William Pyle and Laura Solanko

The composition and interests of Russia's business lobbies: A test of Olson's "encompassing organization" hypothesis

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Contents

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Abstract

Why are some lobby groups less benign in their external effects than others? Nearly three decades ago, Mancur Olson (1982) proposed that *less-encompassing* lobby groups with their constituents collectively representing a narrow range of sectors are more apt to seek the types of subsidies, tariffs, tax loopholes, and competition-limiting regulations that impose costs on the rest of society. To the best of our knowledge, Olson's oft-cited hypothesis has yet to be actually tested, due perhaps to the absence of adequate data on general policy preferences of various types of lobbies. Thus, we examine a pair of surveys from 2003 and 2004 which were targeted at managers of business associations (lobby groups) and their enterprise constituents to directly test Olson's hypothesis. Managers from a diverse array of Russian industrial firms and business associations were asked similar questions regarding their attitudes to policies that explicitly benefit well-defined sectoral or regional interests and, implicitly, impose external costs. The pattern of responses is striking. Managers of less-encompassing associations and the constituent firms of such groups are much more apt to see such policies in a favorable light. In contrast, more-encompassing associations and their member display greater skepticism toward narrowly targeted government interventions. Our results strongly support Olson's hypothesis.

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Tiivistelmä

Tässä tutkimuksessa tarkastellaan, miksi joidenkin yhteiskunnallisten painostusryhmien(*vai: eturyhmien*?) toimet ovat vähemmän haitallisia näiden ryhmien ulkopuolisille(*?*) kuin toisten. Liki kolmekymmentä vuotta sitten Mancur Olson (1982) esitti, että kapea-alaiset (less-encompassing) painostusryhmät(*eturyhmät?*), jotka edustavat vain muutamia yhteiskunnan toimijoita, tavoittelevat usein tukia, tariffeja, verohelpotuksia tai muita kilpailua rajoittavia toimia, joiden negatiiviset ulkoisvaikutukset jäävät muiden maksettaviksi. Kahden haastattelututkimuksen aineiston pohjalta tässä tutkimuksessa testataan ensimmäisen kerran empiirisesti Olsonin kuuluisa hypoteesi. Aineisto on kerätty vuosina 2003 ja 2004 haastattelemalla sekä yritysten etujärjestöjen että jäsenjärjestöjen ja ei-jäsenten johtajia Venäjällä. Analyysin tulokset tukevat vahvasti Olsonin hypoteesia.

Avainsanat: yritysten etujärjestöt, intressit, Venäjä, Olson

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1   Introduction

In pursuit of constituent interests, some business lobbies seek to impose costs on non-members. Other lobby services, in contrast, may push agendas that are benign or even beneficial to outsiders. Strikingly, most economics literature on business lobbies fails to acknowledge this diversity, and the few studies that do recognize the varying impacts of lobbies offer little guidance as to the origins of this disparity or where one might expect to find a given group on a spectrum of potential effects.

The exception is Mancur Olson's work on interest groups, which offers a testable hypothesis as to why some lobby groups are less benign in their external effects than others. In his 1982 book *The Rise and Decline of Nations*, Olson distinguishes interest groups in light of the degree to which their constituents collectively represent a broad cross-section of a community. *Less-encompassing* interest groups, he postulates, are more apt to seek the types of subsidies, tariffs, tax loopholes and competition-limiting regulations that impose costs on the rest of society. This notion, fundamental to his analysis of collective action and comparative development, has, to the best of our knowledge, never been directly tested.[1] Is it truly the case that narrowly oriented groups have a greater interest in lobbying for the sorts of policy interventions that redistribute, rather than expand, the economic pie? Are less-encompassing lobbies more inclined to engage in unproductive rent-seeking? Given the broad implications of the answers to these questions, we believe they deserve investigation.

Economics literature is rich with discussion of how socially sub-optimal institutions might be sustained through the interaction of self-interested lobbies and public officials (Grossman and Helpman, 1994), yet the topic what might affect a lobby's intensity of preference for potentially distortive government interventions has barely been explored. We suspect this is due in part to the absence of adequate data for measuring the diversity of business interests with respect to government intervention. One of us (Pyle) was involved in a pair of surveys conducted in 2003 and 2004 tar-

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[1] Much of Olson's work on collective action (1965, 1982, 1996, 2000) address why some groups are more apt to be successful in representing the collective interests of their lobbies. He argues, for instance, that smaller, more homogenous and geographically concentrated lobbies are more likely to avoid "free rider" problems and other problems that might frustrate collective action. The factors explaining interest group success, however, are not central to our analysis here.

geted at business lobby groups and their constituents in Russia. Revisiting this work, we realized these surveys provided nearly ideal material for testing Olson's hypothesis.

In the surveys, managers from a diverse array of Russian industrial firms and business lobbies were asked similar questions regarding their attitudes to policies that explicitly benefit well-defined sectoral or regional interests and, implicitly, impose external costs. The pattern of responses is striking. Managers of less-encompassing lobbies and their constituent firms are much more inclined to view such policies in a favorable light. More-encompassing lobby groups and their members, in contrast, are more skeptical of narrowly-targeted government interventions. Our analysis of the survey data thus clearly support Olson's hypothesis.

This article proceeds as follows. Section 2 discusses the relevant literature, and Section 3 provides a brief summary of the development of business lobbies in the post-communist era. The unique Russian survey data we draw on for the empirical analysis is presented in Section 4, along with data that illustrate the general importance of business lobby groups to the business-state interface and to specific types of firms. Section 5, the heart of the paper, starts by presenting the questions we use to assess the intensity of a firm's commitment to free markets. We then explore the degree to which the responses of member firms and associations relate to associations of different types. Section 6 considers the relative importance of different services offered by associations. Section 7 presents conclusions.

2   Lobby groups and the economics literature

Olson observes that business lobbies, and other special interest groups, have an interest in increasing the welfare of their constituents, irrespective of their effects on the well-being of others. As a matter of principle, they tend to favor to measures that impose a greater burden on society than the benefit they confer on group members. They lobby for new economic institutions (e.g. taxes, subsidies, tariffs and regulatory barriers that decrease competition) whose "effects may be different under certain initial conditions (because of 'second-best' problems), [but] in general … will … increase the income of those favored by the legislation but also reduce efficiency … (Olson, 1982, 45)." Olson then goes on to acknowledge that, in certain circumstances, lobby groups may engage in activities that increase (or at least do not diminish) social welfare:

> *[In] organizations that encompass a substantial portion of the societies of which they are a part … the incentives … are dramatically different from those facing an organi-*

zation that represents only a narrow segment of society ... [T]he encompassing organization, if it has rational leadership, will care about the excess burden arising from distributional policies favorable to its members and will out of sheer self-interest strive to make the excess burden as small as possible. ..." (Olson, 1982, p. 48)

Olson argues interests of collective action groups reflect their composition. Groups with memberships more representative of broader society have collective interests that differ from groups with more narrowly drawn memberships. The implication here is that general preferences for policies that create barriers to trade or prioritize certain sectors over others should be greater within organizations that represent a smaller share of the economic landscape. Narrower (i.e. less-encompassing) interests should, therefore, express greater enthusiasm for government intervention.

Olson pays less attention to how heterogeneity of interests across groups might extend to, or even reflect, the interests of the individual actors that comprise the groups. His argument, however, can reasonably be extended to suggest that, all else equal, individual actors (here, firms and the individuals that represent them) tend to join organizations that share their interests. If this is true, we would expect to observe that differences of opinions (with respect to, say, the general desirability of government intervention in the market) across the leaderships of more- and less-encompassing groups mirrored in the leaderships of member firms.

The theoretical literature generally maintains Olson's skepticism about the purposes and effects of lobby group activities. The seminal work of Grossman and Helpman (1994, 1996, and 2001) formally demonstrates that welfare-reducing government interventions may constitute an equilibrium outcome in a world where business interests bid for self-benefitting protection and support from self-interested public officials. Several authors follow their lead by modeling lobbying as a "menu auction" in which lobby groups offer decision-makers a list of campaign contribution "trades" for policies.[2] All such models assume an exogenously given, finite number of special interest groups with differing policy preferences (preferred policies are extreme and only benefit group members).

Business lobbies, like other special interest groups, tend to be portrayed in these political economy models as a socially harmful, yet inevitable, element of modern democracy. They do not address, however, the issue of the different welfare consequences of the menus offering of various interest groups – i.e. why some groups, in representing their constituents, seek policies that have

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[2] See Grossman and Helpman (2001) and Person and Tabellini (2000) and the references therein for a survey. Felli and Merlo (2006) and Baldwin and Robert-Nicoud (2007) extend menu-auction models to include endogenous lobbying decisions.

more malign effects for the rest of society than others. The theoretical literature generally glosses over this aspect of lobby group action. While all acknowledge that lobbies are not identical, they are assumed to differ in their policy preferences, not in the way they might promote their cause or the consequences of their efforts. In other words, once organized, interest groups are considered to behave identically.

Taking Olson's argument, however, it appears the type of interest group should be a substantial concern when assessing its impact on social welfare; a more-encompassing group may behave differently from one that is less encompassing. Guriev et al. (2009) is the sole article were able to identify that carefully considers why different lobby groups impose different external costs. Like us, Guriev et al. draw on regional and firm-level data from contemporary Russia. Their paper specifically remarks that the high degree of regional autonomy in the Russian Federation makes its political economy an ideal testing ground for this type of a question. Unlike us, the authors do not consider Olson-like groups of firms bound by membership in voluntarily comprised, not-for-profit associations, but instead focus on groups of firms joined by overlapping ownership in conglomerate-like, profit-motivated structures. Some of these large business groups, they highlight, draw in firms from across multiple regions, while others are concentrated in a single region. They demonstrate that Firms in regions bordered by influential multi-regional business groups tend to perform better than firms in regions bordered by influential mono-regional groups. The implication, they argue, is that multi-regional groups are more likely to consider the external effects of the regional institutions they are able to influence. Policy in regions dominated by multi-regional groups is likely to be less harmful to actors in neighboring regions than in regions dominated by geographically concentrated groups. They infer the nature of those policies from firm-level performance in adjoining regions, while we observe the nature of lobby-group interests more directly.

This article hopes to contribute to the literature by providing empirical evidence on the importance of interest group type, measured by what Olson christened *encompassingness* in shaping group preferences over government intervention. Before proceeding, we return to Olson for guidance on assessing this particular characteristic of a collective. While his guidance on what constitutes an encompassing interest is somewhat sketchy, he does specify that business organizations representing multiple industries tend be more broadly concerned with social welfare than those that represent a single industry. He further notes that more-encompassing organizations typically have stronger incentives to develop contacts with other organized interest groups. [3] Inter-group consulta-

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[3] "The circumstance in which an increase in the extent to which a special-interest organization is encompassing is likely to be most constructive is when it is already so substantial that it encompasses many different industries. At that

tion, he argues, best serves the interests of an organization with less parochial views and expands a group's sensitivity to interests beyond its own.[4]

3   Russia's lobbies

Many of Russia's earliest associations grew out of small private initiatives permitted during the late Soviet period.[5] Others dating back to this era were organized by large state enterprises that shared an interest in preserving inter-firm ties and access to state subsidies as the mechanisms of central-ized economic coordination evaporated, established from the top down by ministry officials as their own hedge against the uncertainty of the future (Lehmbruch, 1999), or, in some cases, served as fronts for corrupt or profit-motivated ventures. As a rule, these early associations were neither well organized nor transparent in purpose (Sulakshin and Romanikhin, 2003). Unlike some countries in continental Europe, business association membership in Russia has always been voluntary.

The reforms of the 1990s gave rise to a wave of national-level, sector-specific organiza-tions, as well as a number of multi-sector and sector-specific organizations operating at the regional and municipal levels. Although the lack of a comprehensive registry continues to make accurate accounting of their numbers impossible, a recent estimate puts the number of business associations nationally at close to 5,000.[6] The Russian Union of Industrialists and Entrepreneurs (RSPP) and the Chambers of Commerce and Industry (TPP) are two multi-sector associations that are among the most developed and influential. RUIE first developed as a powerful alliance of Soviet-era enterprise directors that in the initial stages of the reform era lobbied for the retention of many price controls,

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stage further expansion may not affect the market or industrial action of the organization, but it would create an incen-tive to give greater weight to the organization's impact on social efficiency … In the same way national confederations of business or labor organizations can also introduce a more nearly national perspective on political issues without af-fecting the degree of monopoly. These organizations, which political scientists sometimes call *peak associations*, fre-quently lack the unity needed to have any great influence on public policy, or even coherent and specific policies. Non-etheless, peak associations should on average take a somewhat less parochial view than the narrow associations of which they are composed …" (Olson, 1982, p. 48)

[4] "The encompassing organization] has not only an incentive at least to consider the effect of its policies on the effi-ciency of the society, but also an incentive to bargain with other substantial organized groups in the interest of a more productive society. The really narrow special-interest group usually does not have an incentive to do even that …" (p. 48)

[5] Much of this section draws closely on similar narratives in Pyle (2006 and 2010).

[6] Author's interview in July 2005 in Moscow with the Director of the Department for Cooperation with Business Asso-ciations at the Chamber of Commerce of the Russian Federation.

continued access to state subsidies and strict limits on foreign investment (McFaul, 1993; Hanson and Teague, 2005). By the late-1990s, it had begun to adopt a more liberal orientation and help organize a network of independent affiliates. Like these RSPP affiliates, the Chambers of Commerce and Industry (CCI) drew their membership from many sectors of the economy. Regulated through a special 1993 law guaranteeing their independence from state bodies, the TPP network traces its roots to a communist-era institution that promoted commercial ties with the non-communist bloc. Like the RSPP, relatively little has been written of its activities, particularly those of the 170-plus independent Chambers that operate at the regional and municipal levels.[7]

The functions of business associations can be charted along two dimensions. First, they help develop and strengthen "horizontal" ties among non-state actors, for instance, by facilitating inter-firm communication regarding, for instance, new technologies (Pyle, 2006) and the reliability of potential trade partners (Pyle, 2005). Second, they can be instrumental in the "vertical" relationship between the business community and state actors, aggregating and transmitting business interests to public officials. At the federal level, for instance, *RSPP* was widely recognized as being a powerful force behind some of the reform efforts pushed forward (not always successfully) in the early Putin years – *e.g.*, judicial and natural monopoly reform, accession to the World Trade Organization, and the dismantling of regulatory barriers to small business development. Assessing the *RSPP*'s record from this time, one pair of experts concluded that "In many cases, the *RSPP* lobbying activities have been conducive to Russia's long-term economic prosperity (Guriev and Rachinsky, 2005)."

4 Data

4.1 Surveys of firms and associations

Our data derive from two separate surveys of industrial enterprises conducted across the Russian Federation to develop a picture of what associations do and why firms join them. In the initial screening survey of 1,353 industrial firms in 48 territorial subjects in 2003, respondents were asked to identify their firm's ownership type, number of employees, and whether the firm was a member of a business association(s). If the firm was an association member, the respondent was further

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[7] For additional and valuable perspectives on lobbying and business associations in Russia, see Frye (2002), Golikova (2007, 2009), and Zudin (2006).

asked to provide the name(s) of the association(s) to which it belonged. By construction, slightly less than half of the respondents employed between 10 and 100 workers.[8] The mean and median sizes of the respondents were 485 and 130 employees, respectively; 6.8%, were municipal or state enterprises. Slightly over a third, 34.2%, of the respondents reported being a member of at least one business association, while 6.7% reported being in at least two; only 1.2% reported being in three or more associations. With respect to specific associations, membership rates in regional TPPs and RSSP affiliates were the highest. By industrial sector, membership rates ranged from a low of 27.0% in metallurgy to a high of 44.6% in light industry. In each of the sectors, membership rates increase with the size of the firms such that, overall, the membership rate for firms with over 500 employees (57.6%) substantially exceeded that of firms of under 100 (21.4%).

This screening survey, in turn, was used to construct a sample for a much more detailed survey of 606 firms representing over half of Russia's territorial subjects.[9] An effort was made to achieve roughly equal distribution of respondents across territorial subjects and seven industrial sectors.[10] By construction, 280 (or slightly under a half) were members of associations; 88 of these reported being members of at least two. In addition to standard firm-specific information, the survey carried out in the spring of 2004 asked enterprise managers a series of questions about their interaction with business associations. Some of these association-specific questions were directed at all firms, whereas some were only designed to be answered by members. This latter group of questions asked for specific responses about each of the two associations described as most important to the enterprise's well-being.

From these questions, we calculate the share of firms belonging to the different types of associations. For instance, firms were more likely to be members of regional associations (one whose membership is derived almost exclusively from a single territorial subject) than federal or multi-regional associations. Whereas only 46.2% of firms from the full sample were members in any type

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[8] For those with more than one hundred employees, we surveyed equal numbers across the seven industrial sectors. Within each sector, we sought the distribution with respect to employment represented in the national firm registry supplied by the government statistical agency *Goskomstat*. As an example, the same number of firms was surveyed in the chemical and metallurgical industries, but the latter group included a relatively higher proportion of enterprises with over 500 employees. Using local business registries, firms were then selected at random to fulfill the regional, sector, and size quotas.

[9] Russia is constitutionally a federation made up of subjects or regions (89 in 2003 and 83 presently). These regions vary a great deal in terms of economic institutions, income levels, and growth rates. Hanson and Bradshaw (2000) provide an excellent overview of regional disparities. Solanko (2008) offers recent data on growth across Russian regions.

[10] The screening survey's findings of membership rate variation across sectors and employment sizes were used to weight the sample's distribution of members and non-members across these two dimensions.

of association, 39.4% (239 of 606) of the firms reported belonging to a regional association. Region-level associations thus had much higher membership rates than supra-regional or federal organizations.

Of firms that reported membership in at least one regional association, 85.8% (205) were in associations that draw membership from across multiple sectors, whereas 20.1% (48) belonged to at least one regional sector-specific association. A small number, 5.9% (14) of firms are in both types of regional associations. We use this distinction between multi-sector and sector-specific associations below as our proxy for encompassingness.

A second detailed survey, also administered in the spring of 2004, queried the directors of 145 independent regional business associations, representing 34 of Russia's eighty-plus territorial subjects.[11] The solid majority of these organizations, 85.5% (124), represent multiple sectors. The remaining sector-specific associations represent a variety of industrial interests, with those in wood-processing and paper, light industry, and food processing being the most common in the sample.

4.2 Descriptive statistics

Table 1 presents summary datafrom the firm survey. The first column presents descriptive statistics on sampled firms that are not members of regional lobby groups; columns two and three record summary measures for the members, respectively, of multi-sector and sector-specific organizations.[12] With a few exceptions, the apparent differences between members and non-members are modest. The members of regional associations, however, tend to be larger than non-members, a regularity found elsewhere in the world and consistent with larger firms having a greater capacity to pay membership dues and influence the strategic direction of associations. Members of associations also appear more apt to engage in transactions outside the borders of their region, an not entirely surprising finding given that associations provide services that help firms initiate and sustain customer and supplier relationships (e.g. hosting trade fairs and helping to resolve disputes). These dif-

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[11] In the absence of an official registry, a variety of sources were used to construct a sample of active associations that we deemed to be broadly representative in terms of regional distribution and the mix between sector-specific and multi-sector associations. The questionnaire was also answered by 55 multi-regional or federal associations; we do not consider their responses for the purposes of this article because the questions that constitute the focus of our analysis of lobby group interests are most relevant to policy at the regional level. Moreover, we are interested here in the relationship between region-level political and economic variables and the attitudes expressed by the management of regional lobby groups and their constituents.

[12] A rough sense of how flows into regional associations have changed across time can be gleaned from the years in which our surveyed firms reported joining associations. A small minority reports joining regional associations during the Soviet era. Entry was steady from 1992 until the 1998 financial crisis. The biggest spike in membership occurred between 1999 and 2001.

ferences generally hold up whether we compare non-members with members of either multi-sector or sector-specific associations. Limiting comparisons to within the group of firms that belong to at least one regional association, those in multi-sector associations are more likely to have foreign shareholders and to have been established in the post-Soviet era.[13]

[Table 1]

Table 2 presents summary statistics on the survey on regional business associations. At the time of the survey, the regional associations averaged just over eight years in age and operated with roughly 17 paid employees.[14] Just under two-thirds were located in the capital city of their region and slightly over half counted individual entrepreneurs/businesspeople among their founders. Other business associations and state organizations/agencies routinely played prominent roles in establishing regional associations. Table 2 shows that, relative to sector-specific lobbies, associations representing multiple sectors were older and larger. In addition to having members from various industrial branches, many also included firms from the transportation, communications, trade, finance, healthcare, and education sectors.

[Table 2]

4.3 Evidence of the role of associations in representing firm interests

As far as firms are concerned, business lobbies (and their preferences) only meaningfully affect policy if they represent their interests and, of course, if the lobbies share this understanding of their role. To assess the extent to which Russia's regional associations are relevant in this regard, association managers were asked to characterize on a scale from 1 (not at all important) to 5 (extremely important) the importance of various services to the life of their association. Their ranking appears in Table 3. At the top of the list, "lobbying government officials" scored an average of 4.5, followed by "participating in the development of legislation" and "participating in the development of industrial policy," respectively. The managers at regional associations ranked the three services most

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[13] Provided that firms paid their required dues, the survey evidence suggests that there are few, if any, barriers to joining and retaining membership. For instance, we found little evidence that associations were exclusive clubs. Only one of 326 non-members in our survey reported having been denied admission to a business association. Among current members, only a sixth reported knowing of an instance where their association had expelled a member. Most cases were the result of non-payment of dues, while a smaller number stemmed from reported violations of established behavioral norms.

[14] On average, these associations drew on the services of just over six volunteers.

closely associated with the representation of members' policy interests ahead of every other service about which they were asked.[15]

[Table 3]

Firms were also asked whether they tried to influence the contents of new laws and regulations and, if so, to which parties they appealed. Most of the firms, 64.0%, reported not trying to exercise this sort of influence. But of those that confessed to being pro-active in this regard, a non-trivial percentage reported using business associations. As shown in Table 4, 10.9% of all surveyed firms said they seek out business associations' assistance, a percentage that exceeds those using other non-public-sector channels, such as the media, influential individuals or the collaboration of trade unions. Directly accessing government personnel, not surprisingly, was the most popular channel for exercising influence over design of new policies, with 20.1% of all firms reporting that they had approached executive branch personnel and 14.5% saying they had used legislative branch channels.

[Table 4]

Among the subset of respondents belonging to regional business lobbies, the percentage of those responding that they use business associations is comparable to those that directly approach officials in the legislative branch, 20.9% as opposed 24.3%. Among all firms admitting to attempts at exerting influence, 30.3% reported using business lobbies. Within the subset of that group that belongs to a business association, just under 40% reported drawing directly on the services of a business association.

Before analyzing how encompassingness relates to the interests of lobby groups, we explore first for whom their representation services are most important. Specifically, we investigate the enterprise and region-level characteristics related to seeking out the assistance of business associations when trying to influence the design of new laws rules and regulations by estimating the following equations with probit models:

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[15] Member firms were asked to provide a similar assessment of regional association's services. They ranked the provision of informational, legal and consulting services as well as assistance in developing contacts with other Russian firms ahead of the business representation services. This difference should not be all that surprising when we consider that firms may not be fully aware of the business representation services provided on their behalf. Services provided directly to them (e.g. consulting and being introduced to a new trade partner at an association-sponsored trade fair) are typically those with which they are most familiar.

$$L_i = \alpha + \beta E_i + \gamma F_i + \delta C_i + \zeta R_i + \varepsilon_i \, , \tag{1a}$$

$$L_i = \alpha + \beta E_i + \gamma F_i + \delta C_i + \zeta R_i + \lambda EC_i + \varepsilon_i \, , \tag{1b}$$

$$L_i = \alpha + \beta E_i + \gamma F_i + \delta C_i + \zeta R_i + \varphi B_i + \varepsilon \, , \tag{1c}$$

where L_m is a dichotomous variable that, if the firm reports having used the services of business lobbies, takes on the value of one (and zero otherwise).

E_m, a measure of the firm's workforce size, may positively affect the decision to use their services because larger size may confer greater ability to exercise influence within an association. Alternatively, size may open up other, non-intermediated channels through which to exercise influence. Larger firms, for instance, may derive relatively more power over state officials through their enhanced ability to trade votes or other assets for influence (Shleifer and Vishny, 1994).[16]

F_m is a vector of additional characteristics specific to the firm that one might reasonably presume affect demand for lobby group services. Controls for ownership by the state and by foreigners are included, as is one for whether the firm was created in the post-Soviet era. Controls are included for a firm's exposure to trade beyond its regional borders. Specifically, dummies capture whether the firm purchases inputs from and sells output to foreign countries and other Russian regions. Other dummies measure whether the respondent has trade partners that include government entities or firms within a commercially-oriented business group (i.e. within a single, overlapping ownership structure). Indices measuring the relative sophistication of the firm's capital stock and the competitiveness of the firm's primary output market are also included, as is a dummy variable reflecting whether the firm's major competitors are based outside its region. Three location dummies are included to capture whether the respondent is based in a regional capital or in Moscow or St. Petersburg, the two cities with the same status as a region. Finally, we include enterprise sector controls.

We suspect that regional characteristics may affect the demand for lobby group services. Russia is constitutionally a federation consisting of 83 territorial subjects (regions) that have enjoyed a considerable degree of autonomy in deciding economic policy (Berkowitz and DeJong, 2003). Although the trend in recent years has been toward re-centralizing policy-making, economic institutions and income levels still vary widely across Russia's regions. Despite evidence of conver-

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[16] Prior research shows that larger firms are more likely to join associations, possibly because of their greater ability to absorb the costs of membership and a greater ability to affect the strategic direction of the association (Pyle, 2006).

gence in income levels, regional disparities remain extremely large (Solanko, 2008),[17] and a number of indices of regional political and economic development suggest Russia's regions have developed widely divergent business environments.

To capture part of this variation, we include C_m, a political competition index that relates to the perceived effectiveness of organizations that aggregate and transmit business community interests. Two features of the index make it useful for our analysis here. First, the rankings are based on electoral data and thus differ from indices that rely on opaque "expert" assessments.[18] Second, the time period used to compile the index, 1995-2005, fits with our survey data collected in 2004. As we employ the index as an explanatory variable in regressions that explore the choice of firms and associations, our concerns about possible feedback effects from those behaviors to the regional political index are minimized (we know the index is based almost exclusively on electoral data that precedes the administration of our surveys). We also note that although Russia has now ended the practice of regional gubernatorial elections, they still took place during 1995-2005.

R_m represents a vector of additional economic characteristics of the respondent's region: log per capita income; the sum of exports and imports as a share of gross regional product; the share of regional product contributed by the fuel and energy sector; and the share of industrial production in the region accounted for by the largest industrial sector.[19]

Model (1a) represents our baseline specification. In (1b), we add an interaction term, EC_m (the product of E_m and C_m). The thinking here is that the effect of more competitive politics may not

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[17] See Bradshaw and Vartapelov (2003) for various measures of regional inequality.

[18] The index of "political competition" we use comes from the *Democratic Audit of Russia*, a joint project of three independent and respected Russian organizations − the Public Expertise Institute, the INDEM Foundation, and the Merkator Analytical Center. Individual regions were given scores from 1.0 to 5.0 (in increments of 0.5) based on their turnover in the executive branch, as well as the degree of political competition and diversity of representation in the legislature. Specifically, the project combined electoral data from 1995-2005 relating to the time in office of the sitting governor, the number of competitors in regional gubernatorial elections, the difference between the winner and the nearest competitor, the share of United Russia (the "party of power") in the regional parliament, the minimum percentage of votes threshold for a party to qualify for seats in the regional parliament, the participation rate in parliamentary elections (wherein proximity to 100% is taken to indicate coercion or fraud), and a measure of the difference between the percentage of votes received by party candidates and the percentage of seats held by those parties in the legislature. The nature of the project, its rankings, and methodology were written up in *Novaya Gazeta* (Iakovenko, 2005), perhaps Russia's most respected independent newspaper. As a test of the index's validity, we used a survey question that asked firm managers "Which parties, if any, does your firm seek assistance from to influence the content of new laws and regulations that will have an impact on your business?" The responses included legislators, the media, trade unions, executive branch personnel and influential individuals (e.g. business people). The first three institutions tend to be representative of broad social forces in democratic and more politically competitive regions. We found that firms in regions with a higher score on the index were more likely to report seeking assistance from these three, effects that were all significant at the 5% level. Firms in these regions, however, were no more likely to rely on personnel in the executive branch or influential individuals.

[19] All economic data for the regions are annual measures for 2003 from *Rosstat*.

be uniform across firms of different sizes. A large firm may be less sensitive than a small firm to regional politics when choosing the best strategies for exercising influence. In (1c), we add lobby controls for membership in sector-specific and multi-sector associations to the baseline specification. The interest here lies in exploring whether the marginal effect of membership in one type of association is more strongly related to using associations for lobbying purposes. If similar, the subsequent investigation of their respective interests takes on greater meaning. If membership in one relates more clearly to use of associations for influencing state policy, then we would have much less reason to compare the interests of more- and less-encompassing lobbies.

[Table 5]

In the first three columns of Table 5, we present the results of probit models run on the three specifications and inclusive of all responding firms. In columns four through six, we do the same but limit the analysis to firms that belong to a regional association.

Among the most robust results observed in columns 1-3 is that firms in more politically competitive regions are more inclined to appeal to business lobby groups than those in less competitive regions.[20] This relationship may be a direct function of the greater efficacy of business lobbies in more politically competitive environments or it could be (more indirectly) an artifact of higher membership rates in those more politically competitive regions. The continuing statistical significance of the political competition index that we observe in columns 4 and 5 (in which analysis is restricted to regional association members) suggests that the result is driven at least in part by the former. Whatever the case, it seems clear that greater political competition complements lobby group influence. The results in columns 2 and 5 suggest, moreover, that the sensitivity of lobby group influence to political competition holds particularly for smaller firms.

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[20] Perhaps unsurprisingly, our measure of political competition is strongly and positively correlated with using the media to influence new rules and regulations.

5 Lobby group composition and interests

5.1 Assessing preferences for free markets

To gauge associations' interests in government intervention, we draw on the answers to questions given by the managers of both firms and associations. They were asked two questions to elicit how favorably they were disposed to two types of policy measures:

(1) To what degree do you agree with the statement that the government should create special conditions – through tax breaks, subsidies, etc. – so as to promote the development of prioritized economic sectors?

(2) To what degree do you agree with the statement that regional governmental bodies should impose economic barriers to the import of goods from other regions and countries in order to support employment and an otherwise favorable economic environment in the region?

The wording in these questions was deliberately phrased in a non-specific manner. References to individual sectors were omitted as to best capture general preferences toward types of targeted government interventions that would not be unfamiliar to respondents. Greater use of the tax code and regulatory mechanisms to benefit Russian manufacturing was the focus of a concerted lobbying effort by the federal *TPP* at roughly the same time as the survey was conducted (*Gosudarstvennaia promyshlennaia politika*, 2004). And throughout the 1990s, many regional governments manipulated local laws and regulations to benefit narrow interests (Slinko *et al.*, 2005; Guriev *et al.*, 2009). Over the same time period, we have ample evidence of regional politicians promoting various protectionist measures in contradiction of federal laws designed to promote the free flow of goods across regional borders (Berkowitz and DeJong, 2003).

Association managers were also asked how beneficial the seemingly imminent WTO accession for Russia would be both for their region and for the country as a whole.[i] At the time, it was widely understood that accession would lower import tariffs, thus diminishing government interference with trade flows and putting foreign and domestic companies on a more equal footing in several previously-protected sectors (Chowdhury 2003). An intense public debate swirled around the issue. Some of the most protected sectors, such as automobiles, put up fierce opposition while others, such as steel exporters, came out in strong support; *RSPP* was generally supportive although,

within its ranks, there was far from universal agreement (Guriev and Rachinsky, 2005). Most of the economic analysis pointed to positive net welfare effects with Rutherford and Tarr (2006) concluding that all regions would benefit with gains likely to be greatest in areas closest to international markets such as Russia's Far East and Northwest.[ii]

We believe these questions provide us with a comprehensive and direct test of Olson's hypothesis by allowing us to test the robustness of our findings across two dimensions. First, we ask about targeted policy interventions in three separate ways. If Olson's hypothesis holds, groups more narrowly composed should be more favorably disposed toward regional trade barriers as well as targeted tax and/or regulatory policies. We would also expect them to be less favorably disposed to WTO accession.[iii] Second, the questions are asked to multiple types of actors: managers of lobby groups and managers of firms. Olson argues that the interests of the former should reflect their group's diversity. And his argument can be reasonably extended to suggest that group members reflect group interests as well. Support for Olson's hypothesis thus hinges on identifying robust correlations between group composition and policy interests.[iv]

[Figure 1A, 1B, 1C]

Figures 1A–1C lay out the distribution of responses to our questions. Managers of firms and regional associations are more favorably disposed toward the scenario described in Question #1, what we might refer to loosely as *industrial policy*, than the policy described in Question #2 of imposing barriers to the inflow of goods from other regions and countries. For the industrial policy question, the modal response is 5, or highly favorable. There is a more even distribution of responses with respect to the import barriers question; for both types of respondents, the modal response is 1. With respect to WTO accession, the majority of association managers were relatively ambivalent in the sense that the response cluster in the range from 2 to 4.

5.2   Explaining the interests of associations

To assess the factors that explain variation in these responses, we estimate the following equation with ordered probit models on the sample of regional lobbies. Specifically, we asses the interests expressed by association managers at the mth regional association with respect to the kth policy (AI_{mk}). We do so by estimating the following ordered probit model:

$$AI_{mk} = \alpha + \varphi_1 N_m + \varphi_2 B_m + \gamma A_m + \zeta R_m + \varepsilon_m. \tag{2}$$

Here, we first seek to explain answers to the same pair of questions about industrial policy and regional trade barriers that firms answered. Additionally, we consider the association manager's attitude toward WTO accession and whether it will benefit their region and/or Russia.

Our two measures of encompassingness are the number of sectors represented by the association, N_i, and a dummy variable capturing whether the lobby group was founded by another association. If, as Olson presumed, less-encompassing associations are more likely to favor government intervention to disrupt market forces, we would expect the coefficients on N and B, φ_1 and φ_2, to be negative when considering how favorably they regard industrial policy and trade barriers. Similarly, we would expect these proxies for encompassing interests to be positive when managers are asked about how favorably they regard membership in WTO.We also control for other association-specific characteristics, A_i: number of full-time employees, years since founding, and both location and founder controls.

R_m represents a vector of characteristics of the respondent's region: political competition, log per capita income; the sum of exports and imports as a share of gross regional product; the share of regional product contributed by the fuel and energy sector; and the share of industrial production in the region accounted for by the largest industrial sector.

Table 7 lays out our results. The signs on our two proxies for encompassingness (number of sectors represented by the association's membership and founders include other business associations) are wholly consistent with Olson's theory. More-encompassing lobbies are less prone to support industrial policy and import barriers and more prone to have a favorable view of WTO accession. In several cases, these results are statistically significant. The relationships between the number of sectors represented and attitudes toward import barriers, the regional impact of WTO accession and the national impact are significant at the 5% level, as are the negative relationships between being founded by another association and support for industrial policy and import barriers.

[Table 7]

In terms of regional characteristics, we observe that associations from regions that engage in more trade are, as might be expected, more inclined to view WTO accession as beneficial to their region. We also observe that in regions dominated by a single industry, attitudes toward trade barriers are less positive. In general terms, however, the regional variables are relatively quiet and do not consistently explain the variation in association managers' responses to these questions.

5.3   Explaining the interests of firms

So as to provide further confirmation of the relationship between the interests and composition of lobby groups, we now turn to assessing the factors that explain variation in expressed policy preferences of managers at firms, again using straight-forward ordered probit models:

$$FI_{i,j} = \alpha + \beta_1 M_i + \beta_2 S_i + \gamma F_i + \zeta R_i + \varepsilon_i \qquad\qquad (3a)$$

Here, we explore the relationship of the interests of firm i toward policy intervention j ($FI_{i,j}$) to their membership in lobby groups of two specific types: multi-sectoral (M_i) and/or sector-specific (S_i). The coefficients β_1 and β_2 measure the extent to which membership in these types of association explains variation in these interests. If the more narrowly composed, sector-specific lobbies tend to value government intervention in markets, we would expect that β_2 is positive, statistically significant, and greater than β_1.

F_i is a vector of additional characteristics specific to the firm that one might reasonably presume affect interests toward government intervention. Controls for enterprise size, ownership by the state and by foreigners are included, as is one for whether the firm was created in the post-Soviet era. Controls are included for a firm's exposure to trade beyond its regional borders. Specifically, dummies capture whether a firm purchases inputs from and sells outputs to foreign countries and other Russian regions. Other dummies measure whether the respondent has trade partners that include government entities or firms within a commercially-oriented business group (i.e. within a single, overlapping ownership structure). There are also indices measuring the relative sophistication of the firm's capital stock, the competitiveness of the firm's primary output market, and a dummy variable reflecting whether the firm's major competitors are based outside its region. Location controls are applied to capture whether the respondent is based in a regional capital , Moscow, or St. Petersburg.

We also include enterprise sector controls. And finally, R_i represents a vector of the same regional characteristics that we controlled for in the models run on the responses of associations' managers.

We now run a similar ordered probit model on the subset of regional lobby group members:

$$FI_{i,j} = \alpha + \beta S_i + \gamma F_i + \zeta R_i + \varepsilon_i . \qquad\qquad (3b)$$

Here, we only include a dummy variable for the ith firm's membership in a sector-specific association (S_i). We only compare sector-specific association members with members of more-encompassing business organizations, not all other firms in the sample.

The results for models (2a) and (2b) are laid out in Table 6. Considering the former, we observe in columns (1) and (2) that firms that are members of sector-specific associations are much more positively disposed toward policy interventions than firms that are not members of such associations. β_2 is positive and statistically significant with respect to both attitudes regarding industrial policy and trade barriers. Although β_1 is also positive, it is statistically insignificant with respect to both questions. Firms that are members of multi-sector associations are no more likely than firms that are not members of such associations to embrace government intervention.

[Table 6]

When we restrict observation to only members in regional associations of either type, we observe from column 4 that members of sector-specific lobbies are more supportive than multi-sector association members of regional trade barriers. This result is significant at the 5% level. Although the coefficient on the sector-specific-association dummy is positive in column 3, it is not statistically significant. In other words, the relationship between membership in a sector-specific lobby and a favorable attitude toward industrial policy interventions, observed when considering the full sample, is not robust to restricting observation to the smaller sample of regional lobby members. But in sum, the firm-level data provides fairly strong support for Olson's hypothesis.

We also observe that smaller firms and firms established during the Soviet era are, all else equal, more positively disposed to government intervention. Regional characteristics, however, are conspicuously silent in explaining firms' interests in this regard.

6   Relative importance of representation services

As one additional step in our analysis, we return to the question of how important representation services are to lobby members by exploring whether that importance is a function of lobby type (multi-sector or sector-specific). Having earlier observed the percentages of firms that reported they had been approached a business association to lobby for the passage of new rules and regulations, we now turn to the more pointed question in the survey of firms where respondents were asked

questions specifically about the regional association that had been the most important to the finan-
cial well-being of their firm.

Each enterprise manager was asked to rank on a scale from 1 (little value) to 5 (great
value), the importance of ten separate services potentially offered by their association. If the asso-
ciation did not offer the firm a particular service, we recorded 0.[21] The average ranking of the ser-
vices listed in the menu was a bit different than the ranking in Table 3 given by regional associa-
tions when answering a similar question. Instead of reporting that the three representation services
were the top three, firms rated information/consulting services and the facilitation of contacts with
other Russian firms ahead of participating in the development of industrial policy and lobbying and
participation in the development of legislation (which were ranked third, fourth, and fifth, respec-
tively).

If less-encompassing, sector-specific business lobbies are more favorably disposed to
pushing for government intervention to subvert market flows of goods and services, we might feel
more comfortable about drawing conclusions as to their welfare effects relative to more-
encompassing organizations. If we could also show that those same less-encompassing associations
were more focused on representation services than other services whose welfare effects might be
reasonably considered as positive (e.g. sponsoring trade fairs; running tribunals to mediate inter-
firm disputes), we would have at least some (admittedly indirect and imperfect) basis for connect-
ing patterns of policy preferences to social welfare. To this end, we estimate the following equation
to assess the relative importance of the services received by regional association members from
their "most important" association:

$$RS_{tv} = \alpha + \beta S_v + \gamma F_v + \zeta R_v + \varepsilon_v. \tag{4}$$

The relative importance of the tth service to the vth firm, RS_{tv}, is the ratio of the value (0-5)
given by the firm to a particular service over the sum of the values given to all services.

S_v is a dummy variable for the vth firm's membership in a regional sector-specific associa-
tion. As we have restricted our analysis only to firms that see a regional lobby as their "most impor-
tant" association, the coefficient β is a measure of the difference between members of sector-
specific and members of multi-sector associations. F_v and R_v are vectors of the same firm and re-
gion-specific characteristics which we have controlled for in previous regressions.

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[21] With the exception that "helping develop small business," which was not included, the services were the same as
those listed in Table 3.

[Table 8]

The first three columns of Table 8 present the results for each of the three business representation services: lobbying, participating in the legislative process, and participating in the design of industrial policy. The numerator for the dependent variable used in the results presented in the fourth column is the sum of a respondent's values for all three of these representation services.

We are most interested here in the coefficient on the dummy variable capturing whether the firm's "most important" regional association is sector-specific. Here, we observe that the signs on the each of the three representation services, as well as their aggregate (in column 4), is positive. In the cases of lobbying and the aggregated transmission of business interests to state officials, the result is statistically significant. In other words, members of narrower, less-encompassing associations are more likely to ascribe the value-added of association services to these representation services. More-encompassing associations are more apt to focus on providing services that we might less readily associate with unproductive rent-seeking.

7   Conclusions

Over the past two decades, economists have increasingly turned their attention to institution-focused stories concerning the fundamental determinants of economic performance and long-run growth. Olson's *Rise and Decline of Nations* (1982), a precursor to the current debate, argued that growth-retarding lobby groups can disrupt development in otherwise stable political environments. More recent work, much of it theoretical, has built on the notion that inefficient government interventions in an economy may constitute an equilibrium outcome in a world in which special interest groups bid for self-benefitting protection and support from self-interested public officials. Nevertheless, economists have been oddly aloof to how and why lobby groups might vary in their social impact. In this article, we returned to Olson's original interest-group hypothesis, which we found was testable as to the relationship between lobby group composition and lobby group interests.

Based on a unique pair of surveys on business associations and industrial enterprises across the Russian Federation, we show that less-encompassing business associations clearly regard targeted government interventions more favorably. Somewhat surprisingly, our variables capturing the large regional variation in political and economic institutions across Russia do not help explain differences in attitudes between more- and less-encompassing associations. As a confirmation of our main result, we showed that the members of the less-encompassing business associations are more

favorable to government intervention. Further, we demonstrate that those same firms are most likely to place the greatest relative value on their association's lobbying and business representation services. We believe we are the first to test directly and to confirm robustly Olson's view that lobby group composition and lobby group interests are related. More encompassing lobbies are more apt than their less encompassing cousins to prefer free markets.

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Table 1 Summary statistics on firms

	Non-members of re-gional association	Members of multi-sector association	Members of sector-specific association
Basic characteristics			
Full-time employees	390.6 (110)	867.4 (280)	801.1 (330)
First registered after 1991 (%)	44.1	43.4	29.2
State or municipal enterprise (%)	6.3	2.9	4.2
Influence of foreign shareholders (0-4 scale)	0.16 (0)	0.28 (0)	0.06 (0)
Level of technology (1-4 scale)	1.88 (2)	2.04 (2)	2.00 (2)
Located in Moscow (%)	4.1	2.9	4.2
Located in St Petersburg (%)	2.5	2.9	8.3
Located in capital city of territorial subject (%)	66.2	74.1	72.9
Competition			
Competition in output market (1-5 scale)	4.08 (4)	4.11 (5)	4.50 (5)
Major competitors include firms in other Russian regions (%)	55.3	70.7	62.5
Major competitors include firms in other countries (%)	22.9	40.0	35.4
Trade partners			
Sell to firms in other Russian regions (%)	53.7	74.6	62.5
Sell to firms in other countries (%)	24.0	45.4	33.3
Sell to Russian government (fulfill government orders) (%)	22.6	24.4	29.2
Sell to firms in same commercial group (%)	12.5	13.2	12.5
Purchase inputs from firms in other Russian regions (%)	59.7	72.7	62.5
Purchase inputs from firms in other countries (%)	26.2	40.0	43.8
Purchase inputs from Russian government (%)	7.1	6.8	14.6
Purchase inputs from firms in same commercial group (%)	11.2	12.2	10.4
Sectors			
Metallurgy	12.5	12.7	6.3
Machine building and metal working	14.7	23.4	10.4
Chemicals	15.0	11.7	6.3
Wood processing and paper	14.7	9.7	12.5
Building materials	15.3	10.7	20.8
Textiles	12.3	18.1	25.0
Food processing	15.5	13.6	18.8
Number of observations	367	205	48

Note: Median responses in parentheses.

Table 2 Summary statistics on regional associations

	Multi-sector	Sector-specific
Basic characteristics		
Number of sectors represented (1-14	8.52 (9)	1 (1)
Full-time employees	19.30 (6)	2.47 (2)
Years since founding	9.01 (9)	6.67 (6)
Members exclusively in single city (%)	41.9	9.5
Located in Moscow (%)	4.0	0.0
Located in St. Petersburg (%)	4.0	9.5
Located in capital city of territorial subject (%)	59.7	85.7
Founder(s)		
Other business association(s) (%)	44.4	33.3
Individual(s), entrepreneur(s) (%)	50.0	57.1
Government body at federal, regional and/or municipal level (%)	22.6	23.8
Unions (%)	1.6	4.8
Individuals formerly in government (%)	6.5	4.8
Individuals formerly in Communist Party (%)	8.9	0.0
Sectors		
Metallurgy (%)	40.3	4.8
Chemicals (%)	50.0	9.5
Machine building and metal working (%)	70.2	4.8
Building materials (%)	68.5	0.0
Wood processing and paper	58.9	23.8
Light industry (%)	73.4	23.8
Food processing (%)	83.9	23.8
Transportation (%)	70.2	--
Communications (%)	47.6	--
Trade (%)	79.8	--
Finance, credit and insurance (%)	66.1	--
Healthcare (%)	44.4	--
Education and science (%)	56.5	--
Other (%)	42.5	09.5
Number of observations	123	21

Notes: Median responses in parentheses.

Table 3 How important are the following services to your
association at the present time?

Lobbying government officials	4.50
Participating in development of legislation	4.31
Participation in development of industrial policy	4.23
Helping develop small businesses	4.17
Providing informational, legal, consulting services	4.07
Protecting firms from illegitimate government inter-ference	3.99
Helping firms develop contacts with other Russian firms	3.94
Helping develop a "social partnership" in social-labor sphere	3.63
Helping develop behavioral standards/ethics	3.59
Assisting in resolution of disputes between firms	3.59
Helping firms develop contacts with foreign firms	3.09
Number of observations	145

Notes: 1=not important at all; 5=extremely important.

Table 4 Does your firm try to influence the contents of new laws and regulations?
If so, whose assistance does it seek? (%)

	All firms	Regional lobby members	All firms that try to influence	All regional lobby members that try to influence
Assistance sought from:				
business associations	10.9	20.9	30.3	39.7
personnel from executive branch	20.1	32.2	56.0	61.1
personnel from legislative branch	14.5	24.3	40.4	46.0
mass media	8.1	12.1	22.5	23.0
trade unions	4.8	7.9	13.3	15.1
influential individu-als/entrepreneurs	7.1	10.9	19.7	20.5
Does not try to influence	64.0	47.3	--	--

Table 5   Who appeals to business associations when trying to influence design of new laws and regulations?

	All firms			Members of regional association		
	(1)	(2)	(3)	(4)	(5)	(6)
Model	Probit	Probit	Probit	Probit	Probit	Probit
Member of multi-sector association			0.127*** (0.034)			
Member of sector-specific association			0.121* (0.067)			0.050 (0.083)
Full-time employees (log)	0.010 (0.009)	0.062*** (0.020)	-0.002 (0.008)	-0.006 (0.029)	0.140** (0.070)	-0.008 (0.028)
Founded in post-Soviet era	-0.078*** (0.017)	-0.078*** (0.017)	-0.079*** (0.016)	-0.152*** (0.048)	-0.153*** (0.047)	-0.151*** (0.048)
State or municipal enterprise	-0.014 (0.041)	-0.007 (0.040)	-0.003 (0.041)	-0.090 (0.082)	-0.077 (0.072)	-0.091 (0.078)
Influence of foreign shareholders	0.008 (0.013)	0.006 (0.013)	0.010 (0.011)	-0.009 (0.030)	-0.018 (0.032)	-0.008 (0.030)
Relative quality of capital equipment	0.005 (0.012)	0.006 (0.011)	0.000 (0.010)	-0.023 (0.033)	-0.019 (0.032)	-0.022 (0.034)
Degree of competition in output market	0.029*** (0.010)	0.029*** (0.010)	0.022*** (0.008)	0.072** (0.035)	0.075** (0.035)	0.068** (0.034)
Political competition in region	0.035*** (0.013)	0.123*** (0.041)	0.024* (0.013)	0.060* (0.036)	0.324** (0.154)	0.056 (0.036)
Political competition **x** full-time employees		-0.016*** (0.006)			-0.043** (0.021)	
GRP share of largest sector in region	0.001 (0.002)	0.001 (0.001)	0.001 (0.001)	-0.001 (0.004)	-0.001 (0.004)	0.000 (0.004)
(Exports+imports) / GRP in region	-0.059* (0.031)	-0.061** (0.030)	-0.047 (0.031)	-0.079 (0.095)	-0.096 (0.096)	-0.068 (0.095)
(Fuel and energy production) / GRP in region	0.001 (0.001)	0.000 (0.001)	0.001 (0.001)	0.000 (0.002)	-0.001 (0.002)	-0.001 (0.002)
Per capita income (log) in region	-0.063 (0.048)	-0.049 (0.044)	-0.072* (0.040)	-0.053 (0.103)	-0.022 (0.099)	-0.056 (0.101)
Competitor and trade partner controls	Yes	Yes	Yes	Yes	Yes	Yes
Location controls	Yes	Yes	Yes	Yes	Yes	Yes
Sector controls	Yes	Yes	Yes	Yes	Yes	Yes
Number of observations	583	583	583	235	235	235
Adjusted R2	0.1721	0.1801	0.2462	0.1881	0.2046	0.1901

Marginal effects from probit model are reported; robust standard errors, adjusted for clustering at regional level in parentheses. ***, **, * significant at 1%, 5% or 10% levels, respectively.

Figure 1A. Firms' attitudes toward policy interventions

Figure 1B. Regional associations' attitudes toward policy interventions

Figure 1C. Regional associations' attitudes toward WTO entry's effect on region and country
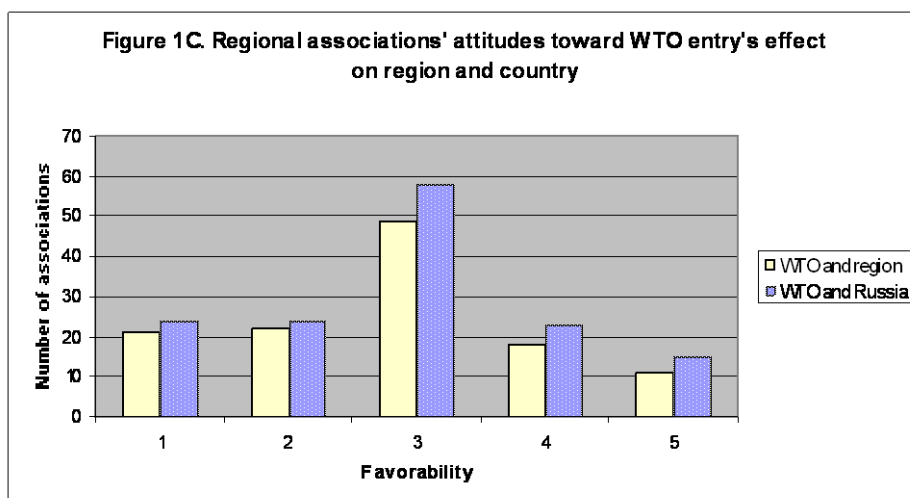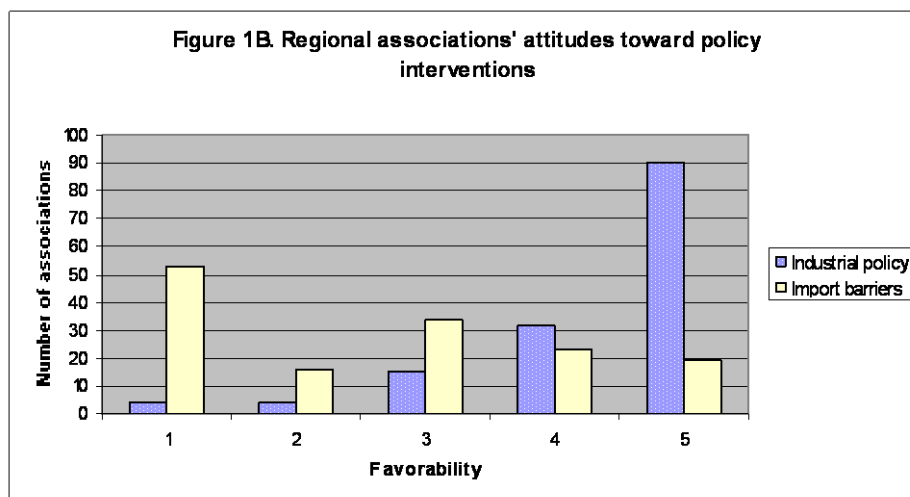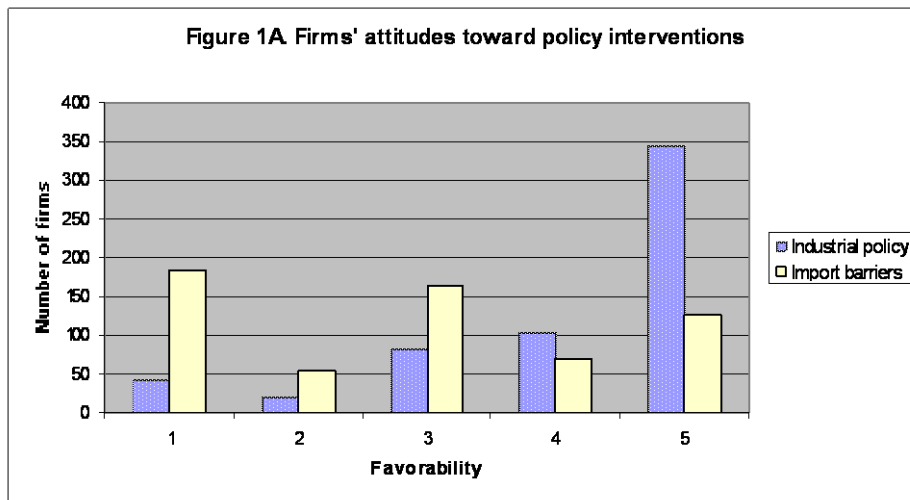
Table 6 Intensity of enterprise managers' interests with respect to government intervention: promoting industrial policy and instituting regional trade barriers

Model	All firms		Members of regional associations	
	Industrial policy	Import barriers	Industrial policy	Import barriers
	(1) Ordered probit	(2) Ordered probit	(3) Ordered probit	(4) Ordered probit
Member of multi-sector association	0.136 (0.126)	0.125 (0.096)		
Member of sector-specific association	0.355** (0.17)	0.400** (0.188)	0.284 (0.218)	0.501** (0.204)
Full-time employees (log)	-0.095** (0.047)	-0.028 (0.044)	-0.192** (0.089)	-0.117* (0.06)
Founded in post-Soviet era	-0.224** (0.098)	-0.042 (0.104)	-0.484*** (0.173)	-0.322* (0.191)
State or municipal enterprise	0.521** (0.227)	0.045 (0.209)	0.706 (0.549)	-0.362 (0.328)
Influence of foreign shareholders	-0.123 (0.084)	0.018 (0.098)	-0.296** (0.119)	0.022 (0.137)
Relative quality of capital equipment	0.061 (0.114)	-0.120** (0.06)	0.254 (0.163)	0.046 (0.1)
Degree of competition in output market	0.023 (0.052)	0.026 (0.047)	-0.014 (0.08)	-0.03 (0.086)
Political competition in region	-0.047 (0.058)	-0.082 (0.062)	-0.131 (0.126)	-0.045 (0.089)
GRP share of largest sector in region	0.001 (0.006)	-0.012 (0.011)	0.005 (0.016)	-0.013 (0.021)
(Exports+imports) / GRP in region	-0.024 (0.17)	0.204 (0.154)	-0.054 (0.269)	-0.202 (0.302)
(Fuel and energy production) / GRP in region	-0.006 (0.004)	-0.002 (0.004)	-0.003 (0.008)	-0.006 (0.007)
Per capita income (log) in region	0.13 (0.202)	0.221 (0.278)	0.123 (0.423)	0.204 (0.532)
Competitor and trade partner controls	Yes	Yes	Yes	Yes
Location controls	Yes	Yes	Yes	Yes
Sector controls	Yes	Yes	Yes	Yes
Number of observations	579	579	234	234
Prob > chi2	0.0000	0.0000	0.0000	0.0000
Adjusted R2	0.0336	0.0263	0.0902	0.0615

Robust standard errors, adjusted for clustering at regional level in parentheses. ***, **, * significant at 1%, 5%, or 10% levels, respectively.

Table 7 Intensity of association managers' interests with respect to government intervention:
promoting industrial policy, instituting regional trade barriers, promoting WTO accession

	Industrial policy	Import barriers	WTO and region	WTO and country
	(1)	(2)	(3)	(4)
Model	Ordered probit	Ordered probit	Ordered probit	Ordered probit
Number of sectors represented in membership	-0.001	-0.070**	0.083**	0.049**
	(0.034)	(0.032)	(0.036)	(0.021)
Founders include other business association(s)	-0.794**	-0.534**	0.327	0.291
	(0.346)	(0.241)	(0.273)	(0.230)
Full-time employees (log)	0.036	-0.006	0.196*	0.101
	(0.099)	(0.098)	(0.104)	(0.066)
Years since founding (log)	-0.061	0.135	-0.339	-0.072
	(0.224)	(0.236)	(0.215)	(0.186)
Membership from one city	0.201	0.222	0.420	0.045
	(0.397)	(0.272)	(0.316)	(0.234)
Political competition in region	0.112	0.103	-0.057	0.056
	(0.150)	(0.127)	0.109	(0.121)
GRP share of largest sector in region	0.009	-0.053***	-0.015	-0.005
	(0.018)	(0.013)	(0.017)	(0.017)
(Exports+imports) / GRP in region	-0.828	-0.237	1.580**	1.245
	(1.011)	(0.473)	(0.709)	(0.987)
(Fuel and energy production) / GRP in region	0.000	-0.002	-0.002	0.002
	(0.013)	(0.009)	(0.012)	(0.010)
Per capita income (log) in region	0.527	1.041**	-0.397	-0.479
	(0.690)	(0.486)	(0.663)	(0.565)
Location controls	Yes	Yes	Yes	Yes
Founder controls	Yes	Yes	Yes	Yes
Number	135	135	113	134
Prob > chi2	0.0000	0.0000	0.0000	0.0000
Adjusted R2	0.0874	0.0791	0.0935	0.0534

Robust standard errors, adjusted for clustering at regional level in parentheses. ***, **, * significant at 1%, 5%, or 10% levels, respectively.

Table 8 Relative importance of business representation services to members of regional business associations

	Lobbying	Participating in legislative process	Participating in design of industrial policy	Transmitting business interests to state officials
	(1)	(2)	(3)	(4)
Model	OLS	OLS	OLS	OLS
Member of sector-specific association	0.031** (0.013)	0.005 (0.009)	0.003 (0.016)	0.038* (0.021)
Full-time employees (log)	0.009*** (0.003)	0.010*** (0.003)	0.002 (0.004)	0.022*** (0.005)
Founded in post-Soviet era	0.004 (0.009)	0.018*** (0.006)	0.008 (0.011)	0.030** (0.014)
State or municipal enterprise	-0.037* (0.022)	-0.013 (0.020)	-0.046 (0.039)	-0.096 (0.068)
Influence of foreign shareholders	0.003 (0.005)	0.000 (0.004)	-0.008* (0.004)	-0.005 (0.008)
Relative quality of capital equipment	-0.007 (0.005)	-0.011* (0.006)	-0.006 (0.010)	-0.025* (0.014)
Degree of competition in output market	-0.004* (0.002)	0.004 (0.003)	0.000 (0.004)	0.000 (0.006)
Political competition in region	0.004 (0.005)	0.000 (0.006)	0.003 (0.004)	0.007 (0.009)
GRP share of largest sector in region	-0.001** (0.000)	-0.002** (0.001)	0.000 (0.001)	-0.003*** (0.001)
(Exports+imports) / GRP in region	-0.005 (0.011)	0.000 (0.019)	0.002 (0.023)	-0.004 (0.042)
(Fuel and energy production) / GRP in region	0.000 (0.000)	-0.001* (0.000)	-0.001** (0.000)	-0.002** (0.001)
Per capita income (log) in region	0.034** (0.016)	0.059*** (0.015)	0.019 (0.018)	0.112*** (0.029)
Competitor and trade partner controls	Yes	Yes	Yes	Yes
Location controls	Yes	Yes	Yes	Yes
Sector controls	Yes	Yes	Yes	Yes
Number of observations	208	208	208	208
R2	0.2176	0.2184	0.1597	0.2439

Robust standard errors, adjusted for clustering at regional level in parentheses. ***, **, * significant at 1%, 5%, or 10% levels, respectively.

[i] Russia's WTO was one element of a series of structural reforms that President Putin was pushing for during his first term. Indeed, at the time of the surveys, most optimistic commentators expected membership to come as early as the end of 2004.

[ii] Positive welfare effects are also found from micro-simulations based on extensive household-level data (Rutherford and Tarr, 2008). For additional World Bank research on the topic, see http://go.worldbank.org/CJQ7ZLJJF0.

[iii] Since two of the three questions deal explicitly with barriers to trade, we should note that Olson highlighted that free trade was the most effective means for mitigating the malign effects of business lobby groups. We might thus presume that in questions of trade protection and market access, we would observe most clearly differences in the policy interests of more and less encompassing associations. Olson writes, "Because free trade and factor movement evade and undercut distributional coalitions … free trade undermines cartelization of firms, and indirectly also reduces monopoly power in the labor market. (142)"

[iv] Our approach here mirrors that taken in the literature exploring the relationship between individual characteristics and preferences regarding government intervention in the flows of labor and goods across national borders (Mayda, 2006; Mayda and Rodrik, 2005; O'Rourke and Sinnott, 2006).

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