

Business Conflict in International Policymaking: Evidence from the Financial Sector

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Motivation

- Ontology: Heterogeneous firms in IPE
- Context: Regulatory capture in finance
 - Evidence that Business Conflict (BC) moderates this
- Theory:
 - Neo-Pluralism ('Countervailing groups')
 - NeoMarxian ('Fractionalization of Capital')
- Empirical Evidence?...



Empirical Studies of Business Conflict in IPE

- **Pharmaceuticals, IP** (Sell and Prakash 2004; Roemer-Mahler 2012)
- **Environment Falkner** (Clapp 2008; Falkner 2007; Falkner 2012)
- **Trade** (everybody?)
- **Finance** (Lall 2012; McCartney 2008; Quaglia 2008; Pagliari and Young 2013)

Business Conflict: So What?

- Business conflict is significant because:
- Pluralist claim
 - interests ‘countervail’ one another
- Signaling claim
 - sends conflicting or ‘muddy’ signals to policymakers, weakening prob. of capture

Business Conflict in Financial Governance

- Insurance Industry vs. Banks (Pagliari and Young 2013)
- Small vs. Big Banks (Lall 2012; Mügge 2009)
- Banks from Different Countries (MaCartney 2008; Quaglia 2008)
- TN Associations weaken BC (Porter and McKeen-Edwards 2013)

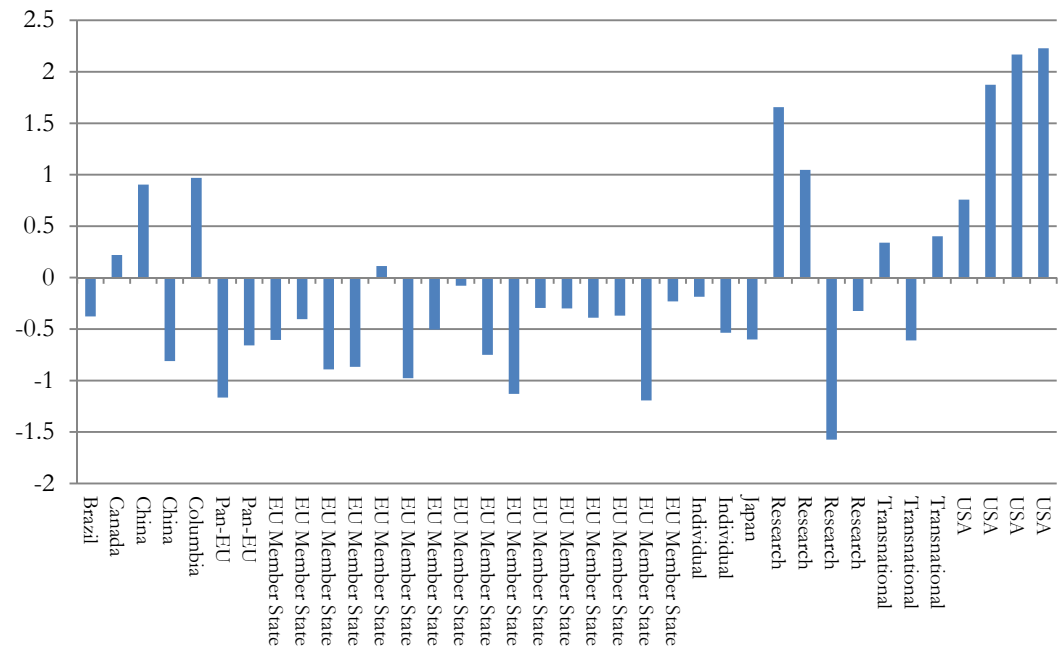
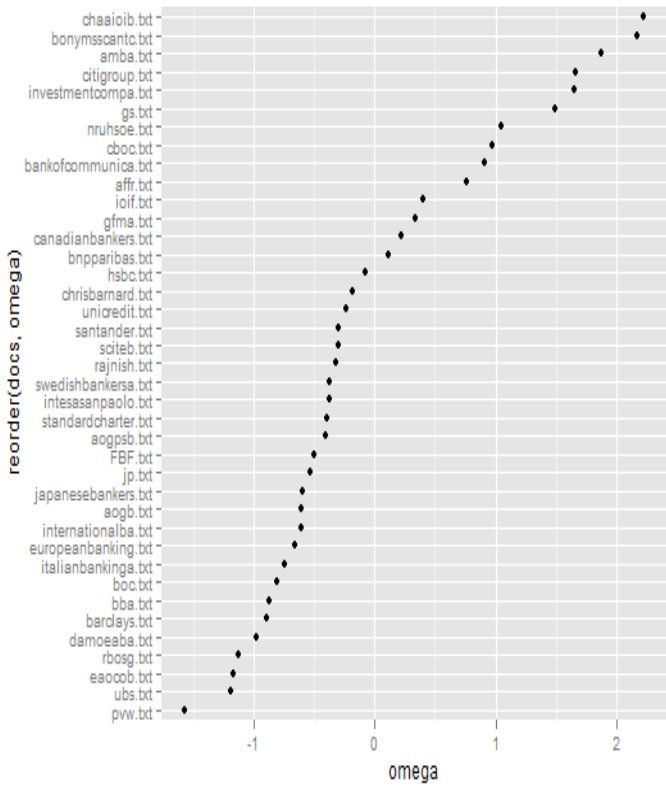
Hypotheses

- Null H:
 - Business actors have consistently similar preferences on the same policy
- H: Institutional Embeddedness
 - Obs. Implication1: nat→int should mean >BC
 - Obs. Implication2: geography/institutions predicts BC
- H: Associability
 - Obs. Implication: associations moderate BC
- H: Sectoral difference
 - Obs. Implication: sectoral diversity predicts BC
- H: Size Matters
 - Obs. Implication: small firms ≠ large firms



Test of Institutional Embeddedness Hypothesis: Big Global Policy: G-SIFs

- Automated text analysis of lobbying letters (Klüwer 2009)
- Geography Drives Divergent Preferences on the Same Global Policy



Test of Institutional Embeddedness Hypothesis: Big Global Policy: Basel III Accord

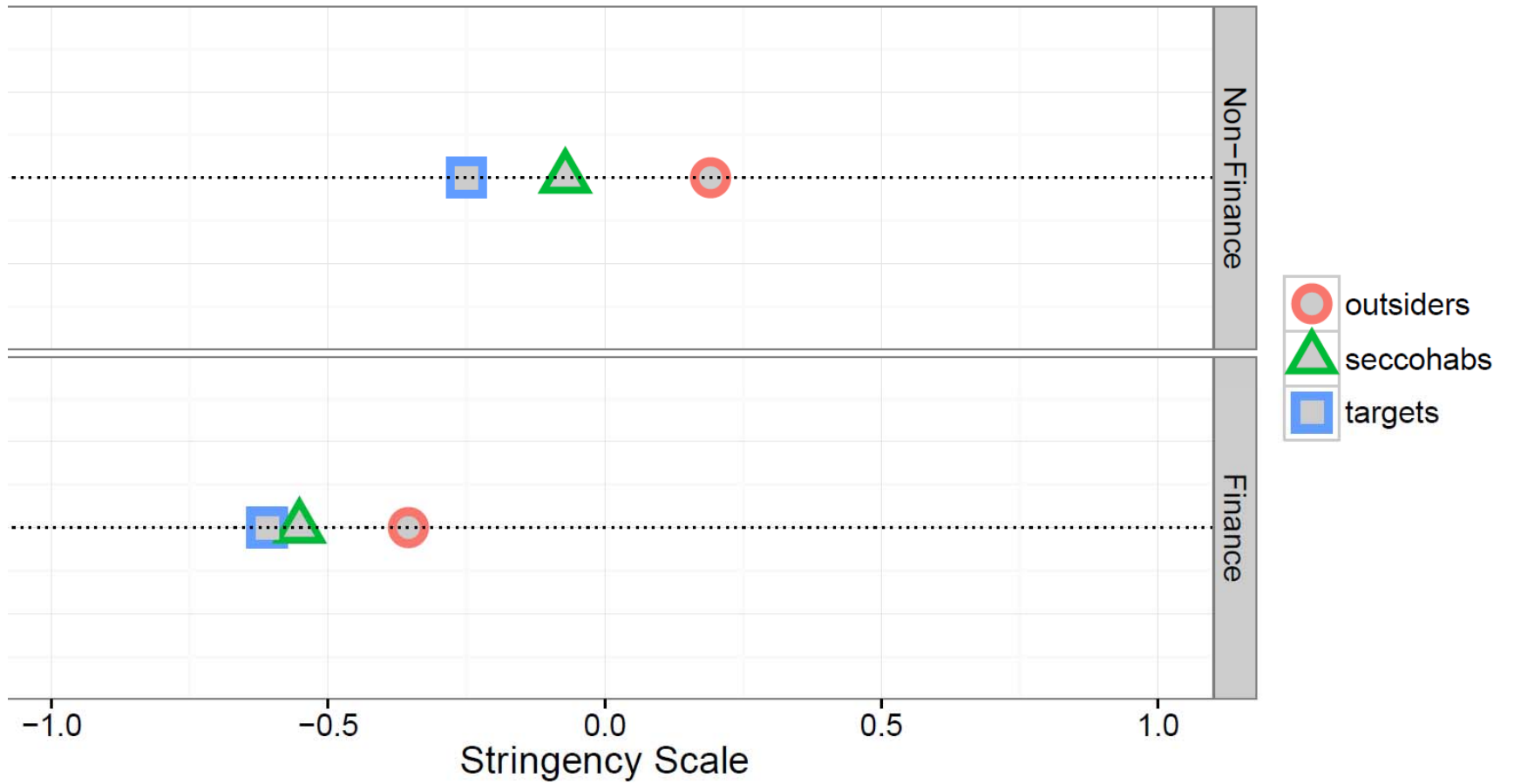
- How often do interest groups from different countries disagree on the overall shape?
 - Very rarely!
- How often do interest groups from different countries disagree on specific points of emphasis?
 - Often!



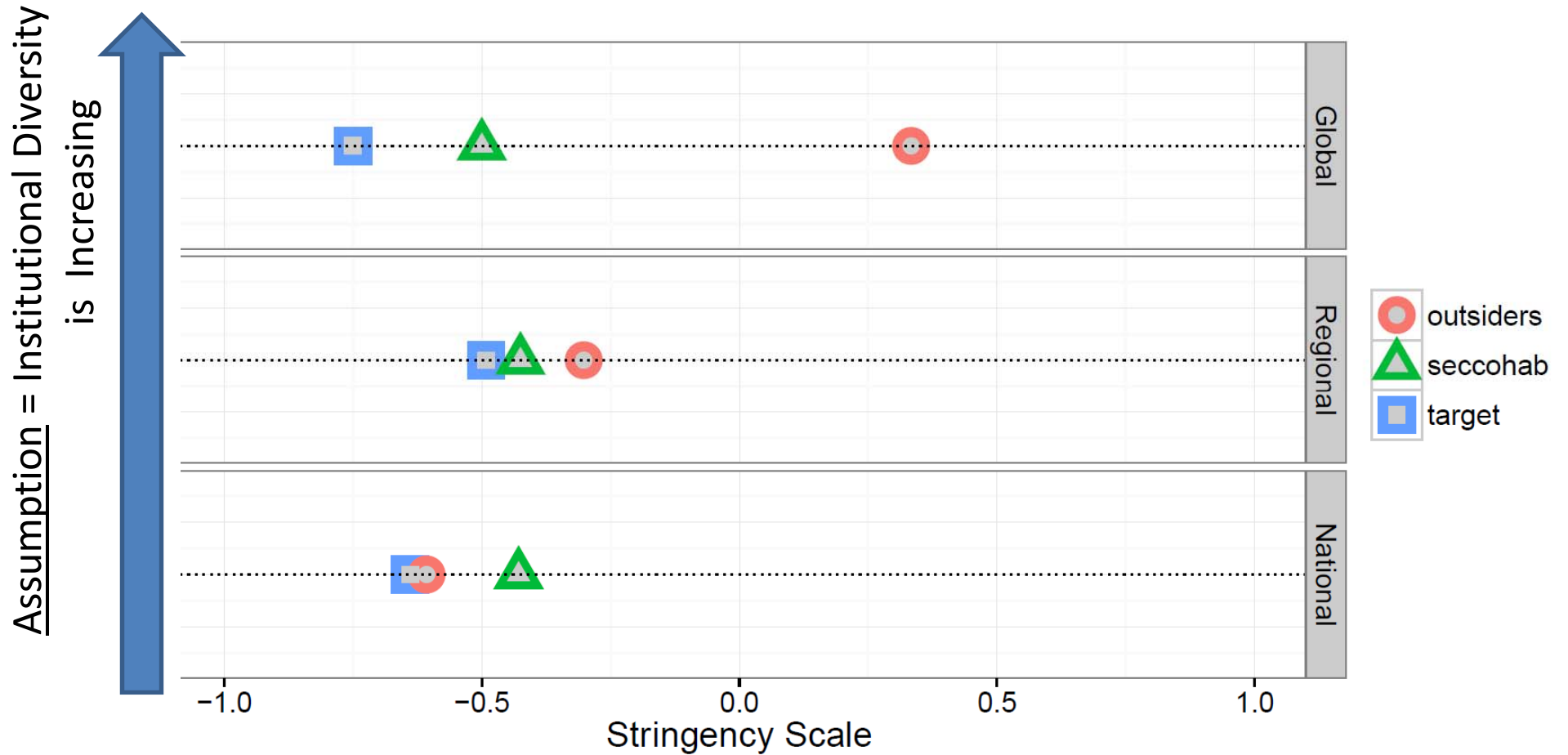
More 'Big Picture' Data

- Lobbying letters to regulatory agencies at national, regional(EU), TN levels
- Code preferences along 3 point scale (Yackee and Yackee 2004)
- Measure preference divergence between groups
- These data drawn on joint project with Stefano Pagliari

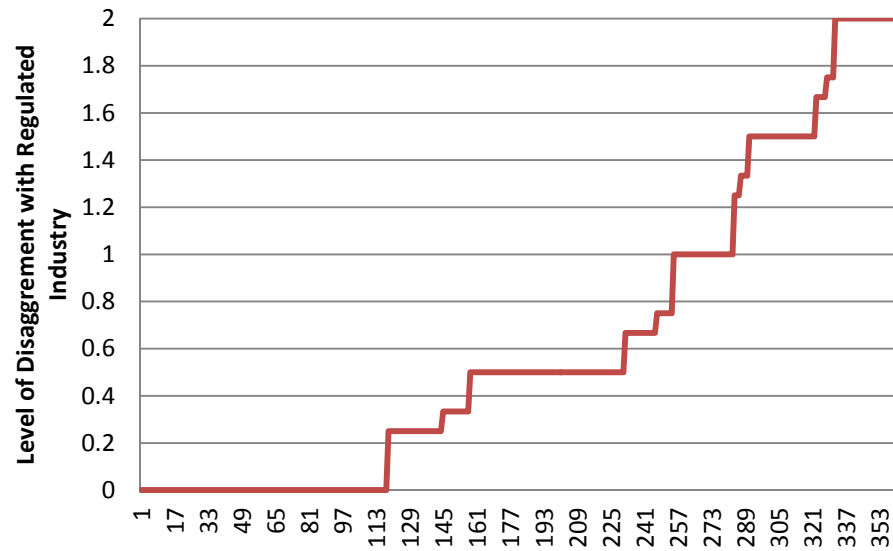
Financial Regulation is Different



Evidence for Institutional Embeddedness Hypothesis



- We can measure the level of disagreement between the regulated industry and other businesses who are also engaged in lobbying

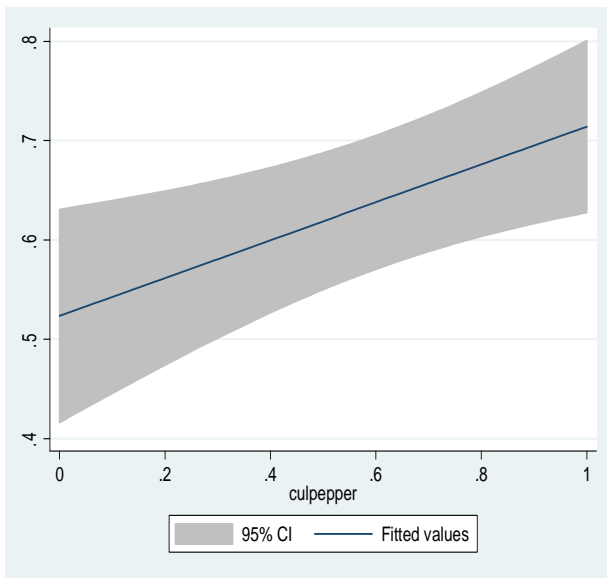


OLS Regression: Predicting Preference Disagreement

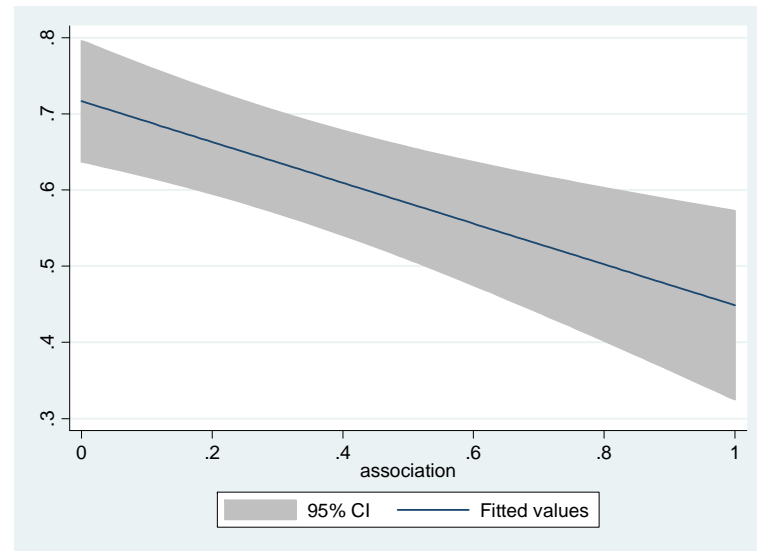
	Model	Model	Model	Model	Model
<i>DV=Level of Preference Disagreement</i>	(1)	(2)	(3)	(4)	(5)
Level of Governance	0.160*	0.153*	0.161*	0.124	0.121
	(0.0793)	(0.0759)	(0.0844)	(0.0752)	(0.0770)
Association	-0.316***	-0.302***	-0.302***	-0.316***	-0.318***
	(0.0892)	(0.0878)	(0.0912)	(0.0929)	(0.0926)
Different Sector		-0.0372	-0.0376	-0.0361	-0.0382
		(0.0565)	(0.0594)	(0.0591)	(0.0579)
Salience		0.190*	0.196**	0.196**	0.216**
		(0.0936)	(0.0889)	(0.0849)	(0.0913)
Stage of Policymaking			-0.0346	-0.0279	-0.0353
			(0.0287)	(0.0264)	(0.0309)
Complexity				-0.0385	-0.0289
				(0.0333)	(0.0353)
Post-Crisis					-0.0894
					(0.113)
Constant	0.489***	0.406***	0.487**	0.676***	0.722***
	(0.123)	(0.141)	(0.185)	(0.219)	(0.233)
Observations	365	365	346	346	346
R^2	0.056	0.078	0.084	0.089	0.092

Standard errors in parentheses, * p<0.1, ** p<0.05, *** p<0.01

...Support for association hypothesis...










Effect of High Salience














Effect of Being an Association

In Conclusion

- Under What conditions Does Business Conflict Emerge?
- H: Institutional Embeddedness 
- H: Associability  
- H: Sectoral difference  
- H: Size Matters  
 - Matching savings banks, cooperatives with other (large) respondents

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- Going Forward
 - Relational data...
 - Corporate networks
 - When does pref. divergence lead to open dispute?