a similar fragmentation in the organisation of parties and parliament. Together, this accounts for the considerable fragmentation of political-administrative decision-making. This fragmentation is a major source of inefficient government intervention in the economy, because it encourages particularist and inconsistent policy-making. Policies determined within specialised fragments of the political-administrative system are, obviously, hard to control in

terms of overall economic effects. Moreover, they tend to have uncontrolled effects on other policies and are thus likely to produce inconsistencies, which reduce both the effectiveness and the efficiency of these particular policies as well as overall policy. Finally, within fragmented political-administrative structures, particularist special interests are often able to carry their policies into effect rather easily. (Aberbach, Putnam and Rockman, 1981; Freddi, 1983; Lehner and Schubert, 1984; Mayntz, 1979; Scharpf, 1974; Schmid and Treiber, 1975).

The hierarchical structure of the bureaucracy does not overcome the problems discussed so far, since the effective capacity of hierarchical control is, for reasons of information and power, often low. Moreover, hierarchical structures with their long lines of communication and control, impede flexible control of public policy. (Irle, 1971).

This type of problem is common to all political-administrative systems. There are, however, important variations in the degree of fragmentation or integration of the political-administrative systems. The French bureaucracy, for example, is much more centralised and integrated than the British. Similarly, the United States has highly differentiated administrative structures with a large number of independent agencies, while the German bureaucracy, although still quite fragmented, is more coherent. (Hayward, 1976; Mayntz and Scharpf, 1975; Peters, 1978; Schmid and Treiber, 1975).

These differences may be of considerable significance with respect to a political-administrative system's capacity to integrate and to co-ordinate policy. As is the case with organised interest intermediation, structural conditions in the political-administrative system may considerably influence a government's capacity to intervene effectively and efficiently in the economy and, thus, may be an important determinant of public policy performance. Moreover, the structure of the relevant political-administrative system, together with the structure of organised interests, determines much of the interaction of the private and the public sector. This becomes more clear if we consider that the advanced capitalist societies are characterised by considerable political interdependence, which not only influences economic transactions and the working of the market, but also the operation of government.

The historical conditions under which the political institutions of modern democracies, parties, parliaments, cabinet and state administration developed differed greatly from those of today. The scope of government in the development phase of western democracies was very limited in comparison to present conditions. The tasks of the state were limited above all to matters of political order, essentially of a legal type, foreign and defence policy, production or support of certain infrastructural services and a few matters of social policy. Accordingly, the bureaucracy's function was limited to execution of the law, as described so aptly in Max Weber's concept of rational-legal bureaucracy.

Since the thirties, but especially since the Second World War, the role of the state has increased dramatically. In most of the highly industrialised societies, the modern welfare state spends more than forty per cent of the gross national product and, moreover, the modern welfare state is inherently regulative in character. Strong interconnections and interdependencies between politics and the economy, state and private business are a characteristic of modern democracies. For large areas of modern state administration, the traditional picture of an administrative bureaucracy no longer applies. Awareness of political problems, long and middle range planning and the implementation and control of political programmes are often similar in character to the management of modern big business. The development from the traditional *Ordnungsstaat* to the modern welfare state did indeed follow an evolutionary course, but it has caused a fundamental shift in respect of the form, content and character of political processes. However, even today many political scientists assume that politics can be described as the "authoritative allocation of values". In reality, it might rather be said that, to the extent to which the scope of politics and the role of the state has increased, the authority and autonomy of the state has decreased. Due to high degrees of uncertainty, and the consequent substantial interdependence of politics and the economy, the state's capacity to decide autonomously and to steer authoritatively is severely limited. In other words, while the state is supposed to regulate, steer and control a large number of socio-economic processes and transactions, its capacity to do so is limited, because the necessary resources and knowledge are not at its direct disposal. The state, and in particular, the modern state administration, is therefore dependent on external advice and support. (Anderson, 1981; Dean, 1984; Freddi, 1983; Lehner and Widmaier, 1983; Mayntz *et al.*, 1982; Mitnick, 1980; Schubert, 1982; Wilson, 1980).

These and other forms of interaction of government, private business and organised interests more often than not form a dense but segmented network, which strongly influences or even determines most government activity. Within this network, organised interest groups play an important role. Moreover, bargaining within this network usually excludes parties and parliaments, but strongly involves the bureaucracy. (Freddi, 1986; Hood, 1976; Jordan, 1981; Müller and Vogelsang, 1979; Offe, 1972, 1974).

The deep involvement of bureaucracy in politico-economic bargaining results, as Offe (1974) demonstrates, in an increasing dependence upon organised interests. As a result, political decisions are to a large extent determined by bureaucracies and organised interests rather than by parties and parliaments and the political top executives (the cabinet for example). This development can be explained as a result of a high degree of uncertainty concerning the aims and operational conditions of regulatory law, which results from the political and substantial complexity of regulation. Aims are often uncertain because of conflicting demands, heterogenous interests or a lack of operational definitions. Operational conditions are uncertain because of a lack

of knowledge about the relevant facts and a lack of consensus as to the distribution of costs. This uncertainty strongly affects the ways in which regulative economic policy can operate. This is described in more general terms in the following typology:

Types of Regulative Policy

		Aims	
		clear	not clear
Operational Conditions	clear	1. *Codification* authoritative provision of norms	2. *Conflict Regulation* bargaining regarding aims
	not clear	3. *Information Processing* bargaining regarding solutions to problems	4. *Accommodation of Conflicts on Aims and Information* bargaining regarding aims and solutions to problems

Source: Lehner, Schubert and Geile, 1983.

Type 1. The aim is fundamentally to transform socially recognised or desired values into a clear and precise legal regulation on the basis of sufficient knowledge about operational conditions. The system's most valuable contribution is a codification. i. e., the provision of a legal and as perfect as possible formulation of norms. The characteristic way of operating is to provide authoritative norms, a political decision in the narrow sense.

Type 2 corresponds to a situation in which, due to its operational conditions, obvious and extensive problems must be overcome. However, there are no clear-cut plans for doing this. Therefore, the way the system essentially works is by regulating conflicts of interests, and bargaining regarding aims.

Type 3 illustrates the situation in which the aims are indeed clearly recognisable, but uncertainty exists regarding the operational conditions. The essential function of the system is the processing of information or, more specifically, the creation of consensual and applicable knowledge. In reality this means bargaining about solutions to concrete problems between the state (administration) and the relevant interests.

Type 4 illustrates the situation typically encountered in situations of complex regulation of the economy. There are indeed abstract aims, such as the reduction of environmental pollution, but the concrete ways and means by which they are to be achieved are essentially unclear or politically controversial. For example one controversial issue is whether reductions in environmental pollution should be regulated only within stipulated economic constraints, or independently of them, and with or without state finance. Equally vague and controversial is the question of which producers of pollution are

damaging the environment to what extent (i. e. air: power stations or vehicles) and whether regulation should be effected by means of laws or prohibitions, or through positive or negative incentives.

Most of regulative economic policy fits into types 2, 3, and, most particularly 4. This means it is characterised by high degrees of uncertainty and related high degrees of bargaining among bureaucracies, organised interests and other actors. Each of these actors behaves in terms of its own specific rational calculus. Regulative economic policy is, therefore, shaped by a mixed rationality which can be described in the following way:

- The functional aim of regulative economic policy results from macro-economic criteria, such as the (re-) establishment of a situation in which market allocation can function or the maintenance of particular (market) relationships (property rights).
- The instruments of regulative economic policy are, however, subject to legal criteria of rationality, e. g. confidence in the law, generality and consistency of the law. These can be quite disfunctional in macro-economic terms, in that, for example, the principle of confidence in the law hinders a flexible handling of regulative provisions.
- Political-administrative criteria of rationality reflect problems of coalition-building and party competition on the one hand, and, on the other, problems of the prerequisities of bureaucratic careerism and departmental or budget egoism.
- Ultimately, the transformation and effect of regulative economic policy is determined by *conglomerate administrative and micro-economic criteria of rationality.* (Hilton, 1972; Kohlmeier, 1969; Lehner and Widmaier, 1983; Mayntz *et al.,* 1982; Mitnick, 1980; Owen and Braeutigam, 1978; Stanbury, 1980; Trebilock *et al.,* 1979; Voigt, 1980, 1983).

These varying "forms of logic" are important since regulative economic policy is to such a large extent characterised by an interconnection and interlocking of regulating agencies; that is, primarily, the state administration, regulated business branches and enterprises and other organised interests, which is again a consequence of the extreme complexity and uncertainty of regulative economic policy.

In the first part of this paper we have argued that, under circumstances of strong politico-economic interdependence, regulative measures can mostly only be decided and executed in the form of a difficult compromise between varying and partly opposing economic and political interests. Furthermore, we have examined the structural conditions of modern regulatory policy-making. For a more systematic analysis we must, therefore, consider both the structure of the political-administrative system and the structure of organised interest intermediation. These structures determine, in our view, the interaction between the two as well as much of the related policy-making capacity.

The interrelations are shown in the diagram next page:

Structures of Pluralistic-Bureaucratic Interaction and Steering Capacities

Organised Interest Intermediation	Political Administrative Problem Processing: integrated	Political Administrative Problem Processing: fragmented
integrated	*A. Corporative Steering* corporative formulation of policies rigidification of problem solutions Immobilism concerning interest representation	*B. Self Steering* bargaining among interest groups privatisation of problem solutions particularism
fragmented	*C. Étatistic Steering* conflict resolution by the state routinisation of problem solutions increasing legal regulation	*D. Incremental Steering* spontanous and accidental co-ordination accidental problem solutions self-sufficient development

Source: Lehner, Schubert and Geile, 1983.

The diagram identifies four ideal typical configurations of policy steering capacity determined by the nature of the diverse interaction between state administration and organised interests.

In *cell A,* owing to the integrated structure of the political-administrative system and the integrated structure of organised interest intermediation, political problems can be co-operatively solved. Thus, the potential for working out problems is relatively great both for the state and the associations. The highly integrated structure of both also encourages a rigidification, a standardisation of problem solutions by the actors involved but, at the same time, leads to other non-organised and non-established interests being neglected, i. e. to an almost complete inability to represent interests equally.

Given the circumstance of a fragmented political-administrative structure of problem-processing and a simultaneously high integration of organised interests *(cell B),* the resolution of political aspects of policy problems is, as a rule, carried out through the interaction of interest groups themselves. The relevant organised interests bargain about the respective solutions among themselves within customary legal bounds and according to their concern and political weight. These solutions certainly do not systematically fit into a general or encompassing political context. The privatisation of problem solving, thus, tends to particularism.

When the organised interests are fragmented and the political-administrative system is, on the other hand, integrated *(cell C),* political problem solu-

tion follows étatistic lines, i. e. through state, essentially bureaucratic, regulation of conflicts. Any new problem will tend to be solved analogously to problems already solved. Such a bureaucratic routinisation of problem solving tends to an increase in legal regulation.

The constellation in *cell D* does not in any way allow an integrated handling of problems. The organised interest intermediation as well as the political-administrative system are fragmented; disaggregated incremental problem solutions result more or less coincidentally by a process of spontaneous coordination.

This typology describes ideal types of steering capacity, dependent on particular forms of interaction of the political-administrative system and the system of organised interest intermediation. It is intended to illustrate clearly the alternative possibilities in the field of interaction through which regulative economic policy is formulated and negotiated. In this field of interaction, law as a means of state management undergoes a fundamental change. Whereas traditionally law is a set framework for the state bureaucracy, in regulative economic policy it must, because of the system within which it is operating, often be employed flexibly and for appropriate purposes by the ruling bureaucracy as a disposable resource.

Under the conditions of the modern welfare state no economic actor, and no social interest stands outside the range of state regulations. Thus, economic actors have incentive enough to attempt to influence these regulations in their own interests. The wide scope and density of state regulations, together with the high degree of uncertainty regarding regulative aims and operational conditions, bring about as a countervailing consequence the necessity for the political-administrative system to acquire information and support from outside the bureaucracy in order for the intended regulation to work effectively and efficiently. This mutual dependence of the regulating agencies and regulated interests does not necessarily imply an identity of interests. Rather, there still exists in principal a conflict of interests between the government, responsible for the economy or society as whole, and pressure groups, advocating special or particular interests. Due to their strong interdependence, however, this conflict of interests can only be resolved by means of bargaining and accommodation. As far as law is concerned, this means that it no longer mainly represents authoritatively decided norms for the whole society or economy, but rather compromises which are accepted and valid for parts or segments of society or economy. In other words, law is less an instrument for the authoritative allocation of values, but rather a disposable resource for the temporary solution of particular socio-economic problems. Consequently, bureaucracies and organised interests must attempt to gain as much control as possible over this resource. Bureaucracy, thus, has to attempt to create the law it needs for the fulfilment of its functions, rather than to fulfil its functions within the constraints of externally defined law.

In terms of governmental steering capacities, the use of law as a disposible resource may be functional. However, if we consider the question of the political control of state activity, it creates a fundamental problem. To the extent that this regulating bureaucracy itself determines law, it tends to evade political control, and this is likely to create severe problems of legitimacy in the context of what is, supposedly, a system of party government. This problem is taken up in part 3 of this article.

II. Government Structures and Regulatory Capacities: Some Empirical Evidence

So far, we have presented a purely theoretical argument which needs empirical examination. This is, however, a difficult task, for we are concerned with regulation and its content, rather than with fiscally measurable activities and economic performance. While there are many data on fiscal activities and economic performance, there are almost no data on regulative activities. To count the number of laws and decrees, for which some data are available, involves much effort and produces little evidence, because laws and decrees vary greatly across countries in terms of style, structure and content. Data on the number of laws, thus, do not describe the relevant features of regulatory policies or of their intensity. In order to produce reasonable empirical evidence a case study approach is, therefore, the only realistic alternative. In what follows, we shall compare banking regulation and consumer protection in the Federal Republic of Germany and the United States of America.

Banking regulation and consumer protection are very interesting cases for our purpose. Banking regulation is of interest because it is a well-developed regulatory system with established institutional structures. By contrast, consumer protection is characterised by a much less elaborate regulatory structure and a much lesser degree of institutionalisation. In both areas the regulatory systems vary considerably as between the two countries which were selected on the basis of their different political-administrative structures. Therefore, banking regulation and consumer protection in the United States and the Federal Republic provide us with four different cases along our theoretically postulated dimensions. They do not, of course, fully fit our fourfold scheme but offer a reasonable approximation to it.

In the Federal Republic banks are regulated within a unitary and cetralised regulatory structure with a comparatively low degree of institutional differentiation. With few exceptions it is based on one single law (*Kreditwesengesetz*, the federal law on financial institutions) containing all-encompassing and quite detailed regulations. By contrast, banking regulation in the United States operates within a complex and considerably differentiated structure. Banking regulation is a concurrent power of both the federal government and the individual States both of which have the capacity to act inde-

pendently. On the federal level a number of different laws exist which often concern only partial aspects of financing business and which usually contain rather general rules.

In the Federal Republic, one ministry, namely the Federal Ministry of Finance, is in charge of banking legislation and one agency, the Federal Bank Supervision Office *(Bundesaufsichtsamt für das Kreditwesen)* controls all banks. It works through the Federal Bank and the banks of the *Länder.* By contrast, in the United States a larger number of ministries and agencies share responsibility for banking regulation. Among these are the Comptroller of the Currency in the Department of Finance and the Attorney General, as well as a number of independent agencies set up by Congress, such as the Federal Reserve System, the Home Loan and Savings Boards, the Federal Deposit Insurance Corporation and the Security and Exchange Commission. These agencies have different, but partially overlapping, responsibilities for different parts of the banking industry. Note in this context that, as opposed to the Federal Republic, the United States has no general-purpose banking institutions, but divides banks quite strictly into different functional categories, such as commercial banks, investment banks, thrift institutions and finance companies. Much of the regulation is concerned with the nature of the activity permitted to the different types of banks. The latter are subject to regulation enacted differently by different regulatory institutions.

For example, permissions for commercial banks acting under a federal statute fall into the power of the Comptroller of the Currency, who has, however, no regulatory powers concerning the same type of banks with the same scope of activity operating on the basis of a State permission. In addition to the Comptroller of the Currency, both the Federal Reserve Board and the Federal Deposit Insurance Corporation have powers to regulate and to supervise commercial banks under federal statute. To make matters even more complicated, the Federal Reserve Board and the Federal Deposit Insurance Corporation have some conditional powers concerning some commercial banks under State permission. To cut a long story short, we should note that banking regulation in the United States is characterised by high institutional and structural complexity, which has grown over a long period. Part of this complexity is the product of fragmented and disintegrated federal legislation—new, but partial, legislation creates new regulation enacted by newly created agencies. (Büschgen, 1976; Moesch and Simmert, 1976; Möschel, 1978).

While banking regulation in the Federal Republic is highly integrated, this cannot be said of consumer protection. Several ministries both on the federal and the *Länder* level are in charge of consumer protection. Regulative power varies greatly depending on the nature of the areas regulated. As a rule responsibilities cannot be determined in a general manner, but depend upon the specific problem involved. Similarly, legal instruments are highly differentiated, but only minimally integrated and often rather eclectic. There are

three core laws in consumer protection: first, a law of contract, determining the legal conditions of sales and related matters of business-customer relations *(Gesetz über Allgemeine Geschäftsbedingungen);* second, a law against unfair competition, regulating matters such as dumping, advertising and improper business behaviour *(Gesetz gegen den unlauteren Wettbewerb);* and, third, an antitrust law *(Gesetz gegen Wettbewerbsbeschränkungen).* In addition to these there are a large number of different laws and decrees which regulate the quality and safety of products, liability, consumer information and legal advice. Finally, there is a considerable standardisation of products by means of para-state administration. The prime example of this is the German Industrial Norms *(Deutsche Industrie Norm)* register, defining standards for a large range of different products and issued by a non-governmental board.

A similar situation exists in the United States. There we can observe fragmented institutions and dispersed consumer protection legislation. Basically, consumer protection is a concurrent power of federal government and the individual States. Using the "commerce clause" extensively, the federal government has, however, concentrated much of the responsibility for consumer protection at the higher level. Still there is much regulation at the State and even at the local level. As a result of this considerable degree of fragmentation and segmentation, consumer protection regulation is rather inconsistent and eclectic and there is considerable overlapping between various elements of the regulations. On the federal level, there is a large number of different laws and decrees, three of which are of special relevance, because they establish independent regulatory agencies with considerable power.

The Food and Drug Act of 1906 has established the Food and Drug Administration which acts as a partially independent commission in the public health service division of the Department of Health, Education and Welfare. This commission regulates production of and trade in food, drugs, cosmetics and poisons. Its powers also includes the regulation of labelling and storage.

Another act, namely the Federal Trade Commission Act of 1914, established the Federal Trade Commission as an independent regulatory agency. The main task of this agency, which was given enhanced powers in 1975 by the FTG Improvement Act and which may be considered as the major consumer protection agency, is to prevent the free enterprise system from being stifled and fettered by monopoly or corrupted by unfair and deceptive trade practices. A number of later laws, such as the "Fair Packaging and Labelling Act", the "Fair Credit Billing Act" and the "Hobby Protection Act" have enlarged the powers of the Federal Trade Commission. Following the usual patterns of administration in the United States, the Federal Trade Commission also maintains offices at State and local level.

In 1972 the Consumer Product Safety Act established the Consumer Product Safety Commission as an independent regulatory agency. This agency has encompassing powers concerning the protection of consumers against unreasonable injuries and health risks. The agency is entitled to determine

safety standards, to ban certain products or to restrict trading, to control plants and to regulate information. Again additional acts expand the powers of the Consumer Product Safety Commission.

In addition to these agencies, other bureaus, such as the Department of Agriculture or the Department of Housing and Urban Development, possess similar although more narrowly defined powers. In the field of consumer protection regulatory agencies at State level participate in a regulatory game, the limits of which are not clearly defined.

It would thus appear that consumer protection in the United States suffers from its structural complexity. Different agencies regulate with more or less different intentions the same type of products in an often rather inconsistent fashion. There is, in other words, a considerable degree of over-regulation in this policy area. (Biervert *et al.*, 1977, 1978; Eisenstein, 1982; Hippel, 1979; Reich and Micklitz, 1981; U. S. Consumer Product Safety Commission, 1979; U. S. Department of Health and Services, 1979; U. S. Federal Trade Commission, 1979).

If we compare the Federal Republic and the United States, we may observe that the institutional and legal structure of consumer protection does not differ that greatly. Considerable differences exist, however, with respect to the scope of regulation. In the United States consumer protection, covers a much larger area in greater depth than in Germany. Indeed, in the United States, despite all the problems of complexity, there is an elaborate and extensively developed level of consumer protection, while in the Federal Republic consumer protection is more narrow in scope and less intensive, especially with respect to product safety and liability. As we shall demonstrate subsequently, these differences relate to the structure of interest intermediation.

As a summary, the diagram overleaf shows the regulatory structures concerned.

In the banking sector, the differences in the structure of regulation correspond to differences in the financial systems. In the consumer protection area there are no analogous differences. There are, however, differences in terms of underlying normative principles which are more individualistic in the United States and more holistic in the Federal Republic.

The major intention of regulation in the United States is to protect individuals, while in the Federal Republic the major concern is economic order.

Many of the differences between the two countries in banking regulation as well as consumer protection are more the result of historical development than of interest structures and related policies. Considering the differences in the banking systems and in banking regulation in the Federal Republic and the United States, we might expect considerable differences in interest structures as well. This is not, however, the case; in both countries we find similar structures of organisation among different types of banks. There are only very minor differences.

	Federal Republic of Germany	United States of America
Banking Regulation	— centralised regulation — unitary legislation — precise and detailed law — centralised and integrated supervision	— concurrent regulation with a differentiated and fragmented institutional structure including also a local level — non-unitary, segmented and overlapping legislation — general and rather abstract law delegating much regulatory power on the basis of rather specific rules to independent agencies — fragmented but overlapping supervision
Consumer Protection	— dualistic system with a strong federal component — differentiated and segmented legislation — precise and detailed regulation with usually narrow scope — fragmented supervision	— concurrent regulation within a differentiated and fragmented institutional structure — non-unitary, segmented and overlapping legislation — general and rather abstract law delegating much regulatory power on the basis of rather specific rules to independent agencies — fragmented but overlapping supervision

In the Federal Republic the "Federation of German Banks" *(Bundesverband Deutscher Banken)* organises the private banks, while the public banks are members of an "Association of saving and loan banks" *(Deutscher Sparkassen- und Giroverband)*. The third type of bank, the communal bank, has an organisation called *"Bundesverband deutscher Volks- und Raiffeisenbanken"*. The three associations share some general interests, but vary considerably with respect to particular substantive matters.

A somewhat more pluralistic situation exists in the United States. There are two associations for the commercial banks, namely the "American Bankers' Association" and the "Independent Bankers' Association of America". The first is concerned primarily with the interests of the big banks and the bank holding companies, while the latter largely represents the smaller banks. In addition to these, some special interest associations exist, such as the "Association of Bank Holding Companies", the "Consumer Bankers' Association" and the "National Bankers' Association". Moreover, there are associations for other types of banks, such as the home loan and savings banks and the trust companies. The interests of these many associations are often at variance and the associations tend to be rather competitive. This is especially

true of the two associations of commercial banks, which often advocate conflicting policies. (Kaufman, 1980; Kreider, 1975; Morschbach, 1981; Ronge, 1979).

As far as consumer protection is concerned, interest structures vary greatly between the two countries. In the Federal Republic, an Association of Consumers *(Arbeitsgemeinschaft der Verbraucher e. V.)*, founded in 1953, represents consumers' interests quite exclusively. The association integrates 21 private organisations of diverse social, political and religious orientation and the 11 consumer bureaus in the German *Länder*. Individual membership does not exist. Interestingly enough, the federal government finances about 50 per cent of the budget of the organisation, whose Board consists of two representatives, one from each of the major parties (CDU/SPD). The member organisations usually have private memberships, while the consumer bureaus of the *Länder* are public or quasi-public institutions financed for the most part by the *Länder*. In addition to the Association of Consumers there are some more or less independent smaller consumer associations and a public foundation for product testing and consumer information *(Stiftung Warentest)*.

In contrast to the Federal Republic, in the United States there are a large number of smaller or larger consumer organisations. Some of them, such as the "Consumer Research Association", the "Consumer Union of the United States", the "Consumer Federation of America" and the "American Council of Consumer Interests" operate on a national scale, while most others are local or at best State-wide. There is little integration between the different groups, which, however, do occasionally form coalitions. Most of the groups have weak organisations managed for the most part by volunteers. They are usually financed by individual membership fees and publications.

Altogether consumer protection in the United States is a good example of an extremely pluralist interest structure. In the Federal Republic, the situation is somewhat more complex. There is on one hand, a rather monopolistic representation of consumer interests with much government financing. On the other hand, consumer policy is to a large extent determined by those major economic interests, which are part of a general corporatist network of interest intermediation. As far as banking interests are concerned, we find in the Federal Republic a rather integrated structure and in the United States a moderate degree of pluralism. (Biervert *et al.*, 1977, 1978; Eisenstein, 1982; Feldman, 1978; Hippel, 1979; Katz, 1976; Wieken, 1976).

The structures described so far in this section considerably influence the interactions between organised interests and regulating agencies. In both countries, as indeed in most other western democracies, regulatory programmes are, to a considerable extent, the result of bargaining between government and organised interests. In some countries, Switzerland for example, this bargaining is highly institutionalised. In the Federal Republic, however, bargaining between government and organised interests usually takes the form of more or less formal consultation of organised interests by the rele-

vant bureaucracies. In addition, there are often parliamentary hearings. Most of the influence of organised interest groups operates through consultation, which is strongly influenced by structural features.

In the case of banking regulation in the Federal Republic, there are only a few fairly corporative interest organisations which interact quite closely with the relevant department in the Ministry of Finance. Although there are considerable differences in the views of the ministry and the different bank associations, there is usually an attempt to reach consensual agreement. The interaction between the associations and the ministry is, hence, rather corporative and orientated to the accommodation of conflict at a pre-parliamentary stage. This accommodation is facilitated by the common interest in the smooth functioning of the financial market. The banks' interests have a powerful influence within such corporative structures, the more so as banking regulation usually receives little political attention. It is, therefore, difficult or even impossible to make banking regulation policy against strong opposition from the banks' associations. Unusual exceptions in the aftermath of the occasional bank crisis confirm this rule. The powerful influence of the associations, however, does not result in protectionistic and particularistic regulation, because the three associations cover most interest representation and, therefore, usually act to secure the safety of banks and the efficiency of the banking industry. Moreover, they also tend to be concerned with macroeconomic policy implications, because they are heavily involved in the financing and control of industry and business.

Banking politics in the United States is different, and represents a much more particularist and pluralist interaction of pressure groups and government. Much of the pressure politics of banking interests, as of most other interests, is directed towards Congress, which plays an important role in regulation. In Congress, interest intermediation usually takes the form of "log-rolling". In the case of banking, this enhances the influence of parochial interests. Indeed, banking regulation in the United States contains strong restrictions on nation-wide banking and strongly protects locally and regionally based smaller banks. Economic tendencies, however, tend to favour nation-wide banking interests and make it easier for the large banks and bank holdings to attempt or evade restrictive regulation. As a result, banking regulation tends to be unstable. There is no clear and consistent accommodation of the conflicts concerned by means of encompassing and widely accepted legislation. Rather, the conflict is partially resolved by means of partial, discontinuous and weakly coordinated changes in legislation of rather limited scope. A typical example is the "Edge Act" which allows for some interstate branching in relation to foreign business. Although this Act does not abandon the principle of State-restricted branching, it opens some doors to interstate banking. Similar tendencies exist with respect to the "Bank Holding Act" and the "International Banking Act". As a result, banking regulation in the United States tends not to be very consistent.

Problems exist not only in respect of consistency, but also with regard to scope and density of regulation. Fragmented regulation and the existence of a number of different regulatory agencies with concurrent and overlapping powers strongly favour an escalation of regulation in terms of volume, scope and density. This also results in high and increasing costs of regulation. Consequently banking regulation is often considered as excessive and increasing demands for deregulation are voiced. (Bähre, 1978; Davis, 1966; Erdland, 1977; Kreider, 1975; Morschbach, 1981; Müller, 1981; Redford, 1966; Ronge, 1979; Schmidt, 1976).

Consumer interests in the Federal Republic are, as is demonstrated above, quite well organised and integrated. The Association of Consumer Interests is, therefore, the "natural" consultant of the bureaucracy and parliament. It is represented in the consumer board of the Ministry of Food, Agriculture and Forestry. Apart from that, interactions of the associations take place at lower levels of the political-administrative system. Demands on the part of the associations to establish a general representation of consumer interests at cabinet level have not been maintained. Nevertheless, the association has well established connections with the political-administrative system. Its power, however, is rather limited because of the fragmentation of the relevant political-administrative system and frequent competition with the interests of industry and business. In this context, we should note that although well organised, the association has not much of a substantial power base, but rather is more or less dependent upon the existence of political "good-will". This is particularly the case since consumer interests usually do not gain strong and lasting public attention. This puts a major constraint on the associations, which are strongly interlocked into routinised interactions with the political-administrative system but cannot, as a rule, mobilise much political support. Consequently the association always has a reasonable chance of bringing consumer interests into the policy-making and legislative arena, but is hardly in a position to achieve more than a partial fulfilment of its aims. Moreover, it has most chance of success when its claims relate to general aspects of the economic order rather than to more detailed and specific regulation of production and trade. This is well expressed in the existing legislation on consumer protection which has been described earlier in this section.

The situation in the United States is very different. The fragmentation of both consumer interests and the relevant political-administrative structure hardly allows any continuous and significant influence on regulation. The relatively high level of consumer protection compared to the Federal Republic is, for the most part, the result of a reaction to politicised problems. Usually consumer interests are intermediated in the context of particular events which allows for sufficient politicisation of issues concerning consumer protection. In this case, the political-administrative system tends to react with legislation or limited regulation, concentrating on the particular issue in question. In this way, consumer protection has, nevertheless, grown

considerably over time. Using chances for politicisation and picking-up actual issues, the consumer interests organisations have been quite effective, although they are not capable of maintaining a steady influence and an encompassing interest intermediation.[1] The resulting regulation is, however, characterised by a low degree of consistency, considerable overregulation and, at the same time, by deficits in regulation concerning many important areas. (Biervert *et al.*, 1977, 1978, 1984; Feldman, 1978; Hippel, 1979; Katz, 1976; Morganstern, 1978; Wieken, 1976).

In summary the following diagram shows the structures of interest intermediation described above:

	Federal Republic of Germany	United States of America
Banking Regulation	— few, rather corporative interest organisations	— several competitive interest organisations
	— quite close interaction with	— pluralist interaction with
	— one single department in the Federal Ministry of Finance	— State and federal government, regulation agencies and especially Congress
	— macro-economic orientation encompassing regulation	— particularistic orientation, unstable regulation, limited in scope
Consumer Protection	— one interest organisation	— fragmented interest organisation
	— routinised interaction with	— non-continuous politicised
	— fragmented political-administrative system mainly at federal level	— interaction with fragmented political-administrative system at all levels
	— orientation toward economic order; detailed regulation, narrow in scope	— issue orientation concurrent and overlapping regulation

Comparing consumer protection in the Federal Republic of Germany and the United States of America, we may observe an interesting contrast. Although consumer interests in the United States are more fragmented and much less connected to the political-administrative system than in the Federal Republic, they have generally been more rather than less successful in putting their interests into effect. This is considerably different from what we might have expected on the basis of our theoretical argument and, therefore, needs further explanation.

[1] Characteristic of this situation is that in the busy years of consumerism the Consumer *Product Safety* Commission was established, but a simultaneously claimed general Consumer *Protection* Agency several times failed to obtain a majority in Congress.

In our view, the explanation for this is that consumer interests in both countries are general interests with weak organisational capacity and little potential to exercise power through pressure group tactics. Such interests usually depend upon the mobilisation of political support. The American consumer associations operate along these lines by using occasional politicisation of consumer interests and opportunities to create issues which are relevant for parties and Congress. In contrast, the German consumer association is locked into permanent routinised interactions with administrative levels and does not usually engage in politicisation strategies. In other words, the German consumer association acts as a conventional pressure group without the necessary power base, while the American consumer associations act much more as a political movement attempting to politicise issues where they do not have sufficient conventional pressure power. The fragmentation of American consumer interests favours a strategy of politicisation because it allows for a broad and also short-term mobilisation of political support. The well organised and established German consumer organisation on the other hand is not in a good position to utilise politicisation strategies. In the area of banking regulation the situation is very different, because both in the United States and the Federal Republic banking interests use conventional pressure politics in terms of consultation and bargaining. The relatively integrated structure of German banking interests is, thus, associated with effective power, but also encompassing interest aggregation. German banking interests, therefore, are very influential, but act for the most part in a way which enhances efficient regulation. In contrast, the fragmented structure of banking interests in the United States enhances unstable and changing power of the different interest organisations and is likely to create inconsistent and inefficient regulation.

Summarising the argument of this section, we may conclude that the four cases discussed here demonstrate the importance of structural arrangements. Some further theoretical discussion is, however, necessary, especially with respect to consumer protection.

III. Structure and Regulation: Further Theoretical Discussion

In the last section we provided some empirical evidence demonstrating the relevance of input structures for regulatory policy-output. Both the structure of interest organisations and the political-administrative decision structure have a considerable, although not determining, impact on policy-outputs, since they shape interest intermediation, the resolution of the related conflicts and the aggregation of different and diverging interests into binding regulation. Much of the evidence provided fits into our general theoretical argument.

In the first part we have, following Olson (1982), argued that regulation tends to be the more effective and efficient the more the relevant structures provide for comprehensive interest aggregation. Although much of the evidence from our case studies supports this view, there is also some evidence which is consistent with alternative interpretations. Overall, our cases make for some real ambivalence with respect to the empirical validity of this theoretical argument. Such a conclusion is perhaps hardly surprising, since our theoretical argument is a very simple one. It is concerned with only a few aspects of the more complex relationship between structural arrangements and policy-output. It does not, for example, consider alternative channels of interest intermediation, but rather deals almost exclusively with interactions among traditional pressure groups and bureaucracy. Although this channel is the dominant one in most countries, other channels are also of importance. Political parties and parliaments, for example, sometimes play an important part despite their generally passive role in the drafting of policy enactments. Unconventional political behaviour may also occasionally strongly influence public policy-making. The argument presented in the first part of this article neglects these different channels and the related differences in the conditions of interest intermediation. For example, it neglects the fact that the interests operating by a politicisation strategy via parties or unconventional behaviour are not subject to the same organisational requirements as traditional pressure groups. In order to account for such differences, we need to revisit our cases as well as our theoretical argument. (Castles, 1982; Jordan, 1981; Lehner, 1978; Lehner and Schubert, 1984, 1985; Scharpf, 1974).

The banking case quite clearly supports the theoretical argument advanced in the first section. The integrated interest organisations and the integrated political-administrative structure in Germany favours continued and rather controlled regulation. However, this involves some elements of immobilism with considerable veto power on the part of the banking organisations. Nevertheless, German banking regulation is quite effective and efficient. Compared with the Federal Republic, interest structures and political-administrative structures in banking regulation in the United States are quite fragmented. As we would expect in theoretical terms, American banking regulation is much less consistent and more particularistic.

In respect of consumer protection, the situation is quite different. Although in the Federal Republic there is a much more integrated interest intermediation than in the United States, German consumer protection does not seem to be more effective and efficient than its American counterpart. On the contrary, in some areas, such as product safety and liability, American consumer protection is more developed than the German equivalent. Moreover, American consumer protection operates much more on the basis of liability, while the German system is more based on rules and norms. There are good reasons to assume that the first strategy is more conducive to effectiveness and efficiency, because it operates more with economic incentives and needs

less bureaucratic control. All this is not in accordance with our theoretical argument, but rather appears to support an almost opposite hypothesis.

Considering the cases together, it becomes obvious that the relationships between structural arrangements and public policy are rather less simple than their presentation in the usual corporatist or pluralist type of theories would suggest. Nevertheless, a careful interpretation of our cases may show that there is much truth in corporatist types of theories as well as in pluralist ones. This seemingly contradictory conclusion makes more sense if we consider the nature of different arenas of policy-making.

The two cases analysed in the second part indeed differ with respect to the arenas of policy-making. Banking regulation, both in the Federal Republic and in the United States is strongly dominated by traditional bureaucratic-pluralistic interaction. Consumer protection in Germany also takes place in the same arena; not so, however, in the United States. On the contrary, most of American consumer interests are intermediated by a politicisation strategy directed more at political parties than at bureaucracies. This is, of course, somewhat overstated because in all cases there is a combination of both strategies. However, in American consumer protection, the politicisation strategy plays a crucial role, while in German consumer protection, and in banking regulation in both countries, this is almost never the case. We are, therefore, talking about quite different arenas when we compare the cases. Thus, we also have to consider different organisational requirements and the related impact of structural arrangements.

In the first section we have argued that, in the realm of the traditional interactions of organised interests and the political-administrative system, law is undergoing a fundamental change because it is becoming more and more a disposable resource of bureaucracies and organised interests. This change is, of course, not visible in the formal process of legislation. It is still parliament that formally decides on legislation. Law is, therefore, not freely available to bureaucracies and organised interests. Strictly speaking, it is not yet a fully disposable resource. In order to make law a disposable resource, bureaucracies and organised interests have to mobilise sufficient support in parliament. However, this changes the relationship between bureaucracies and organised interests on one hand and parties and parliaments on the other. Under traditional legal rule, parliament made the law and bureaucracies executed it. However the situation is now often reversed. Bureaucracies often determine the law they need to fulfil their functions and then attempt to acquire the support of parliament.

This is not just a theoretical assertion, but is evident in the legislative process of most of the western democracies. In Germany, Italy or Switzerland, most proposals concerning new legislation are initiated and formulated by the state administration. In France, much of the law is formulated by means of government-decrees, and only a relatively small, although important, part is determined by legislation. Even in the United States of America, the adminis-

tration makes great efforts to initiate law which is functional for purposes which they often determine themselves. Generally parliaments ratify law rather than create it, especially when it comes to the regulation of the economy. (Aberbach, Putnam and Rockman, 1981; Crozier, 1964; Freddi, 1986; Mayntz and Scharpf, 1975).

Given such circumstances, the major pre-requisite of effective pressure politics is an interest's capacity to get organised and to control scarce resources or special functions as a power base in conflicts with the political-administrative system. (Lehner and Widmaier, 1983). Groups possessing these capacities are likely to be much more powerful than others. Since organisational capacities are usually in inverse proportion to the size of an interest, small but specialised interests are usually very powerful and may press for particularistic public policy. This is the situation to which Olson and corporatist theorists refer. A quite different situation exists, however, when interests are intermediated via elections or votes, parties and parliamentary decisions. In this case, interests have to be capable of mobilising mass support, which then forces a political aggregation of interests. In this case, a larger number of weakly organised groups may be capable of mobilising sufficient mass support to create a political issue. If this is the case, parties and parliaments by their very nature have to attempt to reach an encompassing interest aggregation.

The difference between the two situations is obvious; in the first one, a smaller or larger number of interests interacts with a more or less segmented political-administrative structure. This being so, the capacity of the policy-making system to reach a comprehensive decision is basically a matter of the structures involved. The second situation is quite different because party competition may act as an integrative mechanism. That is, pluralist interest intermediation is often only effective if party competition actually provides for some broad interest aggregation leading to a parliamentary majority. Needless to say, party competition is not always effective in this respect. This is, as Lehner and Schubert (1984) point out, a major reason for the often noted lack of political control of public policy-making and the strong dominance of the bureaucracy.

This dominance of the bureaucracy in regulatory policy-making creates severe problems not only of legitimacy but of efficiency as well. As Offe (1974) points out, the need of bureaucracies to use law as a disposable resource introduces a great dependence on the support of organised interests. As a result, legislation dominated by bureaucracies is often strongly influenced by particular interests and is therefore, as Mancur Olson argues, inefficient.

Given this situation, the question has to be raised of how political control of legislation can be increased. In order to answer this question, we have to analyse the different capacities of political parties and interest groups to aggregate social and economic interests. Earlier in this paper it was argued

that the chances of incorporating socio-economic interests in legislation are greater, the more specialised and particular they are. The state administration is, as a rule, incapable of representing encompassing interests in terms of aggregating social preferences appropriately because it is bound by a segmented and more or less clientelistic interaction.

According to established political ideologies and theories of liberal democracy, it is the task of political parties to represent and aggregate socio-economic interests comprehensively. In reality, however, the capacity of parties to fulfil this task is often rather low. This has created a large number of gloomy analyses of the "decline of legislatures" or of the near end of party government. Although these views are not without realism, there is no need to add another one here. (For this discussion see: Beyme, 1981; Castles, 1982; Castles and McKinlay, 1979; Lehner, 1978; Lehner and Schubert, 1984; Rose, 1974).

In what follows, we shall attempt to identify functional demands made on parties and parliaments, taking into account the complexity and uncertainty of regulative economic policy. The demands which we assume to be imposed on parties and parliaments are as follows: firstly, in a situation where policy aims are clear and the capacity to reach substantial agreements among bureaucracies and organised interests is high, regulation is most likely to be fully pre-determined by bureaucracies and organised interests. Parties and parliaments are reduced to a pure legitimation function; parliament simply ratifies pre-parliamentary decisions. This happens less and less because uncertainty in policy-making increases as the complexity of state functions increases and socio-economic change occurs. Therefore, policy-making often faces considerable uncertainty.

Secondly, in a situation where high uncertainty exists with respect to the aims of regulation, while the structural capacities of bureaucracies and organised interests to reach substantial agreement are still high, aims have to be defined politically. The substantial content of regulation can and will be determined at the pre-parliamentary stage. Parties and parliaments are now not confined to a pure legitimation function, but have to give some political guidance to the legislative process. A typical example of this situation is the 1976 amendment of the Federal Law of Financial Institutions in Germany *(Kreditwesengesetz).* As a result of a bank failure, a public discussion on tougher regulation developed. The interest organisations and bureaucracies concerned could not agree on the need for and the aims of an amendment. Thus the case had to be principally decided on political grounds. Once the principal policy decision was determined by parties and parliament, the bureaucracies and organised interests concerned solved most of the substantial problems through their usual interactions. Similarly, the considerable influence of small, local or regional banks on American banking regulation can only be explained if we consider the strong parochialism of American party politics and its influence on congressional decision-making.

Thirdly, in a situation where the channels of communication between bureaucracies and organised interests are breaking down, their capacity to reach substantial agreements is low and does not allow for a solution of the disputes. In this situation there are two alternatives:

a) Parties and parliaments define the status of a problem and the principal aims of the intended regulation. The more specific formulation of the regulatory programme concerned is delegated to a particular segment of the political-administrative system. This strategy creates some decentralisation of conflict, but at the expense of political control. Regulation is formulated within a narrow and more or less exclusive bargaining system. Consumer protection in Germany is an example of this. It also demonstrates, however, that such delegation may inhibit the power of the interests concerned if the power base of the bargaining system is not very strong and if it is thus dependent upon the co-operation of parties and parliaments.
b) The definition of aims and the status of the problem is determined by external pressure on parties and parliament by means of mass mobilisation and issue production. In this case, interests do not depend upon the co-operation of parties and parliament, but attempt to force compliance by a successful management of mass mobilisation. Mass mobilisation, however, is often difficult to manage. The capacity of interests to succeed depends upon a number of conditions, such as the involvement of a larger part of the population or publicity. These conditions are not closely related to an interest's organisational capacity, but may also be met by a large number of small and weakly organised groups. Consumer protection in the United States is a good example of this. In order to understand this case fully, we would have to analyse more systematically the political psychology of mass mobilisation and the resulting conditions for effective interest organisation. This would considerably exceed the scope of this chapter.

Summarising the argument presented in this section, we may conclude that in different arenas the relationship between structural arrangements and policy-making may differ considerably. The type of theoretical argument presented in the first part is only applicable to the arenas of the interactions of organised interests and bureaucracies. In more politicised arenas, we may expect that pluralist interest intermediation may be both more effective and efficient, assuming the existence of strong party competition.

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