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

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Abstract Why are some business lobbies less benign in their external effects than others? In *The rise and decline of nations* (New Haven: Yale University Press, 1982), Mancur Olson proposed that *less-encompassing* groups—*i.e.*, those whose constituents collectively represent a relatively narrow range of interests—have a greater interest in seeking the types of subsidies, tariffs, tax loopholes, and competition-limiting regulations that, while benefiting their members, impose costs on the rest of society. By drawing on a unique pair of surveys—one targeted to managers of Russian regional lobbies, and the other addressed to managers of Russian industrial enterprises—we provide what we believe to be the most direct test of this hypothesis to date. The pattern of responses is striking. Managers of both the less encompassing lobbies and the enterprises belonging to those types of organizations display stronger preferences for narrowly targeted policy interventions. Our results, that is, strongly support Olson's hypothesis.

Keywords Mancur Olson · Business lobbies · Lobbying · Encompassing · Russia

JEL Classification D71 · D72

1 Introduction

Some business lobbies promote their constituents' interests by pursuing policies that impose costs on non-members. Alternatively, others' advocacy efforts may be more benign to outsiders (Doner and Schneider 2000). Much of the literature on business lobbies does not acknowledge this potential diversity. And 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,

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laying out a testable hypothesis as to why lobby groups differ in the extent to which their policy preferences align with social welfare. In *The rise and decline of nations* (1982), his seminal book on comparative development in the post-war era, Olson distinguished interest groups by the degree to which their constituents collectively represent a broad cross-section of a community. Organizations that are less *encompassing* in this sense are more apt, he postulated, to prefer narrowly tailored policies—*e.g.*, subsidies, tariffs, tax loopholes and competition-limiting regulations—that impose costs on the rest of society and ultimately retard economic growth.

Was Olson right? Though a rich literature addresses how socially sub-optimal institutions may result from the interaction of self-interested lobbies and public officials, large-*N* studies that link lobby group scope to preferences for redistributive policies are surprisingly few. The reason, no doubt, relates to the absence of adequate data for assessing variation across lobby groups.[1] Here, we take a step in addressing this noteworthy gap in the literature. A unique pair of surveys, administered in the Russian Federation and targeting both regional business lobbies and their constituents, allow us to provide the most direct test of Olson's hypothesis of encompassingness yet conducted. Managers of both were asked a set of questions that explored their preferences for policies that would benefit sectoral or regional interests and implicitly impose external costs. The broadly posed questions reference neither specific sectors nor regions (*e.g.*, those associated with the respondent) but rather address targeted policy interventions in general terms. The pattern of responses is striking. Managers of both the less-encompassing lobbies and the firms belonging to less-encompassing groups are apt to view redistributive policies in a relatively favorable light. More encompassing lobby groups and the members of such organizations, on the other hand, exhibited more skepticism. Responses from the two surveys, in other words, point in the same direction.

To the extent that their policy preferences reflect the organizations over which they preside, the responses of lobby group managers provide support for Olson's hypothesis. Those of enterprise managers offer reassuring confirmation but also take us beyond the logic explicitly laid out in *The rise and decline of nations*. Olson sought to explain the heterogeneity of group interests as a function of group scope (or encompassingness). He did not, however, consider explicitly how differences in group preferences might extend to, and even reflect, the preferences of individual constituents. His arguments, however, could reasonably be extended to include the corollary that a group member is more likely than a non-member, all else equal, to share its group's preferences. Two factors could explain why. Enterprises might well select into organizations that share and promote their preferences. Or their preferences may be shaped over time by the organizations to which they belong (DiMaggio and Powell 1991; Martin 1995; Martin and Swank 2004). Though we provide what we feel is the literature's most direct test of Olson's hypothesis of the "encompassing organization," our data do not allow us to distinguish between these two explanations for this corollary. Additionally, we are unable to establish that the relationship between a lobby group's scope and its preferences is causal. The fact that less-encompassing lobbies prefer targeted government interventions, that is, may not be *because* they are less encompassing; it may be that firms with stronger redistributionist preferences are just more apt to establish less broad-based organizations.

[1] Gray and Lowery (1988) highlight the data inadequacies of first-generation empirical tests of Olson's *Rise and Decline* theories in part for ignoring the important distinction between encompassing and non-encompassing groups. The paucity of adequate data for testing Olson's theories has been noted, as well, in recently completed studies (Coates et al. 2011). Horgos and Zimmermann (2009), for instance, acknowledge their inability to distinguish business lobbies based on their degree of encompassingness.

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 Russia's post-communist era. The unique Russian survey data that we draw on for the empirical analysis is presented in Sect. 4 as are data designed to provide a picture of the importance of business lobby groups to the business-state interface. Section 5 comprises the heart of the paper. We present the questions used to assess firms' policy preferences 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 Sect. 7 presents conclusions.

2 Lobby groups: scope and interests

When Olson observed that business lobbies advocate for policies that enhance their members' welfare at the expense of society, he added an important caveat:

> [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)

Preferences for government policies that either create barriers to trade or prioritize some sectors over others should be weaker, that is, within organizations that represent a larger share of the economic landscape.[2]

In highlighting the differences across collective action groups, Olson never wholly commits to a single metric for assessing how encompassing are the interests of a particular organization. In the relevant section of *Rise and Decline*, he points initially to the degree to which a group's constituents own (or represent) the "income-producing capacity" of a society. But he subsequently qualifies this characterization by suggesting that a business lobby that merely adds firms from a sector that it already represents need not develop a more encompassing interest.

> There is, in addition, little or no gain in concern for the society as a whole when a special-interest organization expands from, say, firm to industry size…. 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 stage further expansion… would create an incentive to give greater weight to the organization's impact on social efficiency. (Olson 1982: 50)

Olson thus links greater sectoral diversity within an organization to the probability that it expresses interests more in line with social welfare. Jankowski (1988, 1989) echoes this point, arguing that the essence of an Olsonian encompassing organization lies in the number of sectors (not in the percentage of aggregate income) that its members represent.

[2]This distinction between *distributional coalitions* and *encompassing coalitions*, has been seen as one of the "crucial innovations" of Olson's *Rise and Decline* (Rosser 2007).

Olson goes on to suggest that organizations with more encompassing interests have a greater incentive to develop ties to other organized interests. Groups whose concerns are more closely aligned with social welfare are more apt to find like-minded allies within the larger pool of organized interests. Moreover, the subsequent inter-group cooperation may produce policy preferences and lobbying efforts, which, because they are based on the union of multiple groups, are even more pro-social than those of the single group.[3]

The characteristics that Olson identifies with more encompassing groups dovetail nicely with questions from our surveys. Association managers are asked which sectors are represented in their membership (and in what proportions) and whether or not their association was founded wholly or in part by another lobby. The enterprise survey asks lobby members whether they belong to a multi-sector and/or a sector-specific group.

Much of the research inspired by Olson's analysis of interest groups and their influence on policy and economic outcomes overlooks the important distinction that he made between more and less encompassing groups. Instead, it effectively treats groups as homogeneous in the extent to which their interests align with social welfare. The formal modeling literature, for instance, demonstrates that welfare-reducing government interventions can be an equilibrium outcome in a world in which business interests bid for self-benefiting support from public officials (Grossman and Helpman 1994, 1996, 2001; Felli and Merlo 2006; Baldwin and Robert-Nicoud 2007). But this line of research explores neither the sources of, nor the variation in, lobby preferences for targeted government intervention.[4]

Owing to data limitations, much of the empirical literature effectively ignores this sort of group-level heterogeneity as well. A number of Olson-inspired studies, for instance, use cross-sectional data to explore the relationship between the simple number of registered interest groups and various macro-level measures, effectively disregarding potential differences across groups in composition, policy preferences and influence (Heckelman 2007; Coates and Heckelman 2003; Coates et al. 2011).[5] Instead, most discussions of the encompassing organization hypothesis have been based on case-study evidence (Lehner 1983; Doner and Schneider 2000).

[3]Such an organization, he writes: "[H]as not only an incentive at least to consider the effect of its policies on the efficiency 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 so (Olson 1982: 48)."

[4]Much of the work on special interest group (SIG) politics assumes that the preferences of lobbies are exogenously given. This holds for both the theoretical (Becker 1983; Grossman and Helpman 1994, 2001) and empirical literatures (Potters and Sloof 1996; Goldberg and Maggi 1999). Recent literature on campaign finance in the United States (Stratmann 2005; Ansolabehere et al. 2003) takes the preferences of SIGs as given, even though they are assumed to differ in their policy aims. The size of a lobby group may matter for campaign finance. Bombardini and Trebbi (2011) uncover a non-linear relationship between SIG contributions and voting shares in a jurisdiction. Another strand in the literature examines the interaction between SIG contributions, private information and voting strategies (Coate 2004; Houser and Stratmann 2008; Larcinese et al. 2011). The literature on campaign spending limits (Milligan and Rekkas 2008) also does not address the origin of SIG preferences. Based on a cross-county examination in transition economies, Campos and Giovannoni (2007) analyze other characteristics of SIG members but they do not have data on the policy preferences of either the members or the lobbies themselves.

[5]Such studies not only treat all lobby groups as equal in their potential growth effects, in the absence of data on policy preferences or policies, they cannot explore the fundamental link that Olson hypothesized connected the presence of lobby groups and macro-economic outcomes. A related literature explores the determinants of interest group numbers at the country level (Murrell 1984; Bischoff 2003). In an implicit endorsement of our approach here, the most recent of these studies suggests that more cross-country studies like these may not be useful for testing Olson's ideas: "A microeconomic rather than a macroeconomic approach may yield the most fruitful next steps… [to explore] the mechanisms underlying [Olson's] implications…" (Coates et al. 2011).

The article that most closely resembles ours in the sense of addressing 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. (2010) 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 question.[6] 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.[7] 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. 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 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 more direct than theirs, that more broadly representative groups are more sensitive to the negative external effects of targeted government policies.[8]

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

[6] A study by Gray and Lowery (1988), which focuses on the United States, also merits mention. They create state-level measures for encompassingness by comparing the number of registered lobbyists representing firms to the number representing trade associations; states with relatively more of the former are taken to have business communities with less-encompassing interests on the assumption that "trade associations are definitionally more encompassing than individual firms." Although they recognize the centrality of lobby group heterogeneity to Olson's thinking, their article does not amount to a direct exploration of his hypothesis. First, the authors make comparisons at the (macro) state rather than the (micro)organizational level. Second, though their aggregate measure of encompassingness assumes a difference between a single firm and a single collective actor, it treats the group from which the latter is drawn as wholly homogeneous; all trade associations, that is, are assumed to be equally encompassing. And third, the authors do not directly observe lobby group interests or policy preferences; rather, they infer them from state-level economic outcomes.

[7] The authors do not frame their analysis in terms of Olson's hypothesis but rather in terms of the literature on federal systems and inter-state externalities.

[8] Our article also relates to the literature highlighting the preferences of individuals with respect to government intervention in markets (Mayda 2006; Mayda and Rodrik 2005; O'Rourke and Sinnott 2001, 2006).

[9] Much of this section draws closely on similar narratives in Pyle (2006, 2011).

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.[10] 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. *RSPP* first emerged 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 (*TPP*) 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.[11]

Like many of the organizations that populate civil society, the functions of business associations 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 trading 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 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

Several surveys were administered across the Russian Federation in 2004 to develop a picture of what business lobbies do and why firms choose to join them. An initial screening survey was used to construct a sample for a detailed survey of 606 firms from over half of Russia's 83 territorial subjects (regions).[12] An effort was made to achieve a roughly equal representation of respondents across territorial subjects and seven industrial sectors.[13] By

[10] 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.

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

[12] 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.

[13] These include metallurgy, chemicals, machine building and metal working, construction materials, wood processing, light industry and food processing.

construction, 280 (or slightly under a half) were members of at least one association. In addition to standard firm-specific information, the survey 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.

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 reports summary data on those firms belonging to multi-sectoral and sector-specific groups. With a few exceptions, the differences between the two are not stark. Those in multi-sector groups are more likely both to have foreign shareholders and to have been established in the post-Soviet era. Firms in sector-specific lobbies are more apt to characterize their output markets as extremely competitive.

Another survey queried the directors of 145 independent regional business associations, representing 34 of Russia's eighty-plus territorial subjects.[14] The solid majority of these organizations, 85.5% (124), represents multiple sectors, with the average being 8.52. 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. 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 goodly 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.

Business lobbies (and their preferences) are meaningful only 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 value 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.

[14]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.

Table 1 Summary statistics on firms

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

Note: Median responses in parentheses. ***, **, * significant at 1%, 5% and 10% levels, respectively, using t-test on equality of means

The managers of 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.[15]

[15]The difference between the mean "lobbying government officials" response is statistically different than the mean "helping development small business" response, as well as all those responses ranked below it, at the 1% level. The difference between the mean "participating in development of legislation" response is statistically different than the mean "protecting firms from illegitimate government interference" response, as well as those responses ranked below it, at the 5% level.

Table 2 Summary statistics on regional associations

	Multi-sector	Sector-specific	
Basic characteristics			
Number of sectors represented	8.52 (9)	1 (1)	***
Herfindahl-Hirschman index	0.31	1.00	***
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	
Percentage of associations whose founders include			
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	
Individuals formerly in Communist Party (%)	8.9	0.0	
Individuals formerly in government (%)	6.5	4.8	
Unions (%)	1.6	4.8	
Percentage of associations with members in following 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	9.5	
Number of observations	123	21	

Notes: Median responses in parentheses. ***, **, * significant at 1%, 5% and 10% levels, respectively, using t-test on equality of means

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

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	–	–

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. 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 to 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.

5 Lobby group composition and interests

5.1 Assessing preferences for free markets

To gauge business 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 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?
(2) 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?

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 Rossi* 2004). And throughout the 1990s, many regional governments manipulated local laws and regulations to benefit narrow interests (Slinko et al. 2005; Guriev et al. 2010). Over the same time period, we have ample evidence of regional politicians promoting various protectionist measures in contradiction of federal laws designed to facilitate the free flow of goods across regional borders (Berkowitz and DeJong 2003b).

An additional question was addressed only to managers of the lobby groups. They were asked how beneficial the seemingly imminent WTO accession for Russia would be for their region.[16] 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, marshaled fierce opposition while others, such as steel exporters, came out strongly in support of accession; *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.[17]

We believe that these questions provide us with a comprehensive and direct test of Olson's hypothesis by allowing us to examine 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.[18] Second, the questions are

[16]Russia's WTO accession was one element of a series of structural reforms for which President Putin was pushing 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.

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

[18]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

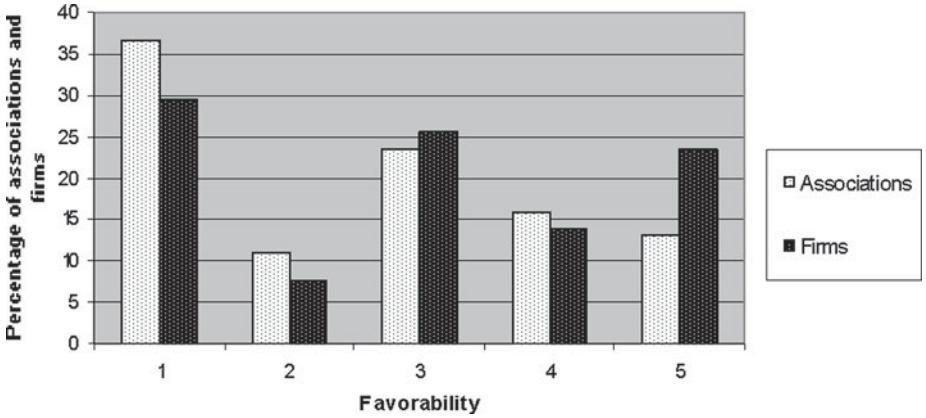

Fig. 1 Attitudes toward import barriers

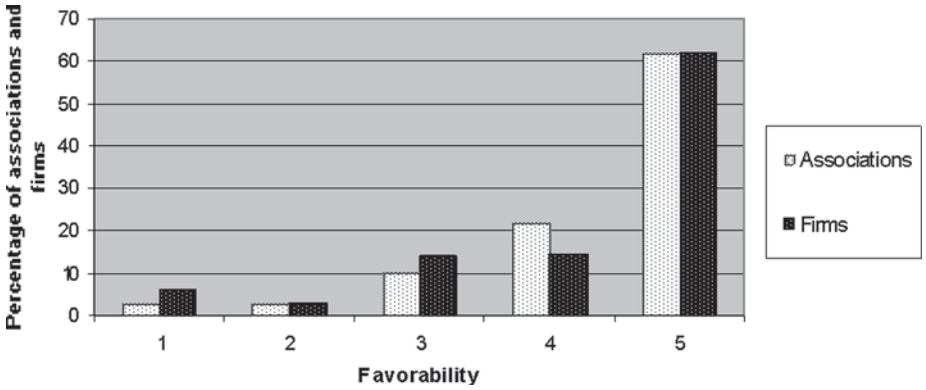

Fig. 2 Attitudes toward industrial polocy

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.

Figures 1 and 2 lay out the distribution of responses to the questions asked of managers at both firms and regional lobby groups. Both respond more favorably to the industrial-policy-like scenario described in question 2. Their modal response is 5 on a 1–5 scale. The distribution of their responses to the import barriers question is less skewed. Summing the responses to these two questions, Fig. 3 shows the distribution of preferences for government intervention on a scale from 2 to 10. 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 the mean and mode being 2.8 and 3, respectively.

clearly differences in the policy interests of more and less encompassing associations. Olson (1982: 142) 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."

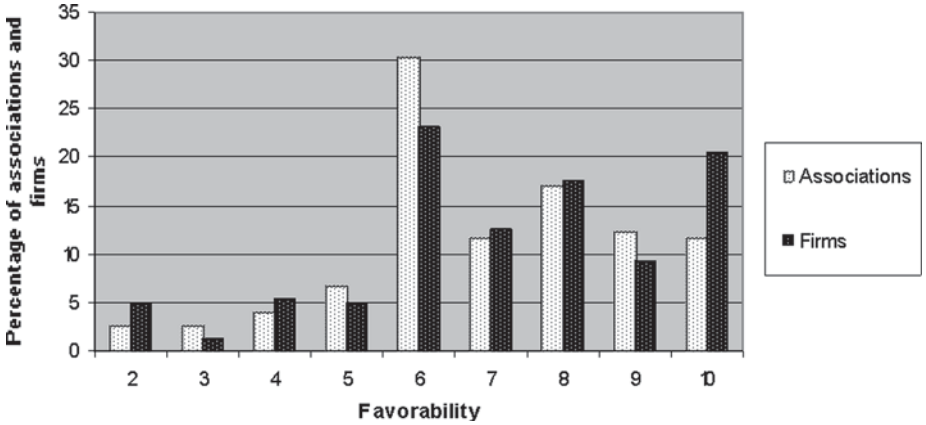

Fig. 3 Attitudes toward government intervention

5.2 Explaining associations' interests

To assess the factors that explain the interests expressed by managers at the mth regional lobby with respect to the kth policy (AI_{mk}), we estimate the equation:

$$\mathrm{AI}_{mk} = \alpha + \phi_1 N_m + \phi_2 B_m + \gamma A_m + \zeta R_m + \varepsilon_m \tag{1}$$

The dependent variables include those highlighted in Figs. 1–3—preference intensity for regional trade barriers, industrial policy and the two jointly—as well as the respondents' sense of the regional impact of WTO accession.

Our measures of how encompassing a group is include the number of sectors, N_m, represented by its membership (see Table 2 for the list of 14 sectors) and a dummy variable capturing whether or not the founders include another business association. But 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 the effect of WTO accession. As a robustness check, we substitute for the number of sectors, a Herfindahl-Hirschman index (HHI) that measures sectoral concentration in an association.[19] For all sector-specific groups, the index has a value of 1; for the multi-sector associations, the average is 0.31. Since higher values of the index correspond to greater concentration, we would expect the coefficient estimates to be opposite in sign to those for N and B.

We also control for other association-specific characteristics, A_m, listed in Table 2. These include the number of both its full-time employees and the years since its founding, as well as dummy variables for location and the identity of the lobby's founders.

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

[19] Due to non-responses, this results in the loss of about twenty observations.

share of regional industrial production accounted for by the largest industrial sector. [20,21] 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 (Bradshaw and Vartapelov 2003; Hanson and Bradshaw 2000; Solanko 2008). Furthermore, a number of indices of regional political and economic development suggest that Russia's regions have developed widely divergent business environments.

Table 5 lays out our results. In the first four columns, we present our baseline probit model in which the dependent variable takes on the value of one if managers express maximum enthusiasm for the policy—*i.e.*, 5 on a 1–5 scale for the import barrier, industrial policy and WTO accession questions, and 10 on the "intervention index," the sum of the responses to the import barrier and industrial policy questions. Columns 5–8 and 9–12 present robustness checks: ordered probit models in the former; the HHI substituting for the number of sectors in the latter.

The signs on our proxies for how encompassing a regional lobby is are consistent with Olson's theory. More encompassing lobbies, that is, are less prone to support import barriers and industrial-policy-like interventions and are more likely to have a favorable view of WTO accession. Lobbies representing fewer associations have a more favorable attitude toward the imposition of regional trade barriers; and those founded by other associations are more prone to approve of industrial-policy-like interventions. In our baseline probit model, these relationships are significant at the 1% level; in the ordered probit model and in the specification that includes the HHI, they are all significant at the 5% level.

We also observe in columns 3 and 4 that lobbies representing fewer sectors are more likely to express a strong preference for government intervention (*i.e.*, maximum approval for both import barriers and industrial policy) and to regard the regional impact of WTO accession less favorably; these relationships are significant at the 1% and 5% levels, respectively. In three of the four robustness checks (columns 7–8 and 11–12), these relationships are statistically significant in the predicted direction. Our robustness checks further demonstrate the strength of the link between policy preferences and having another association as a founder.

5.3 Explaining firms' interests

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 the

[20] 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. Two features of the index make it particularly useful for our analysis. First, the rankings are based on electoral data and thus differ from indices that rely on relatively opaque "expert" assessments. 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 choices 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 precede 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. See Pyle (2011) for more details.

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

Table 5 Intensity of association managers' interests: instituting regional trade barriers, promoting industrial policy, promoting WTO accession

	Probit				Ordered probit				Probit			
	Import barriers	Industrial policy	Intervention index	WTO and region	Import barriers	Industrial policy	Intervention index	WTO and region	Import barriers	Industrial policy	Intervention index	WTO and region
Number of sectors represented in membership	−0.021***	0.011	−0.014***	0.012**	−0.070**	−0.001	−0.058**	0.083**				
	(0.006)	(0.012)	(0.006)	(0.007)	(0.032)	(0.034)	(0.033)	(0.036)				
Membership concentration index									0.266***	−0.119	0.137*	−0.001
									(0.088)	(0.145)	(0.082)	(0.007)
Founders include other business association(s)	−0.040*	−0.354***	−0.039*	−0.020	−0.534**	−0.794**	−0.641***	0.327	−0.028	−0.335**	−0.029	−0.001
	(0.028)	(0.125)	(0.028)	(0.046)	(0.241)	(0.346)	(0.249)	(0.273)	(0.030)	(0.145)	(0.024)	(0.004)
Full-time employees (log)	0.002	0.006	0.007	0.020	−0.006	0.036	0.021	0.196*	−0.001	0.001	0.003	0.003
	(0.013)	(0.043)	(0.008)	(0.016)	(0.098)	(0.099)	(0.096)	(0.104)	(0.014)	(0.050)	(0.007)	(0.004)
Years since founding (log)	0.059	−0.063	0.040*	−0.097***	0.135	−0.061	0.077	−0.339	0.074**	−0.025	0.031	−0.007
	(0.037)	(0.086)	(0.024)	(0.035)	(0.236)	(0.224)	(0.213)	(0.215)	(0.037)	(0.091)	(0.021)	(0.009)
Political competition in region	0.048***	0.062	0.029***	−0.003	0.103	0.112	0.096	−0.057	0.027*	0.040	0.012	−0.004
	(0.018)	(0.062)	(0.011)	(0.024)	(0.127)	(0.150)	(0.121)	(0.109)	(0.016)	(0.071)	(0.009)	(0.005)
GRP share of largest sector in region	−0.006**	0.007	−0.005**	−0.008*	−0.053***	0.009	−0.033**	−0.015	−0.006**	0.002	−0.004*	−0.002
	(0.003)	(0.008)	(0.002)	(0.005)	(0.013)	(0.018)	(0.014)	(0.017)	(0.003)	(0.009)	(0.002)	(0.003)
(Exports + imports)/GRP in region	−0.114	−0.419	−0.089	0.051	−0.237	−0.828	−0.495	1.580**	−0.175	−0.447	−0.145	0.009
	(0.103)	(0.437)	(0.082)	(0.116)	(0.473)	(1.011)	(0.623)	(0.709)	(0.127)	(0.365)	(0.089)	(0.015)
(Fuel and energy production)/GRP in region	0.001	0.000	0.000	0.000	−0.002	0.000	−0.002	−0.002	0.002	−0.002	0.000	0.000
	(0.002)	(0.006)	(0.001)	(0.002)	(0.009)	(0.013)	(0.011)	(0.012)	(0.002)	(0.006)	(0.001)	(0.000)
Per capita income (log) in region	0.085	0.223	0.034	0.054	1.041**	0.527	0.886	−0.397	0.091	0.318	0.034	−0.002
	(0.102)	(0.312)	(0.065)	(0.126)	(0.486)	(0.690)	(0.551)	(0.663)	(0.096)	(0.323)	(0.055)	(0.009)

(*continued on the next page*)

Table 5 (*Continued*)

	Probit				Ordered probit				Probit			
	Import barriers	Industrial policy	Intervention index	WTO and region	Import barriers	Industrial policy	Intervention index	WTO and region	Import barriers	Industrial policy	Intervention index	WTO and region
Location controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Additional founder identity controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
N	125	135	125	109	135	135	135	113	105	114	105	91
Pseudo R^2	0.299	0.1486	0.3257	0.2162	0.0791	0.0874	0.0681	0.0935	0.3697	0.1489	0.3709	0.2869

Robust standard errors, adjusted for clustering at regional level in parentheses. ***, **, * significant at 1%, 5% or 10% levels, respectively; one-tailed tests used to evaluate statistical significance if theory presented in paper predicts unambiguous positive or negative relationship. Probit models report marginal effects. Location controls include dummies for being in Moscow, St. Petersburg and the capital city of a territorial subject; founder identity controls include dummies for whether the association's founders included individual entrepreneurs, former government officials, Communist Party members, government agencies and unions. All models also include a control for whether or not all the members are from a single city

expressed policy preferences of managers at firms belonging to a regional business lobby, by estimating the following:

$$\mathrm{FI}_{i,j} = \alpha + \beta S_i + \gamma F_i + \zeta R_i + \varepsilon_i \tag{2}$$

Here, we highlight the relationship of the interests of firm i toward policy intervention j ($\mathrm{FI}_{i,j}$) to its membership in a regional sector-specific lobby, S_i. 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 trading 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. 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 lobby group managers.

We run model (2) only on the sub-sample of respondents that are regional association members. If the more narrowly composed, sector-specific lobbies are more apt to value government intervention in markets, we might expect to find, as a corollary to Olson's encompassingness hypothesis, that firms joining them are apt to view those interventions in a more positive light than members of multi-sector groups—*i.e.*, the estimate of β is positive. The results, laid out in Table 6, generally confirm the hypothesis. Notably, compared to members in multi-sector associations, we observe that with respect to the import barriers question, the estimate of β is positive and statistically significant at at least the 5% level in both the probit and ordered probit specifications. Members of sector-specific associations, that is, are more prone than members of multi-sector associations to view this sort of intervention favorably. In our baseline model, the estimates of β are positive for the industrial policy question as well as for the joint "intervention index"; only the latter, however, is statistically significant. In the ordered probit specifications, the estimates of β for both these models are statistically significant.

As we noted earlier, we are sensitive to the possibility that our results are driven by reverse causality—*i.e.*, from preferences to membership—but our objective here is not to demonstrate that firm preferences are shaped by membership in a lobby of a particular type. Support for Olson's hypothesis, we feel, hinges only on being able to identify robust correlations between group composition and policy interests. Whether firms' preferences drive their decisions to join a particular association or whether their decision to join a particular association shapes their preferences is not our direct concern.

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

Table 6 Intensity of enterprise managers' interests: instituting regional trade barriers, promoting industrial policy

	Probit			Ordered probit		
	Import barriers	Industrial policy	Intervention index	Import barriers	Industrial policy	Intervention index
Member of sector-specific association	0.174**	0.070	0.117*	0.501***	0.284*	0.510***
	(0.083)	(0.095)	(0.074)	(0.204)	(0.218)	(0.196)
Full-time employees in 2004 (log)	−0.013	−0.094**	−0.025	−0.117*	−0.192**	−0.161**
	(0.029)	(0.039)	(0.024)	(0.060)	(0.089)	(0.062)
Founded in post-Soviet era	−0.067	−0.239***	−0.088	−0.322*	−0.484***	−0.421**
	(0.062)	(0.070)	(0.053)	(0.191)	(0.173)	(0.183)
State or municipal enterprise	0.023	0.215	0.093	−0.362	0.706	−0.101
	(0.130)	(0.150)	(0.140)	(0.328)	(0.549)	(0.307)
Influence of foreign shareholders	0.065	−0.096**	0.045	0.022	−0.296**	−0.105
	(0.048)	(0.045)	(0.044)	(0.137)	(0.119)	(0.135)
Sell output outside region within Russia	0.165**	−0.097	0.088	0.450**	−0.323	0.186
	(0.051)	(0.081)	(0.055)	(0.204)	(0.224)	(0.193)
Sell output abroad	0.113	0.197*	0.188**	0.043	0.463*	0.232
	(0.096)	(0.101)	(0.089)	(0.224)	(0.279)	(0.225)
Buy inputs outside region within Russia	−0.237***	0.094	−0.265***	−0.389*	0.367	−0.112
	(0.077)	(0.111)	(0..073)	(0.201)	(0.276)	(0.226)
Buy inputs abroad	−0.041	−0.006	−0.037	0.085	0.021	0.044
	(0.073)	(0.084)	(0.069)	(0.177)	(0.206)	(0.182)
Political competition in region	0.027	−0.043	0.004	−0.045	−0.131	−0.087
	(0.036)	(0.050)	(0.034)	(0.089)	(0.126)	(0.085)
GRP share of largest sector in region	−0.002	0.008	−0.000	−0.013	0.005	−0.010
	(0.007)	(0.006)	(0.005)	(0.021)	(0.016)	(0.017)
(Exports + imports)/GRP in region	−0.109	−0.022	−0.087	−0.202	−0.054	−0.153
	(0.114)	(0.113)	(0.097)	(0.302)	(0.269)	(0.273)
(Fuel and energy production)/GRP in region	−0.001	−0.001	0.000	−0.006	−0.003	−0.006
	(0.002)	(0.003)	(0.002)	(0.007)	(0.008)	(0.007)
Per capita income (log) in region	0.097	−0.106	0.023	0.204	0.123	0.267
	(0.149)	(0.166)	(0.125)	(0.532)	(0.423)	(0.476)
Competitor and additional 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
N	224	227	225	234	234	234
Pseudo R^2	0.1474	0.1237	0.1455	0.0615	0.0902	0.0513

Robust standard errors, adjusted for clustering at regional level in parentheses. ***, **, * significant at 1%, 5% or 10% levels, respectively; one-tailed tests used to evaluate statistical significance if theory presented in paper predicts unambiguous positive or negative relationship. Probit models report marginal effects. Competitor controls include dummies for whether the firm has competitors in other Russian regions and abroad; a control is also included for the respondent's assessment of the competitiveness of their output market (1–5 scale). Additional trade partner controls include dummies for sales to/purchases from state agencies or firms as well as to/from members of respondent's commercial association (financial-industrial group). Location controls include dummies for being in Moscow, St. Petersburg and the capital city of a territorial subject

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.[22]

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 or running tribunals to mediate inter-firm disputes), we would have at least some (admittedly indirect and imperfect) basis for connecting 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:

$$\mathrm{RS}_{tv} = \alpha + \beta S_v + \gamma F_v + \zeta R_v + \varepsilon_v \tag{3}$$

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 ten services. S_v is a dummy variable for the vth 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.

The first three columns of Table 7 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 the 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 at the 5% level. Members, in other words, of narrower, less-encompassing associations are more apt to ascribe the value added of their association to these representation services. Multi-sector association members, in other words, are more apt to credit services that we might less readily associate with un-productive rent-seeking.

7 Conclusion

Over the past two decades, social scientists' interest in exploring the institutional sources of long-run economic performance has grown dramatically. Olson's *The rise and decline*

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

Table 7 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
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)
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
N	208	208	208	208
R^2	0.2176	0.2184	0.1597	0.2439

Ordinary least squares; robust standard errors, adjusted for clustering at regional level in parentheses. ***, **, * significant at 1%, 5% or 10% levels, respectively; one-tailed tests used to evaluate statistical significance if theory presented in paper predicts unambiguous positive or negative relationship. Controls are the same as for models described in Table 6

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-benefiting protection and support from self-interested officials. An absence of appropriate data, however, has retarded efforts to explain how and why lobby groups might vary in their social impact.

In this article, we introduced two unique datasets that have allowed us to test Olson's hypothesis as to the relationship between lobby group composition and lobby group interests.

Based on the 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. We are, however, unable to distinguish whether this latter relationship reflects (a) firms selecting into like-minded lobbies or (b) firms' preferences having been shaped those lobbies. Lastly, we demonstrate that members of less-encompassing lobbies are more likely to place greater value on their association's lobbying and business representation services. We believe that these findings amount to the most direct confirmation of Olson's view that lobby group composition and lobby group interests are related.

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