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By

William Pyle
And
Laura Solanko

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Who favors freer markets?
The composition and interests of Russia's regional business lobbies

William Pyle	Laura Solanko
Middlebury College	Bank of Finland Institute for Economies in Transition
Middlebury, VT / USA	Helsinki, Finland
wpyle@middlebury.edu	Laura.Solanko@bof.fir

Abstract: Why are some lobby groups more benign in their external effects than others? Olson (1982) proposed that those that are more *encompassing* – in the sense that their constituents collectively represent a broader range of sectors – are less apt to seek the types of subsidies, tariffs, tax loopholes and competition-limiting regulations that impose costs on the rest of society. But his hypothesis has to our knowledge not been directly tested. The reason, we suspect, relates to the absence of adequate data on the general policy preferences of different types of lobbies. By drawing on a unique pair of surveys, targeted to the managers of both business associations (lobby groups) and their enterprise constituents, we provide what we believe to be the first direct test of Olson's hypothesis. Managers from a diverse array of Russian industrial firms and business associations were asked similar questions regarding their preferences over policies that explicitly benefit sectoral or regional interests and implicitly impose external costs. The pattern of responses is striking. Managers of *both* the more encompassing associations and the firms that belong to such groups are less apt to view such policies in a favorable light. More encompassing associations and the members of such organizations, that is, are relatively more skeptical of narrowly-targeted government interventions. The results, we believe, provide strong support for Olson's hypothesis.

1. Introduction

Individual business lobbies often promote their constituents' interests by pursuing ends that, consciously or not, impose costs on non-members. Alternatively, their services may be relatively benign to outsiders, not imposing noteworthy costs and perhaps even conferring net external benefits. Much of the economics literature on business lobbies fails to acknowledge this potential diversity. And that that does offers little guidance as to where on this spectrum we might expect to find a given group.

Mancur Olson's work is an exception, offering a testable hypothesis as to why some lobby groups are less benign in their external effects than others. Olson (1982) distinguished interest groups based on the degree to which their constituents collectively represent a broad cross-section of a community. Those that are less *encompassing* in this sense, he postulated, are more apt to seek the types of subsidies, tariffs, tax loopholes and competition-limiting regulations that impose costs on the rest of society. But this hypothesis, fundamental to his seminal analyses of collective action and comparative development, has to our knowledge not been directly tested.[1] Is it the case that more 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, that is, more inclined to engage in unproductive rent-seeking? The normative implications of the answers, we believe, are non-trivial.

Though economics offers a rich literature explaining how socially sub-optimal institutions might be sustained through the interaction of self-interested lobbies and public officials (Grossman and Helpman, 1994), the discipline has generally not explored lobby group heterogeneity with respect to the intensity of preferences for potentially distortive government interventions. The reason, we suspect, relates to the absence of adequate data for measuring the diversity of business interests with respect to government intervention. Social scientists, generally, and economists, specifically, have simply not shown much inclination to collect the relevant survey information. Here, we seek to take a step in addressing this noteworthy gap in the literature. By drawing on a unique pair of surveys, targeted to both business lobby groups and their constituents, we provide what we believe to be the first direct test of Olson's hypothesis.

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

Managers from a diverse array of Russian industrial firms and regional business lobbies (*i.e.*, organizations that draw members exclusively from a single region) were asked similar questions regarding their attitudes to policies that would explicitly benefit sectoral or regional interests and implicitly impose external costs.[2] The broadly-posed questions do not reference specific sectors or regions (*e.g.*, those associated with the respondent) but rather address the respondent's attitudes toward the desirability of industrial policy and protectionism in a general sense. Particularly considering the non-specific phrasing, the pattern of responses is striking. Managers of *both* the less encompassing lobbies and the firms belonging to these types of groups are much more apt to view such policies in a favorable light. More encompassing lobby groups and the members of such organizations are relatively more skeptical of targeted government interventions. Responses from the two surveys, in other words, point in the same direction. The patterns observed from the responses of lobby group managers are reflected in those of enterprise managers. These results, we believe, represent the first direct test of, and provide apparent support for, Olson's hypothesis.

Our article proceeds as follows. Section 2 presents a fuller discussion of the relevant literature to which we believe this article contributes. Section 3 provides a brief summary of the development of business lobbies in the post-communist era. The unique Russian survey data that we draw on for the empirical analysis is presented in Section 4 as are data designed to provide a picture of how important business lobby groups are generally to the business-state interface. Section 5 comprises the heart of the paper. We present the questions used to assess firms' interests in freer markets and then we explore the degree to which the responses – from both lobby groups and member firms – relate to group composition. Section 6 briefly considers the relative importance of different services offered by these organizations before Section 7 presents conclusions.

2. Lobby groups and the economics literature

Olson began from the observation 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 thus not to be averse to measures that impose a greater burden on society than the benefits they confer on their own 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 …

[2] We have survey responses from associations that draw members from multiple regions as well but these are almost all sector-specific associations.

will … increase the income of those favored by the legislation but also reduce efficiency … (Olson, 1982, 45)." Olson acknowledged, however, 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 organization 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, 48)

Olson thus argued that the interests of collective action groups reflect the groups' composition. Those groups whose memberships are more representative of the broader society have interests, as groups, that differ from those whose memberships are more narrowly drawn. His logic would thus suggest that general preferences for government policies that either create barriers to trade or prioritize some sectors over others should be greater within organizations that represent a smaller share of the economic landscape. Narrower (or less-encompassing) interests, that is, should express greater interest in government intervention. Olson pays less attention to how this heterogeneity of interests across groups might extend to, and even reflect, the interests of the individual actors that comprise the groups. His argument, however, could reasonably be extended to suggest that, all else equal, individual actors tend to join like-interested organizations so as to assist in promoting ends similar to their own. If this is true, we would expect to observe that differences of opinions across managers of more and less-encompassing groups are mirrored in the differences across managers of the firms connected to them.

The theoretical literature generally adheres to Olson's skepticism about the purposes and effects of lobby group activities. The oft-cited work of Grossman and Helpman (1994, 1996, 2001) was the first to demonstrate formally that welfare-reducing government interventions may constitute an equilibrium outcome in a world in which 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 different "trades" of campaign contributions for policies.[3] All such models assume an exogenously given, finite number of special interest groups that differ with respect to their policy preferences; the preferred policies are extreme and only benefit group members.

Business lobbies, like other special interest groups, thus tend to be portrayed in these political economy models as a socially harmful yet inevitable element of modern democratic life. These models, however, do not address the question of why the menus offered by different types of interest groups may

[3] 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 the menu-auction models to include endogenous lobbying decisions.

have different welfare consequences – *i.e.*, why some, in representing their constituents, have a more or less benign effect than others. The theoretical literature generally is un-interested in explaining the actions of lobby groups in this respect. All would acknowledge that lobbies are not identical, but at the end of the day they are assumed to differ only in their narrowly defined policy preferences, not in the way they promote their cause or in the effects that their efforts have. In other words, once organized, interest groups are considered as behaving identically.

But taking Olson's argument as our cue, we should be concerned with the interest group's composition when assessing its potential impact on social welfare. The only article of which we are aware that carefully considers why different lobby groups might impose different external costs also draws on regional and firm-level data from contemporary Russia. As do we, Guriev *et al.* (2009) recognize that the relatively high degree of regional variation in the Russian Federation makes its political economy an ideal testing ground for this type of a question. Their approach, however, differs from ours in at least two important respects. First, unlike us, they do not consider Olsonian groups of firms bound by membership in voluntarily-comprised, non-for-profit associations. Instead, they focus on groups of firms joined by overlapping ownership in conglomerate-like, profit-motivated structures, some of which draw in firms from across multiple regions and some of which are concentrated in a single region.[4] Second, they do not directly observe policy preferences. Instead, they observe their potential effects by demonstrating that firms in regions bordered by multi-regional groups are more apt to perform better than firms in regions bordered by mono-regional groups. They then infer from this that multi-regional groups are more apt to consider the external effects of the regional laws and regulations whose nature they are in a position to influence. We thus interpret our efforts here as complementary to theirs in the sense that we both uncover evidence, ours perhaps more direct than theirs, that more broadly representative groups are more sensitive to the negative external effects of targeted government policies.

In addition to its rather unique focus on the relationship between the composition and interests of lobby groups, our article relates to the growing literature highlighting the preferences of individuals with respect to government intervention in markets. Using rich cross-country datasets and questions that are similar in spirit to those that are our focus here, Mayda and Rodrik (2005) and O'Rourke and Sinnott (2001) explore the determinants of individual attitudes toward free trade.[5] Mayda (2006) and O'Rourke and

[4] The authors couch their arguments more in terms of the inter-jurisdictional externalities in a weak federal system than in terms of the distinction between more and less encompassing interests.

[5] Mayda and Rodrik (2005), for instance, use a question from the International Social Survey Program that asks "How much do you agree or disagree [that the government of your country] should limit the import of foreign products in order to protect its national economy?" As are the answers to our questions of interest, the response is scaled from 1 to 5 based on the respondent's degree of agreement.

Sinnott (2006) similarly explore the determinants of personal preferences regarding the government's role in promoting or inhibiting the free flow of labor across borders.[6] The findings of these authors are illuminating, particularly in the sense of demonstrating how the respondents' sector of employment, controlling for other individual characteristics, explain preferences. However, a reasonable argument could be made that the preferences of business lobbies carry even greater weight than those of disaggregated individuals in the formation of actual policies (Grossman and Helpman, 2001).

Before proceeding with our discussion of the relationship between group composition and interests, we foreshadow our proxies for composition by returning to Olson for guidance as to how to assess the degree to which a particular lobby is encompassing. Although he does not lay down a specific definition, Olson (1982, 48) clearly highlights that business organizations representing multiple sectors are apt to be more broadly concerned with social welfare, and thus more encompassing, than those that represent just one alone. This emphasis dovetails nicely with a question from our lobby group survey that asks whether or not the group's membership includes firms from fourteen different sectors; the enterprise survey, correspondingly, solicits information as to whether the firm is a member of a multi-sector or sector-specific group. Olson (1982, 48) also indicates that having contacts with other interest groups makes an organization less parochial in its views, more sensitive to interests beyond its own and thus more encompassing. Using the lobby group survey, we capture this notion with a variable that reflects whether or not the group was founded by another lobby group.

3. Russia's business lobbies

Many of the first Russian business associations grew up to lobby for the interests of small private initiatives that were permitted during the late Soviet period.[7] Others that date 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 centralized economic coordination evaporated. Some were first established from the top down by ministry officials as their own hedge against the uncertainty of the future (Lehmbruch, 1999). And still others probably served as fronts for corrupt or profit-motivated ventures. Generally speaking, these first associations were neither well organized nor transparent in purpose

[6] Mayda (2006), for instance, uses a question from the World Values Survey that asks "Which one of the following do you think the government should do? (a) Let anyone come who wants to? (b) Let people cope as long as there are jobs available? (c) Place strict limits on the number of foreigners who can come here? (d) Prohibit people coming here from other countries?"

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

(Sulakshin and Romanikhin, 2003). Unlike in some continental European countries, business association membership in Russia has been voluntary.

The reforms of the 1990s also gave rise to a wave of national-level, sector-specific organizations as well as a number of multi-sector and sector-specific organizations that operate at the regional and municipal levels. Although the lack of a comprehensive registry continues to render an accurate accounting of their numbers impossible, one recent estimate puts the numbers of business associations nationally at close to five thousand.[8] The Russian Union of Industrialists and Entrepreneurs (*RSPP*) and the Chambers of Commerce and Industry (CCI) are two multi-sector associations that are among the most developed and influential. *RSPP* 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, continued access to state subsidies and strict limits on foreign investment (McFaul, 1993; Hanson and Teague, 2005). By the mid- to late-1990s, it had begun to adopt a more liberal orientation and to help organize a network of independent affiliates about which little has been written. Like these *RSPP* affiliates, the Chambers of Commerce and Industry (*TTP*) draw their membership from many different 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. As with 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.[9]

Like many of the organizations that populate civil society, the functions of organizations can be divided along two dimensions. First, they help develop and strengthen "horizontal" ties among non-state actors 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 by aggregating, transmitting and advocating 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)."

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

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

4. Data

4.1 Surveys and descriptive statistics

We administered two separate surveys of industrial enterprises across the Russian Federation to develop a picture of what business lobbies do and why firms choose to join them.[10] An initial screening survey of 1353 industrial firms in 48 territorial subjects was conducted in the fall of 2003. Respondents were asked only to identify the firm's ownership type, employment size, and their membership in a business association (such as a chamber of commerce or a sector-specific lobby). If a member, the respondent was then 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.[11] The mean and median sizes of the respondents were 485 and 130 employees, respectively; 6.8%, were either 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; and only 1.2% reported being in three or more. With respect to specific associations, membership rates in regional *TPP*'s and *RSPP* affiliates were the highest. By sector, membership in at least one association 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 increased in the size of the firms such that, overall, the membership rate in firms with over 500 employees (57.6%) substantially exceeded that in firms of under 100 (21.4%).

This screening survey was used to construct a sample for a much more detailed survey of 606 firms from over half of Russia's territorial subjects and administered in the spring of 2004.[12] An effort was made to achieve roughly equal distribution of respondents across territorial subjects and the seven industrial sectors.[13] By construction, 280 (or slightly under a half) were members of at least one association; 88 of these reported being members of at least two. In addition to standard firm-specific information, the survey asked enterprise managers a series of questions about their interaction with business associations. Some of

[10] Seven industrial sub-sectors were represented: metallurgy, chemicals, machine building and metal working, construction materials, wood processing, light industry and food processing.

[11] For those with more than one hundred employees, we surveyed equal numbers across the seven industrial sectors. But within each sector, we sought the distribution with respect to employment represented in the national firm registry supplied by the government statistical agency *Goskomstat*. For instance, the same numbers of firms were 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.

[12] Russia is constitutionally a federation that consists of 83 subjects (89 in 2003) or regions. These regions vary a great deal in their economic institutions, income levels and growth rates. See Hanson and Bradshaw (2000) for an excellent overview of regional disparities and Solanko (2008) for more recent data on growth across Russian regions.

[13] 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.

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 information about up to two associations to which the firm belonged.

From these questions, we can calculate the share of firms belonging to associations of different types. For instance, firms were more likely to report membership in regional associations – *i.e.*, those whose membership is composed almost exclusively of firms from a single territorial subject) – than those that are federal or multi-regional. Whereas only 46.2% of firms from the full sample of (280 of 606) were members in any type of association, 39.4% (239 of 606) of the firms reported belonging to a regional association. The region-level associations, that is, 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) reported being in one that drew 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 were in both types of regional associations. We exploit this distinction between multi-sector and sector-specific associations below to distinguish between more and less encompassing lobby groups.

[Table 1]

Table 1 presents summary data on all firms that responded to the more comprehensive survey of firms. The first column presents descriptive statistics on sampled firms that are not members of regional associations; columns two and three record summary measures for the members, respectively, of multi-sector and sector-specific organizations.[14] With a few exceptions, the apparent differences between members and non-members are not stark. The members of regional associations, however, do tend to be larger than non-members, a regularity which is found elsewhere in the world and is consistent with larger firms having a greater capacity to pay membership dues and influence their associations' strategic direction. Members of associations also appear more apt to be engaged in transactions outside the borders of their region, a not entirely surprising finding given that these organizations provide services that help firms initiate and sustain customer and supplier relationships – *e.g.,* hosting trade fairs, identifying reliable trade partners and helping to resolve disputes. These differences generally hold up whether we compare non-members with members of multi-sector or sector-specific associations. Limiting comparisons to within the

[14] A rough sense of how flows into regional associations have changed across time can be gleaned from the years in which our surveyed firms report having joined. A small minority reports having entered their regional associations in the Soviet era. After 1992, entry has been steady but seems to have picked up after the period of economic decline that ended in 1998. Indeed, the biggest spike in membership occurs from 1999 to 2001.

group of regional association members, those in multi-sector groups are more likely both to have foreign shareholders and to have been established in the post-Soviet era.[15]

A third 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.[16] 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 our sample. On average, at the time of the survey, the regional associations were just over eight years old and operated with roughly 17 paid employees.[17] Just under two-thirds were located in the capital city of their region and slightly over half numbered individual entrepreneurs/businesspeople among their founders. Other business associations and state organizations/agencies also played prominent roles in establishing a good number of them. And as shown in Table 2, relative to sector-specific lobbies, those 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]

4.2 Regional lobbies and the representation of firms' interests

Business lobbies (and their preferences) are only meaningful in the sense of affecting policy if firms see them as useful in representing their interests and, of course, if the lobbies share that 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

[15] Provided that firms pay 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 are exclusive clubs. Only one of 326 non-members in our survey reported having been denied admission to a business association. And of current members, only one-sixth reported knowing of an instance in which their association had expelled a member, many being cases of dues non-payment, while a smaller number stemmed from reported violations of established behavioral norms.

[16] 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.

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

policy," respectively. The managers at regional associations, that is, ranked the three services most closely associated with the representation of members' policy interests ahead of every other service about which they were asked.[18]

[Table 3]

Firms were also asked whether or not 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 confess to being pro-active in this regard, a non-trivial percentage report using business associations. As shown in Table 4, 10.9% of all surveyed firms 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 officials, not surprisingly, is the most popular channel for exercising influence over the design of new policies; 20.1% of all firms report approaching executive branch personnel and 14.5% use 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 that admit to trying to exercise influence, 30.3% report using business lobbies; and within the subset of that group that belongs to a business association, just under 40% report drawing directly on the services of a business association.

Before analyzing the relationship between a lobby group's composition and its interests, we first explore the question for whom these 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:

$$L_i = \alpha + \beta E_i + \gamma F_i + \delta C_i + \zeta R_i + \varepsilon_i \,, \qquad (1a),$$

$$L_i = \alpha + \beta E_i + \gamma F_i + \delta C_i + \zeta R_i + \lambda EC_i + \varepsilon_i \,, \qquad (1b),$$

[18] 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 may not be all that surprising if 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 apt to be those with which they are most familiar.

$$L_i = \alpha + \beta E_i + \gamma F_i + \delta C_i + \zeta R_i + \varphi B_i + \varepsilon , \quad (1c),$$

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 greater size may confer greater ability to exercise influence within a group. 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 greater ability to trade votes or other assets for influence (Shleifer and Vishny, 1994).[19]

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 or not it purchases inputs from and/or 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.*, with other firms that are connected to it through a single, overlapping ownership structure). Indices measuring the relative sophistication of the firm's capital stock as well as 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 that have the same status as a region. Finally, we include enterprise sector controls.

We also suspect that regional characteristics may affect the demand for lobby group services. Russia is constitutionally a federation consisting of 83 territorial subjects (regions), which have enjoyed a considerable degree of autonomy in deciding on regional economic policies (Berkowitz and DeJong, 2003a). Although the trend in recent years has been toward recentralization of policy-making, economic institutions and income levels still vary widely across Russia's regions. Even though there is some evidence of convergence in income levels, regional disparities remain extremely large (Solanko, 2008).[20] Furthermore,

[19] 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 possibly because of their greater ability to affect the strategic direction of the (Pyle, 2006).

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

a number of indices of regional political and economic development suggest that Russia's regions have developed widely divergent business environments.

To capture some of this variation, we include C_m, a political competition index, which may relate to the perceived effectiveness of organizations that aggregate and transmit business community interests. Two features of the index make it particularly for our analysis. First, the rankings are based on electoral data and thus differ from indices that rely on relatively opaque "expert" assessments.[21] Second, the time period used to compile the index, 1995-2005, fits well with our survey data collected in 2004. Since 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 knowing that the index is based almost exclusively on electoral data that precedes the administration of our surveys. We should also note that though Russia has ended the practice of regional gubernatorial elections, they were still taking place during the decade from 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.[22]

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 being that the effect of more competitive politics may not be uniform across firms of different sizes. The largest firms, that is, may be less sensitive than the smallest to regional

[21] The index of "political competition" that 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, and 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 the country's most highly 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 upon personnel in the executive branch or influential individuals

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

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 be interested in comparing 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 only those firms that belong to a regional association. One of the most robust results observed in columns 1-3 is that firms in more politically competitive regions are more apt than those in less competitive regions to appeal to business lobby groups.[23] 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 same 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. The results in columns 2 and 5 suggest, moreover, that the sensitivity of lobby group influence to political competition holds particularly for smaller firms.

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. Managers from both were asked two questions to elicit how favorably they were disposed to two general types of government intervention:

(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?

[23] Interestingly, but perhaps not surprisingly, our measure of political competition is also strongly and positively correlated with using the media to influence new rules and regulations.

(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?

References to specific sectors or regions (most notably, the respondent's) were deliberately omitted so 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, 2003b).

An additional pair of questions was addressed only to managers of the lobby groups. On a 1-5 Likert scale, they were asked how beneficial the seemingly imminent WTO accession for Russia would be both for their region and for the country as a whole.[24] 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.[25]

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

[24] 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.

[25] 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.

policies. We would also expect them to be less favorably disposed to WTO accession.[26] 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.[27]

[Figures 1A, 1B, 1C]

Figures 1A – 1C lay out the distribution of responses to our questions of interest. Managers of both firms and regional associations are more favorably disposed toward the scenario described in question 1 (what could be referred to loosely as *industrial policy*) than the one described in question 2.[28] In the case of the former, the modal response is 5, or highly favorable, for the managers of both regional lobbies and firms. There is a more even distribution of responses with respect to the question regarding import barriers; and for both types of respondents, the modal response is 1. With respect to WTO accession, the majority of lobby group managers were relatively ambivalent in the sense that the responses cluster in the range from 2 to 4, with 3 being the modal response to both questions.

5.2. Explaining firms' interests

To assess the factors that explain variation in these responses, we estimate the following equation with ordered probit models on the entire sample:

$$FI_{i,j} = \alpha + \beta_1 M_i + \beta_2 S_i + \gamma F_i + \zeta R_i + \varepsilon_i \qquad (2a)$$

We explore the relationship of the interests of firm *i* toward policy intervention *j* ($FI_{i,j}$) to their membership in regional lobby groups of two specific types: multi-sectoral (M_i) and/or sector-specific (S_i).[29] If the more narrowly-composed, sector-specific lobbies are more apt to value government intervention in markets, we would expect to find that β_2 is positive, significant and greater than β_1.

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[26] 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)"

[27] 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).

[28] Figure 1A represents responses of all firms, not just members in regional lobbies.

[29] Recall that a small number of firms belongs to multiple associations.

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 or not it purchases inputs from and/or sells output to foreign countries and/or 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.*, sharing a single, overlapping ownership structure). Indices measuring the relative sophistication of the firm's capital stock as well as 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. Location controls are included to capture whether the respondent is based in a regional capital or in Moscow or St. Petersburg, the two cities that have the same status as a region. Finally, we include enterprise sector controls.

R_i 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.

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

$$FI_{i,j} = \alpha + \beta S_i + \gamma F_i + \zeta R_i + \varepsilon_i \,, \qquad (2b)$$

In this case, we only include a dummy variable for the i^{th} firm's membership in a sector-specific association (S_i). Here, we compare not sector-specific association members with all other firms in the sample, but only with members of more encompassing business organizations.

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 non-members of these associations. That is, β_2 is positive and statistically significant at the 5% level with respect to both attitudes regarding industrial policy and trade barriers. Although β_1 is positive, it is statistically insignificant with respect to both questions. Firms that are members of multi-sector associations, that is, are no more likely than non-members of such associations to embrace government intervention.

[Table 6]

When we restrict observation to only members in regional associations (columns 3 and 4), we observe that members of the sector-specific lobbies are more supportive of regional trade barriers, a result

that 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 as well as 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.

5.3. Explaining associations' interests

We now turn to assessing the interests expressed by managers at the m^{th} regional lobby with respect to the k^{th} policy (AI_{mk}). We do so by estimating the following ordered probit model:

$$AI_{mk} = \alpha + \varphi_1 N_m + \varphi_2 B_m + \gamma A_m + \zeta R_m + \varepsilon_m \quad (3)$$

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 attitudes toward WTO accession and whether or not it will benefit their region and/or Russia.

Our two measures of how encompassing a group is are the number of sectors, N_m, represented by its membership and a dummy variable capturing whether or not the lobby group was initially founded by another group. 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 the location and founder controls shown in Table 2. Finally, R_i represents a vector of the same regional characteristics that we controlled for in the models run on the responses of firms' managers.

Table 7 lays out our results. The signs on our two proxies for how encompassing a regional lobby is are wholly consistent with Olson's theory. More encompassing lobbies, that is, are less prone to support industrial policy and import barriers and more likely to have a favorable view of WTO accession. In many cases, these relationships – between the number of sectors represented and attitudes toward trade barriers, the regional and national impact of WTO accession as well as between being founded by another

association and support for industrial policy and trade barrier are statistically – are significant at the 5% level.

[Table 7]

In terms of regional characteristics, we observe that lobbies from regions that engage in more trade are more apt 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. But, in general terms, the regional variables are relatively quiet and do not consistently explain the variation in association managers' responses to our questions.

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). Earlier, we observed the percentages of firms that report having approached a business association in order to lobby for the passage of new rules and regulations. We now turn to a more pointed question in which managers of firms were asked about the regional lobby most important to their economic well-being (if, indeed, they belonged to more than one). 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 that organization; for firms whose association did not offer a particular service, we recorded a 0.[30]

If less-encompassing, sector-specific business lobbies are more favorably disposed toward targeted government intervention, we might feel more comfortable about inferring the welfare effects of those preferences if, indeed, their services related to acting on those preferences are considered important by members. If we could show, that is, that less-encompassing associations focused more on representation services, as opposed to others whose welfare effects might be considered more benign (*e.g.*, sponsoring trade fairs, running tribunals to mediate inter-firm disputes, *etc*), we would have at least some (admittedly indirect and imperfect) basis for connecting patterns of policy preferences to social welfare. To this end,

[30] The services were the same as those listed in Table 3, with the exception that "helping develop small business" was not included. The average ranking of the services listed in the menu was a bit different than the ranking in Table 3 given by regional associations 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 respectively). Perhaps we can understand these differences in relative rankings across the two types of respondents – firms and associations – as a function of firms being more aware of the services that they receive directly (e.g., consulting assistance) than those provided to them indirectly through association personnel promoting their interests to a public official.

we estimate the following equation to assess the relative importance of the services received by regional association members from their "most important" association:

$$RS_{tv} = \alpha + \beta S_v + \gamma F_v + \zeta R_v + \varepsilon_v , \quad (4)$$

The relative importance of the t^{th} service to the v^{th} 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 ten services. S_v is a dummy variable for the v^{th} firm's membership in a regional, sector-specific lobby. Because we restrict the analysis only to firms whose "most important" association was a regional lobby, 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 region-specific characteristics which we have controlled for in previous regressions.

[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 or not the firm's "most important" regional association is sector-specific. Here, we observe that coefficient on S_v is positive across all four columns. And in the cases of lobbying and the aggregated measure of representation services, the results are statistically significant. Members, in other words, of narrower, less-encompassing associations are more apt to ascribe the value added of association services to these representation services. Multi-sector associations, in other words, are more apt to focus on providing services that we might less readily associate with un-productive rent-seeking.

7. Conclusion

Over the past two decades, economists' interest in exploring the institutional sources of long-run economic performance has grown dramatically. Olson's *Rise and Decline of Nations* (1982), perhaps the most noteworthy precursor of this movement, argued that growth-retarding lobby groups would disrupt development in otherwise stable political environments. More recent work, much of it theoretical, has built on this idea, explaining inefficient government interventions as an equilibrium outcome in a world in which special interest groups bid for self-benefitting protection and support from self-interested officials. Economists, nevertheless, have been oddly un-interested in how and why lobby groups might vary in their

social impact. In this article, we have returned to Olson's classic to uncover that he laid out a testable hypothesis as to the relationship between lobby group composition and lobby group interests.

Based on a unique pair of surveys of business associations and industrial enterprises across the Russian Federation, we show that managers of less encompassing associations clearly regard targeted government interventions more favorably. And as confirmation of this result, we show that members of these more narrowly-comprised lobbies share the same perspective. Lastly, 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 regional 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 interference	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 individuals/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*			0.050
			(0.067)			(0.083)
Full-time employees (log)	0.010	0.062***	-0.002	-0.006	0.140**	-0.008
	(0.009)	(0.020)	(0.008)	(0.029)	(0.070)	(0.028)
Founded in post-Soviet era	-0.078***	-0.078***	-0.079***	-0.152***	-0.153***	-0.151***
	(0.017)	(0.017)	(0.016)	(0.048)	(0.047)	(0.048)
State or municipal enterprise	-0.014	-0.007	-0.003	-0.090	-0.077	-0.091
	(0.041)	(0.040)	(0.041)	(0.082)	(0.072)	(0.078)
Influence of foreign shareholders	0.008	0.006	0.010	-0.009	-0.018	-0.008
	(0.013)	(0.013)	(0.011)	(0.030)	(0.032)	(0.030)
Relative quality of capital equipment	0.005	0.006	0.000	-0.023	-0.019	-0.022
	(0.012)	(0.011)	(0.010)	(0.033)	(0.032)	(0.034)
Degree of competition in output market	0.029***	0.029***	0.022***	0.072**	0.075**	0.068**
	(0.010)	(0.010)	(0.008)	(0.035)	(0.035)	(0.034)
Political competition in region	0.035***	0.123***	0.024*	0.060*	0.324**	0.056
	(0.013)	(0.041)	(0.013)	(0.036)	(0.154)	(0.036)
Political competition **x** full-time employees		-0.016***			-0.043**	
		(0.006)			(0.021)	
GRP share of largest sector in region	0.001	0.001	0.001	-0.001	-0.001	0.000
	(0.002)	(0.001)	(0.001)	(0.004)	(0.004)	(0.004)
(Exports+imports) / GRP in region	-0.059*	-0.061**	-0.047	-0.079	-0.096	-0.068
	(0.031)	(0.030)	(0.031)	(0.095)	(0.096)	(0.095)
(Fuel and energy production) / GRP in region	0.001	0.000	0.001	0.000	-0.001	-0.001
	(0.001)	(0.001)	(0.001)	(0.002)	(0.002)	(0.002)
Per capita income (log) in region	-0.063	-0.049	-0.072*	-0.053	-0.022	-0.056
	(0.048)	(0.044)	(0.040)	(0.103)	(0.099)	(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.

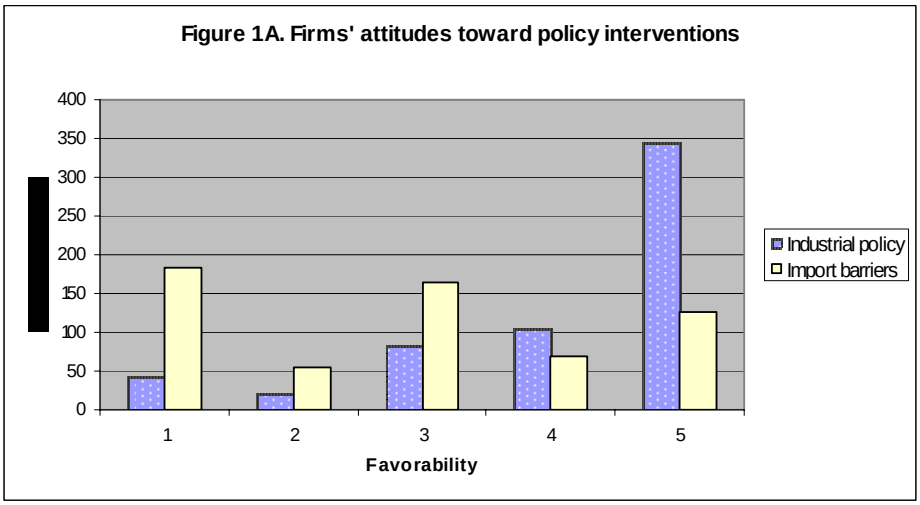
Figure 1A. Firms' attitudes toward policy interventions
400
350
300
250
200
150
100
50
0
1
2
3
4
5
Favorability
Industrial policy
Import barriers

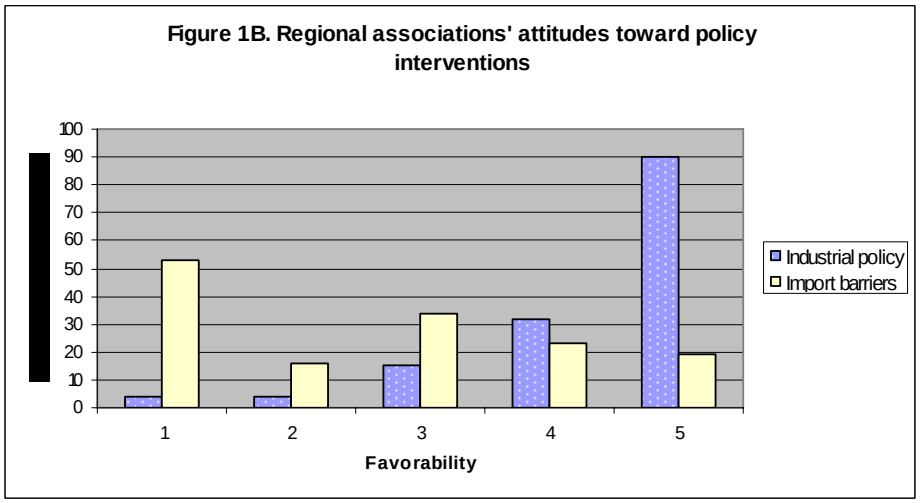
Figure 1B. Regional associations' attitudes toward policy interventions
100
90
80
70
60
50
40
30
20
10
0
1
2
3
4
5
Favorability
Industrial policy
Import barriers

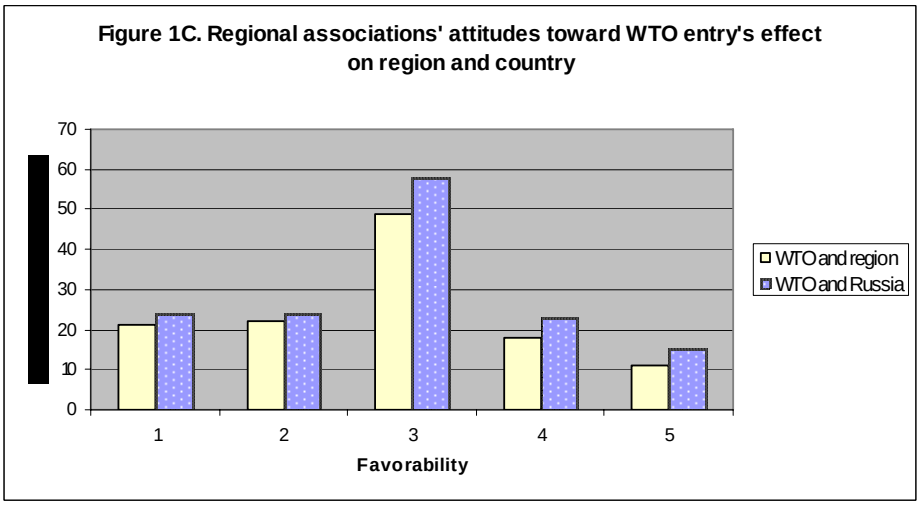
Figure 1C. Regional associations' attitudes toward WTO entry's effect on region and country
70
60
50
40
30
20
10
0
1
2
3
4
5
Favorability
WTO and region
WTO and Russia

Table 6. Intensity of enterprise managers' interests with respect to government intervention: promoting industrial policy and instituting regional trade barriers

	All firms		Members of regional associations	
	Industrial policy	**Import barriers**	**Industrial policy**	**Import barriers**
	(1)	(2)	(3)	(4)
Model	Ordered probit	Ordered probit	Ordered probit	Ordered probit
Member of multi-sector association	0.136	0.125		
	(0.126)	(0.096)		
Member of sector-specific association	0.355**	0.400**	0.284	0.501**
	(0.17)	(0.188)	(0.218)	(0.204)
Full-time employees (log)	-0.095**	-0.028	-0.192**	-0.117*
	(0.047)	(0.044)	(0.089)	(0.06)
Founded in post-Soviet era	-0.224**	-0.042	-0.484***	-0.322*
	(0.098)	(0.104)	(0.173)	(0.191)
State or municipal enterprise	0.521**	0.045	0.706	-0.362
	(0.227)	(0.209)	(0.549)	(0.328)
Influence of foreign shareholders	-0.123	0.018	-0.296**	0.022
	(0.084)	(0.098)	(0.119)	(0.137)
Relative quality of capital equipment	0.061	-0.120**	0.254	0.046
	(0.114)	(0.06)	(0.163)	(0.1)
Degree of competition in output market	0.023	0.026	-0.014	-0.03
	(0.052)	(0.047)	(0.08)	(0.086)
Political competition in region	-0.047	-0.082	-0.131	-0.045
	(0.058)	(0.062)	(0.126)	(0.089)
GRP share of largest sector in region	0.001	-0.012	0.005	-0.013
	(0.006)	(0.011)	(0.016)	(0.021)
(Exports+imports) / GRP in region	-0.024	0.204	-0.054	-0.202
	(0.17)	(0.154)	(0.269)	(0.302)
(Fuel and energy production) / GRP in region	-0.006	-0.002	-0.003	-0.006
	(0.004)	(0.004)	(0.008)	(0.007)
Per capita income (log) in region	0.13	0.221	0.123	0.204
	(0.202)	(0.278)	(0.423)	(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**	0.005	0.003	0.038*
	(0.013)	(0.009)	(0.016)	(0.021)
Full-time employees (log)	0.009***	0.010***	0.002	0.022***
	(0.003)	(0.003)	(0.004)	(0.005)
Founded in post-Soviet era	0.004	0.018***	0.008	0.030**
	(0.009)	(0.006)	(0.011)	(0.014)
State or municipal enterprise	-0.037*	-0.013	-0.046	-0.096
	(0.022)	(0.020)	(0.039)	(0.068)
Influence of foreign shareholders	0.003	0.000	-0.008*	-0.005
	(0.005)	(0.004)	(0.004)	(0.008)
Relative quality of capital equipment	-0.007	-0.011*	-0.006	-0.025*
	(0.005)	(0.006)	(0.010)	(0.014)
Degree of competition in output market	-0.004*	0.004	0.000	0.000
	(0.002)	(0.003)	(0.004)	(0.006)
Political competition in region	0.004	0.000	0.003	0.007
	(0.005)	(0.006)	(0.004)	(0.009)
GRP share of largest sector in region	-0.001**	-0.002**	0.000	-0.003***
	(0.000)	(0.001)	(0.001)	(0.001)
(Exports+imports) / GRP in region	-0.005	0.000	0.002	-0.004
	(0.011)	(0.019)	(0.023)	(0.042)
(Fuel and energy production) / GRP in region	0.000	-0.001*	-0.001**	-0.002**
	(0.000)	(0.000)	(0.000)	(0.001)
Per capita income (log) in region	0.034**	0.059***	0.019	0.112***
	(0.016)	(0.015)	(0.018)	(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.