

**The Political Roots of Intermediated Lobbying:
Evidence from Russian Firms and Business Associations**

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Abstract: A business enterprise interested in influencing the design, adoption or enforcement of a particular law, rule or regulation often confronts a choice. Does it pursue its objective directly and independently through un-mediated contacts with officials? Or does it do so indirectly, using a collective action group as an intermediary? We draw on data from a large, 2010 survey of enterprises across the Russian Federation to demonstrate that the propensity to engage in intermediated lobbying increases with region-level political competition. Our explanation builds on recent evidence confirming Mancur Olson's claim (1982) that less encompassing actors tend to lobby for more distortionary policies. We hypothesize that with greater political competition government officials become more responsive to encompassing voices (*i.e.*, associations of businesses as opposed to single firms) since the potential cost of being captured (or of being perceived as captured) by narrower interests becomes greater. Evidence from a partner survey of managers at regional business associations points in the same direction; the relative attention paid by officials to the lobbying appeals of encompassing associations increases with regional political competition.

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1. Introduction

A business enterprise interested in influencing the design, adoption or enforcement of a particular law, rule or regulation confronts a choice. Does it pursue its objective directly and independently through un-mediated contacts with executive and legislative branch personnel? Or does it do so indirectly, using a business association as an intermediary? Or does it pursue both strategies? Despite the literature's attention to the question of which enterprises lobby (Chong and Gradstein, 2010; Grier *et al.*, 1994; Weymouth, 2012), research exploring specific approaches to lobbying – *i.e.*, direct and/or intermediated – has not been well developed.¹ Drawing on a large survey from the Russian Federation, we demonstrate that the choice to engage in intermediated lobbying through business associations is a function of political competition. This finding, we hasten to add, is not a product of the propensity either to lobby or to join a business association being greater in these regions. Similar to Weymouth (2012), we actually find no relationship between political competition and reported lobbying activity. Likewise, we find that differences in membership rates across regions are not strongly related to political competition. The institutional environment, rather, seems to influence only the specifics of lobbying strategy.

Why might greater political competition encourage enterprises to seek lobbying assistance from a collective action organization like a business association? One explanation looks for the answer in the electoral incentives facing public officials. Inspired by recent evidence confirming Mancur Olson's hypothesis (1982) that less "encompassing" actors tend to lobby for more distortionary policies (Guriev *et al.*, 2010; Pyle and Solanko 2013), we hypothesize that with greater political competition government officials become relatively more

¹ A somewhat related literature draws attention to the distinction between "inside" lobbying, direct interactions between interest groups and policymakers, and "outside" lobbying, involving efforts of groups to pressure elected officials indirectly through their constituents, for instance by making appeals through the media (Kollman, 1998).

sensitive to more encompassing voices that represent a broader swath of economic interests. In a more competitive environment, officials face greater risk of electoral backlash if voters perceive them to be captured by narrow interests seeking policies that – while generating concentrated rents – impose broad social costs. Greater competition, that is, makes officials more prone to accommodate the appeals of collective actors relative to those made by single actors in order to avoid alienating voters. Understanding this, enterprises elect to lobby through collective actors.

An alternative explanation focuses more directly on the calculus of the enterprise. Perhaps the institutional environment affects the relative cost of lobbying versus using an intermediary. In this model, firms make trade-offs between the cost of lobbying and the types of policies that can be proposed. Collective lobbying lowers costs by spreading them amongst multiple actors, but limits the types of policies that can be proposed. Political competition tends to go hand in hand with institutions such as freedom of expression and assembly that lower the costs of collective action still further. Our finding is consistent with the proposition that the relative cost of working with a collective action lobby group is low where politics are freer and more competitive, thus giving firms greater incentives *ceteris paribus* to work through collective organizations. Where political competition is weaker and collective action is more costly, however, it may be more attractive for firms to simply lobby alone.

Should we understand variation in the propensity to lobby through an intermediary as a function of “officials’ incentives” or “relative lobbying costs”? Our enterprise-level data alone do not allow us to distinguish between these competing hypotheses. We thus turn to a second survey in which managers at regional business associations were asked to assess the receptivity of regional officials to their organization’s lobbying efforts. Evaluating the responses, we find that those at the less encompassing associations – *i.e.*, those whose membership’s contribution to regional output is relatively small or those representing enterprises from just a single sector – reported greater receptivity to their lobbying efforts in less politically-competitive regions. In other words, they describe the precise relationship predicted by our “officials’ incentives” hypothesis: greater political competition diminishes the receptivity of public officials to less encompassing voices relative to those that are more encompassing. The “relative lobbying cost” hypothesis, on the other hand, would not have predicted such a relationship.

Before proceeding, we should point out that our choice to study this topic in the context of the Russian Federation carries several advantages. First, by focusing on within-country variation across sub-national units, we can control for sources of heterogeneity that, if unobserved or unmeasured, usually complicate identification in cross-national samples (*e.g.*, lobbying regulations, electoral systems, culture, federal structure). Second, the Russian Federation possesses a large number of regions that differ substantially across many dimensions including, importantly, their degree of political competition (Petrov 2001; Remington 2010). Third, over the past two decades, Russia has developed a rich and diverse ecosystem of business associations active in shaping policy at the regional level. Enterprises have been shown to be active in both seeking out their lobbying assistance (Pyle, 2011; Yakovlev and Govorun, 2011) and in pursuing their interests through more direct and un-mediated contacts with officials (Frye, 2002; Slinko *et al.*, 2005).

Our paper proceeds as follows: the next section discusses our theory and presents the logic of the “officials’ incentives” and “relative lobbying cost” stories. Section three provides background on the Russian case and helps to contextualize our study. Section four presents the data and our empirical strategy. Section five discusses the main results and robustness checks. Section six concludes.

2. Lobbying, “encompassing” interests and political institutions

In *The Rise and Decline of Nations*, perhaps the best known work on lobbying’s macroeconomic implications, Mancur Olson (1982) drew an important, yet often overlooked, distinction between more and less “encompassing” organizations:

[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. ...

Not all lobbies, in other words, are created equal.² Olson suggests that the less encompassing generally pursue interests at odds with social welfare whereas those that are more so have, on balance, more benign objectives.³ Logically, this comes from a greater number of actors and interests making it more likely that narrow policies will hurt one section of the membership at the expense of others. Recent empirical studies confirm the intuition. Less encompassing business actors are more likely to push for policies whose effects distort competitive markets and slow development (Guriev *et al.*, 2010; Pyle and Solanko, 2013).

Olson provides two metrics for assessing encompassing-ness. He primarily highlights the extent to which an organization's members contribute to the income-producing capacity of a society. The greater this contribution, the more the organization is apt to internalize the costs (as well as benefits) associated with any of its members' desired policies. Secondarily, he links a business lobby's sectoral diversity to the probability of expressing interests more in line with social welfare. Multi-sector business associations, that is, are portrayed as being more encompassing than those that represent just a single sector.⁴ Olson's logic, as Gray and Lowery (1988, 120) point out in an oft-cited study of interest group behavior in the United States, further implies that, in the limit, the least encompassing of business lobbies is the single enterprise acting independently and making choices purely on the basis of its own private costs and benefits.⁵

² Many formal models of lobbying effectively treat organizations as homogenous in terms of the degree to which their interests are at odds with social welfare (Grossman and Helpman 1994, 1996 and 2001; Felli and Merlo, 2006; Baldwin and Robert-Nicoud, 2007). And most likely because of data limitations, large-n empirical studies inspired by Olson's work also finesse inter-group heterogeneity with respect to encompassing-ness (Heckelman, 2007; Coates and Heckelman, 2003; Coates *et al.*, 2011).

³ A retrospective article on *The Rise and Decline* highlighted the "distinction between *distributional coalitions*, which are seen as leading to outcomes inimical to economic growth, and *encompassing coalitions*, which are seen as potentially aiding economic growth ..." as one of the book's two "crucial innovations" (Rosser, 2007).

⁴ Other scholars have picked up on this distinction. Jankowski (1989), for instance, links Olson's discussion of encompassing-ness to the concrete difference between the narrower objectives of a sector-specific association, like the steel lobby, and one that represents enterprises from the steel as well as other sectors.

⁵ In their study inspired by *The Rise and Decline of Nations*, the authors write that "[T]rade associations are definitionally more encompassing than individual firms."

We can thus envision a spectrum of lobbying channels arrayed according to their degree of encompassing-ness. As in Figure 1, at one end lies the individual channel – *i.e.*, approaching officials directly – while further along the spectrum lie channels involving multi-member intermediaries. For an enterprise with a given number of lobbying objectives, the percentage of those objectives that are compatible with a particular channel should decline in moving from the least to the most encompassing (*i.e.*, from left to right in Figure 1). Some of its objectives, that is, would likely be filtered out by multi-member associations (Smith, 2010). The logic here transposes the distinction Olson draws in the selection above – between less and more encompassing organizations – to the comparison of a single actor and any collective action organization. Acting independently, the single actor, should it so choose, can theoretically pursue any of its objectives unencumbered by concerns of externalities. But in conjunction with a collective action organization, it will be constrained by the organization’s sensitivity to costs imposed on any of its members.

Which of its lobbying objectives would an enterprise be more likely to pursue with a business association’s assistance as opposed to independently? Consider two types of policies for which it might wish to lobby: those that benefit it alone and those that benefit it as well as other enterprises belonging to a particular business association. Examples of the former could be enterprise-specific subsidies, tax breaks or government contracts; the latter, on the other hand, might include measures whose benefits either are limited to a well-defined group (*e.g.*, a sector-specific protective tariff) or are more broadly conferred (*e.g.*, policies that reign in corruption). An enterprise may have good reasons to pursue the latter type of policy with the assistance of a business association. For one, its lobbying cost of working through an association might be lower than if it lobbied independently; for another, with the association’s support, the probability of a successful outcome might be higher. An association, moreover, would be more likely to champion the sort of policy that creates shared benefits among members rather than one that exclusively benefits a single enterprise, particularly if that policy imposes costs on its members. Thus as we compare direct and intermediated lobbying strategies, we might reasonably presume that an enterprise’s policy objectives that benefit it alone will be addressed more often through direct lobbying, whereas those that would bring advantages to other enterprises would tend to be pursued relatively more through an intermediary that includes those co-beneficiaries.

Because enterprises are resource constrained, their pursuit of particular lobbying objectives will hinge on their evaluation of the potentially uncertain payoffs from lobbying success and the opportunity cost of the resources needed to lobby. So although it is difficult to imagine any enterprise not having a long list of policy objectives that it would like to see come to fruition, only some (if any) of these objectives are pursued. Lobbying costs for any given policy may simply exceed the expected benefits. Other enterprises, however, may have attributes that lead them to conclude that lobbying for one or more objectives makes sense. A recent study based on survey data from 42 countries found that enterprise size and market power are, for instance, two of the important determinants of decisions to engage in lobbying (Weymouth, 2012). Interestingly, this same study found an enterprise's choice to lobby to be insensitive to the presence of democratic political institutions. Conditional on lobbying, however, we ask whether the same is true of the choice to lobby with an intermediary. Do political institutions influence whether an enterprise approaches executive and legislative branch personnel directly or with the help of an organization acting as an intermediary? To our knowledge, this question of lobbying strategy has not been previously explored.

To assess the answer, we depart from the proposition that a host of enterprise-level and macro-environmental factors may shape choices over lobbying strategy.⁶ In drawing attention here to the marginal impact of political competition, we propose that two general types of mechanisms may underlie any observed relationship. In the first, political competition may directly affect an enterprise's cost of direct relative to intermediated lobbying. Since greater political competition may be compatible with greater freedom of association and lower costs of collective action, we might expect, all else equal, a positive relationship between it and the propensity to engage in intermediated lobbying (Davenport 2004, 2007). An alternative, but still lobbying-cost-related, explanation expands on the notion that as politics become more democratic and competitive, political power is diffused and the number of potential "veto players" expands (North and Weingast, 1989; Bueno de Mesquita *et al.*, 2003). As more parties need to be convinced of a particular policy objective's merit, lobbying costs rise and with them

⁶ As we do here, Bombardini and Trebbi (2012) study inter-sectoral variation in lobbying approaches but they do not link the choice to political institutions. Using a novel data set on lobbying expenditures in the United States, they demonstrate that in economically more competitive, less concentrated sectors, lobbying through an intermediary is more prevalent.

the appeal of working through an intermediary that may be able to spread or share those costs over a greater number of actors.

A second type of explanation brings the focus to a possible link between political competition and the preferences of officials over direct and intermediated lobbying. There is reason to believe that as the degree of political competition increases, the relative attention given to appeals from encompassing actors increases. On the one hand, this could be because encompassing actors lobby, on balance, for policies that generate broader voter support. As Olson (1982) theorized, and as others demonstrated empirically, more encompassing business actors are more likely than those that are less encompassing to push for policies whose effects do not distort competitive markets and slow development (Guriev *et al.*, 2010; Pyle and Solanko, 2013). Policies that provide diffuse, broad benefits and few externalities are likely to be supported by voters, who reward politicians at the ballot box (Bueno de Mesquita *et al.* 2003). On the other hand, by their nature more encompassing organizations also generally represent a broader swath of the electorate (or the electorate's employers) than single firms. Consequently, policies good for such an association have direct and positive benefits for a larger subsection of the electorate than policies aimed at a single firm. Again, this is likely to result in greater support at the ballot box. Thus, office-seeking officials, whose primary concern is maximizing vote share to win office, are more likely interested in policies presented by encompassing groups in settings where political competition is strong. This in turn means that the probability that lobbying is successful increases in politically competitive regions when presented by encompassing actors. Knowing that politicians in politically competitive settings favor encompassing policy, since voters reward them for it, firms in these settings lobby through intermediary groups in order to increase their likelihood of success.

The corollary to these hypotheses about more encompassing actors, of course, is that the less encompassing tend to support objectives that are both more likely to generate negative externalities and less likely to create a wide circle of beneficiaries. This can create electoral backlash. In a non-competitive political environment, in which electoral outcomes are a foregone conclusion, however, officials' embrace of such objectives poses little risk. Voters cannot really express disapproval at the ballot box. Where electoral competition is absent, officials can afford to be responsive to the appeals of less encompassing voices. Indeed, the appeals of single enterprises or non-encompassing organizations may hold out the prospect of rents that could

even be shared in some manner with corruptible officials (Gehlbach 2008, Frye *et al.* 2014). By contrast, where electoral competition is present, officials likely pay an electoral price for being captured (or being perceived as captured) by particularistic interests whose lobbying objectives either generate negative externalities or benefit only a few. Understanding politicians' lack of electoral incentives, firms prefer to lobby alone where political competition is weak.

In what follows, we observe that enterprises in more politically competitive environments are more apt to lobby through an intermediary. This finding, we would argue, is consistent with an explanation that appeals to "relative lobbying costs," "officials' incentives," or both. So to shed light on which mechanism might be at work, we draw on survey evidence collected directly from a sample of intermediary organizations. In doing so, we demonstrate that the degree to which these organizations report officials are responsive to their lobbying appeals is sensitive to the interaction of their political-institutional environment and measures of their encompassingness. In the least competitive regions, the lobbying success of the least encompassing associations is relatively high. But their success diminishes with political competition. In other words, more encompassing organizations become more influential relative to less encompassing organizations as political competition increases. Although such a finding would not have been predicted by our "relative lobbying costs" hypothesis, it is precisely what we would have expected to find given our discussion of the potential relationship among officials' incentives, political competition and encompassing interests.

3. Lobbying in Russia's regions

Before presenting our empirical analysis, we provide context as to the nature and importance of lobbying at the regional level in the period leading up to our surveys. To this end, we make several inter-related points. Despite the centralization of political power since Vladimir Putin became President in 2000, there remains a substantial degree of variation in political regimes across Russian regions (Remington 2011). Some have fallen under the tight control of a narrow group of elites whereas others have remained relatively competitive. Across this spectrum, officials have retained significant discretion with respect to the design and administration of local economic institutions (Beazer 2012). The business community has understood as much and, as a consequence, has actively pursued both direct and intermediated lobbying strategies to influence regional executive and legislative branch personnel.

Many recent studies document Russia's transition from a troubled nascent democracy in the 1990s to the highly centralized, competitive authoritarian regime observed today (Smyth *et al.* 2007, Reuter and Remington 2009, Robertson 2010). Legislative dominance by the hegemonic party, United Russia, and the suborning of regional elites to mobilize for, manipulate the results of, and ultimately win elections have become two fundamental pillars of this new regime (Fish 2005, Remington 2008, Reuter 2010) as has, since 2005, the direct appointment of regional governors by the federal center. In such a setting, it may seem odd to explore the consequences of inter-regional variation in political competitiveness. But a substantial body of research, including that focused on the era of Putin's "power vertical," points to the coexistence of "isles of democracy" and "isles of autocracy" across Russia's regions (Gel'man 1999, Hale 2003, Freinkman and Plekhanov 2009, Gelhbach *et al.* 2010, Karhunen and Ledyeva 2011, Obydenkova and Libman, 2013). This was particularly true in 2010 during the time in which our surveys were conducted, although even the most politically competitive regions were heavily dominated by United Russia.

At the regional level, although governors are the locus of regional policy-making, the elected regional legislatures are also important players. They have the power to pass laws, approve budgets, override gubernatorial vetoes, amend regional constitutions, and, in a few notable cases, confirm or reject gubernatorial appointments (Tolstykh 2007, Makhortov 2009, Reuter 2013). Moreover, they represent an important channel through which elites can influence policy, receive spoils, and pursue legislation that benefits them or their friends economically (Orttung 2004, Zubarevich 2005, Reuter and Robertson 2014, Reuter and Turovsky 2014). Indeed, their influence over local economic institutions, helps explain why just under half of regional legislators are business owners (Reuter 2014). Consequently, firms have strong incentives to lobby these regional legislatures and, particularly in regions where political competition is stronger, to do so in ways that do not alienate the electorate.

In contrast to regional legislatures, Russia's governors were appointed by the federal center during our period of study. While it would be tempting to assume that centralized appointments divorced governors from electoral incentives, we argue that this is not the case. Reuter and Robertson (2012) in the most authoritative study of Russian gubernatorial appointments and re-appointments argue that the strongest predictor of the ability of governors to keep their job is their ability to turn out the vote for United Russia in both regional and federal

contests (Reuter and Robertson 2012). Governors can therefore be said to have indirect electoral incentives, in so far as the performance of United Russia affects their ability to stay in office. Moreover, most governors were card carrying members of United Russia by 2010 (when our survey was conducted) and many had headlined the proportional representation lists for regional and federal elections (Reuter and Remington 2009, Reuter 2010). Consequently, governors had to be sensitive to the notion that they were standard-bearers for United Russia and that the electorate would scrutinize their actions – including whether they tended to listen to encompassing interests or more narrow ones – when deciding to vote. Although governors were able to garner a lot of support through the use of vast political machines (Reuter 2013, Frye *et al.* 2014), voters perceptions still mattered in politically competitive regions.

Much of the writing on business lobbying in Russia has focused on the relationship between the country's largest companies, the oligarchs that represent their interests, and federal officials in Moscow. Less attention has been paid to the sub-national level even though it is here that the average enterprise is much more likely to be active. Frye (2002), in an important initial contribution, uses survey data from eight cities to show that successful lobbyists rely on different strategies to influence regional legislation, including “personal consultations with state agents” as well as the services of business associations. Slinko *et al.* (2005) draw on a publicly accessible database of laws to shed light on the extent to which regional legislators and regulators grant “specific favors” (*e.g.*, tax breaks, subsidized loans, energy subsidies) directly to single enterprises. And Guriev *et al.* (2010) use the same source in conjunction with a sample of large and medium-size enterprises to draw inferences about the nature of an individual enterprise's direct lobbying efforts and the sources of regional variation in economic institutions.

In the sample used in Frye's study (2002), direct lobbying of regional officials constituted an important channel of influence. Among enterprises identified as successful lobbyists, for instance, the percentages reporting having used direct consultations with regional administrators, the regional legislature and the regional governor were 38%, 27% and 20%, respectively. Surprisingly, fully half of these enterprises reported using the lobbying services of an organization that united the interests of entrepreneurs suggesting that “the competition for favorable treatment by state officials has become more institutionalized” (1020) than had been previously thought.

Many of the first organized business lobbies in Russia grew up to advocate on behalf of small private initiatives permitted during the late Soviet period. Others from the early 1990s were the brainchildren of former ministry officials and state enterprises seeking to preserve the institutions of central planning. But the reforms of the Yeltsin era gave rise to a number of truly new organizations whose *modus operandi* was to provide services, with public- and club-good-like characteristics, to enterprises looking to prosper in a more market-oriented environment (Pyle 2006, Yakovlev *et al.* 2011). Unlike in some continental European countries, business association membership in Russia has consistently remained voluntary (Duvanova, 2013).

Like many of the organizations that populate civil society, business associations operate along two dimensions. First, they strengthen horizontal ties by facilitating inter-firm communication and coordination. Second, and importantly for our purposes, they develop the vertical relationship between the business community and the state by aggregating, transmitting and advocating business interests to public officials. With respect to the latter, a number of studies have documented the role they have played in translating these interests into policy outcomes. At the national level, they have helped shape tax and labor legislation as well as pension, judicial and natural monopoly reform (Cashu 2001, Ashwin and Clarke 2002, Guriev and Rachinsky 2005, Cook 2007, Sokhey 2010). At the sub-national level there has been less research as to specific achievements, but associations have nevertheless been shown to influence regional industrial policies and protect their members from predation by regional officials (Yakovlev *et al.* 2010, Pyle 2011).

Some regional associations, like the affiliates of the Russian Union of Industrialists and Entrepreneurs and the Chamber of Commerce and Industry, represent enterprises from across many different economic sectors. Others, however, have a narrower, sector-specific orientation. In a study that motivates the investigation here, Pyle and Solanko (2013) demonstrate that the managers of both these less encompassing regional associations and the enterprises belonging to them display stronger preferences than colleagues affiliated with more encompassing associations for the sorts of narrowly targeted policy interventions (*e.g.*, trade protection, tax breaks, subsidies) that create rents for a small group while imposing costs on the rest of society.

4. Data and Methodology

In order to test our theory, we make use of two surveys. The first is a survey of 1013 companies conducted by the Higher School of Economics in late 2010. The firm survey covers 61 of Russia's 83 regions, with a roughly balanced number of observations across regions.⁷ While the majority of surveyed firms are located in regional capitals, the survey also covers firms in smaller cities, outlying towns, and rural areas. With respect to firm characteristics, the firm survey focuses on ten major sectors, roughly half of which are industrial and half of which are non-industrial.⁸ Finally, the average firm size for the sample is a bit larger than the national average. So-called micro-firms (with less than 15 employees) and the largest employers were excluded. While many of these factors are deviations from the ideal representative sample, we think that the bias introduced is limited. Firms in our survey may be more likely to be business association members due to the firm size and sectoral composition of our sample. Nonetheless, to the extent that the original survey was designed to study business association activity, some oversampling of large firms and specific sectors was necessary.

Our firm-level survey allows us to address the relationship between institutions and the choice to lobby through a business association. It therefore gives us some leverage in assessing whether enterprises use a more encompassing lobbying channel in more competitive political environments. Unfortunately, however, the question posed to firms does not distinguish between having lobbied regional officials through sector-specific organizations or their more encompassing multi-sector analogs. As a consequence, it is difficult for us to demonstrate that lobbying behavior is governed by "supply" side considerations of politicians (i.e. their

⁷ Moscow and St. Petersburg, which are considered federal regions, are over-represented in the sample. This imbalance is due to the disproportionate number of firms located in these cities and their disproportionate contribution to national GRP. Indeed, these two cities are in the top five federal regions by GRP and are the two top federal regions by the number of firms and organizations. *See* http://www.gks.ru/wps/wcm/connect/rosstat_main/rosstat/ru/statistics/publications/catalog/doc_1138623506156

⁸ Sectors include mechanical engineering, metallurgy, chemical, woodworking, light industry, food industry, information technology, trucking, retail, and travel services. Sector distribution is presented in Table A3.

incentives) in more competitive settings. In order to provide evidence for our proposed mechanism, we turn to a survey of business association managers, which gives us leverage over the degree to which politicians seek out encompassing organizations for policy advice. Recall that one of the observable implications of the officials incentives hypothesis is that politicians should be more likely to approach encompassing organizations for policy proposals in politically competitive settings, making them more attractive lobbying vehicles.

To test this hypothesis, we employ a survey of 315 Russian business associations representing 61 regions. Although we do not have many associations in each region (3 to 5 in most cases), the regional distribution is roughly uniform.⁹ Unfortunately, it is difficult to draw conclusions about the degree to which the sample is representative, because little data exists about the population of Russian business associations. To our knowledge, no publicly accessible database of associations in Russia exists and ours is the largest survey of business associations to be conducted to date. About 45% of our sample consists of regional branches of national level organizations, 29% are region-specific associations with no connections to national level associations, and 26% are national associations with membership across multiple regions. Because our concern is regional level lobbying, we omit the last category from our analysis and focus on associations with a presence predominately in one region.

Modeling Strategy

In order to test our theory at the firm level, we estimate a set of multi-level hierarchical (MLH) logistical models with the latent model¹⁰:

⁹ We discuss the implications of the small number of firms per region for our analysis in the next section, when we present the empirical strategy.

¹⁰ While we prefer an MLM model for the reasons noted below, in our robustness checks section, we show that our results are not sensitive to estimation techniques and that we get roughly similar results using traditional logits with cluster corrected standard errors.

$$Y_i = \alpha_0 + \gamma_2 Z_j + \gamma_1 Dem_j + \rho X_i + \eta_j + \epsilon$$

Where Y is the dependent variable of interest, Dem_j is our relevant measure of political institutions, X_i is a matrix of firm-level controls, Z_j is a vector of regional control variables, η_j are region specific random intercepts, and ϵ is the error term.

MLH models are superior to rival estimation techniques for data such as ours' for three reasons¹¹. First, unlike traditional models, MLH models explicitly acknowledge that the data consists of firms nested in regions. Practically, this means MLH is specifically built around both analysis of heteroskedastic data, in which the error term for individuals is serially correlated within regions, and examination of how variables measured at higher levels (like regions) influence individual level outcomes. Traditional approaches using clustered errors can also correct for heteroskedasticity, but they provide less purchase on estimating the direct effect of higher level units on individuals. Using traditional method, one must either choose between estimating the effect of regional level variables or fixed effects that capture the effects of unobservables on the outcome of interest.

MLH is superior to traditional models precisely because it allows us to estimate the direct effect of multiple regional level variables of interest and region specific intercepts at the same time. Recall that these region specific intercepts can be interpreted in a similar way to regional fixed effects, in that they capture unobserved regional level characteristics (Gelman and Hill 2007: 245 – 256). Including all of these elements in a non-MLH model, by contrast, would violate identification assumptions. Thus, with traditional methods, one is left with the trade-off between explicitly controlling for regional level characteristics and making the assumption all

¹¹The following discussion draws heavily on Gelman and Hill 2007, pp. 1-3, 6-8 and 244-247. While we briefly discuss the details of such models here, we refer interested readers to chapters 1 and 11 of that text for a better introduction to multi-level modeling, its advantages and disadvantages, and the theoretical underpinning behind this class of models. For a briefer, but nonetheless good general introduction, *see also* Stenbergen and Jones 2002.

relevant variables are included, on the one hand, or controlling for unobservables using region-specific fixed effects and not being able to estimate the effect of specific regional level variables, on the other. Using an MLH model, contrarily, gives us the best of both worlds: we explore regional level variables of interest, explicitly control for other important regional level characteristics, and still account for unobservable variables (via the random intercepts).

Second, such specifications use information from within and between higher level units to derive more efficient estimates of variables of interest. This allows us to make good inferences even in cases – such as in our dataset -- where there are few units at the higher level or higher level units have few individual observations embedded in them. The more traditional approach of cluster corrected standard errors was developed for situations with a large number of groups relative to individuals (Woolridge 2002; Franzese 2005). As a consequence, use of this technique results in both biased and inconsistent estimates of both second level parameters (e.g. regions) and cross-level interactions when estimated using traditional models with cluster corrected standard errors (Cameron et al. 2008; Harden 2011). MLH models have few such issues.¹² As the primary purpose of this paper is to identify the effect of regional level variables (i.e political competition) on individual level outcomes (reported lobbying), this is a serious concern and suggests the necessity of an MLH approach. Finally, MLH models have the nice statistical property of requiring fewer distributional assumptions about the correlation of error terms within higher level units, as well as about variation in the effects of variables between units (e.g. random coefficients) than standard models. Not only are observations within a higher level unit

¹² Leoni (2009) also explores this question within the context of scenarios typical with survey data, showing that MLH performs better than both the pooled alternative with cluster-corrected standard errors using monte-carlo analysis.

assumed to be correlated, but one can also model unit specific coefficients using random slopes (Gelman and Hill 2007, Stenbergen and Jones 2002).¹³

Our primary dependent variable of interest in the firm survey comes from a question that asks respondents to list the channels that they use to lobby for changes in regional policy. Respondents could select from any number of the following options: “personal contacts with representatives from the regional duma”, “personal contacts with the governor and/or members of the regional administration”, “business associations”, “media” and “personal contacts with influential individuals outside of government (*e.g.*, other entrepreneurs or public figures).” Because our main interest lies in whether or not firms use business associations as a means of lobbying, our dependent variable is a dummy variable, which is coded 1 if firms report having used business associations as part of their lobbying strategies and zero otherwise.¹⁴ As Figure 1 illustrates, this was by far the most common lobbying strategy deployed by firms.

Recall that our main independent variable of interest is political competition. Measuring political competition is a subject of great contention, both conceptually and empirically (c.f. Trier and Jackson 2008, Cheibub *et al.* 2008). In testing our theory, we therefore choose to remain agnostic about measurement by using a variety of different measures that capture different aspects of political competition. First, we use the Carnegie Democracy Index produced as part of the Moscow Carnegie Center’s Regional Monitoring Project and averaged for the period from 2005 to 2009. The original measure captures expert assessments of Russia’s regions

¹³For a more thorough discussion of the alternatives for analysis using multi-level models in survey settings, as well as a comparison of their performance given simulated data, *see also* Leoni 2009.

¹⁴We choose to focus primarily on lobbying through business associations, because this has the clearest connections with our framework of direct and indirect lobbying. In previous versions of the paper, we also looked at lobbying through regional legislatures or executive branch officials, but felt that this excluded other officials firms might lobby directly (regulatory officials), did not properly exclude the role of professional lobbyists (who constitute indirect lobbying channels in our framework), and complicated presentation. The results of this analysis largely comport with our findings about lobbying through business associations, however, and are available upon request.

along ten different dimensions, including the competitiveness of regional elections and recruiting, the degree of political plurality, and the strength of civil society.¹⁵ These components are added to produce an index ranging from 5 to 50, where higher scores indicate more democratic regions (McMann and Petrov, 2000).¹⁶ We focus on the three components closest to political competition: representativeness of elections, pluralism, and openness of political life.¹⁷

Second, we include a measure of the effective number of parties in the most recent regional elections, which gives us a more objective, direct measure of the degree of political pluralism in regions. To produce the measure, we use electoral data from the regional elections closest to our 2010 survey and calculate the effective number of parties using the Laakso and Taagepera (1979) methodology. A higher score indicates greater political pluralism in a region and should imply greater political competition. Third, we introduce a three point categorical measure of press freedom carried out by the Russian NGO Glasnost Defense Foundation, since competition requires the free flow of information. This variable assigns regions to one of three categories, “somewhat free”, “somewhat not free”, and “not free”, based on expert assessments of press freedom in the regions. We make use of the values from 2009.

Finally, we also introduce the margin of victory for United Russia in the most recent Duma election (2007) and in the most recent regional elections¹⁸, which are intended to capture the extent to which United Russia dominates regional politics. The more United Russia

¹⁵ The ten elements include representativeness of elections (free and fair with few limitations on political rights), openness of political life (extent of transparency and public involvement in the political sphere), pluralism (participation of stable parties), economic liberalization, municipal governance, media freedom, elite recruitment and coordination, and “regional political structure”.

¹⁶ The ten elements include representativeness of elections (free and fair with few limitations on political rights), openness of political life (extent of transparency and public involvement in the political sphere), pluralism (participation of stable parties), economic liberalization, municipal governance, media freedom, elite recruitment and coordination, and “regional political structure”. Unfortunately, disaggregated scores are not available for updated data as of this draft. Future drafts will focus more narrowly on indicators of competitiveness.

¹⁷ Our results are roughly robust to alternative specifications using the entire 10 part index.

¹⁸ These range from 2005 to 2009 depending on region specific electoral calendars.

dominates elections, the more political power is concentrated and the more likely political competition is weak. This is especially true in Russia, where areas that United Russia wins in a landslide tend to reflect the control of local politicians over political resources and their ability to manipulate elections (Treisman 2000, Robertson 2010, Reuter and Robinson 2009, Reuter 2010, Reuter 2013). We would note that for the purposes of our study, it does not matter if our vote margin data reflects voters' perceptions or falsification and the use of political machines. Either way, higher vote margins imply greater dominance by United Russia and weaker political competition, our main concept of interest here. We should note that with respect to the regional level variable, we are forced to use results from the election closest to our survey date due to variation in regional electoral calendars. Election dates for our measure vary between 2005 and 2009.

In our main specifications, we choose to present relatively parsimonious models. Our firm-level control variables include the logged number of employees, the log of the firms' age, a dummy equal to one if the firm exports products abroad, a second dummy indicating the firm belongs to a larger holding company or commercial group, controls for the type of locality the firm is located in (*e.g.*, regional capitals, where firms have more access to regional politicians), a dummy indicating whether the firm is located in Moscow or St. Petersburg, a vector of sector dummy variables, and a dummy variable equal to one if the firm lobbied through any non-business-association channel.

At the regional level, we include some additional controls. We control for regional economic development using regional GRP per capita in 2009 in tens of thousands of rubles. We also employ the log of the regions' population in January of 2009 as a proxy of the size of the regional market. We also make use of two variables capturing aspects of regional industrial

structure – the ratio of profit taxes to total regional revenue (a measure of available natural resource rents) and a herfindahl index of contributions to regional GRP by industrial sector.¹⁹ The former is a measure of available resource rents, which we include both because regions that rely more on resource taxes tend to be less likely to provide public goods or grant firms a voice in policy (Gehlbach 2008) and because resource rents are themselves associated with weaker political competition (Fish 2005). The later proxies for regional economic concentration, which is potentially an important predictor of firms’ lobbying behavior. The more economic concentration in a region, the more regional authorities depend on, and therefore should be open to the appeals of, firms.

Recall that our association survey allows us to test whether encompassing organization are more likely to be consulted by regional politicians in more democratic settings, an observable implication of our “officials’ incentives” hypothesis. Consistent with this, our dependent variable for the association level tests uses an instrument that asks respondents, “Which of the following characteristics describes your experience with regional officials: Government officials are interested in the participation of your organization in the development of laws and legal norms. Respondents were allowed to answer yes, no, or difficult to say.

We again make use of a MLH logit model. In addition to the rationale given above, the technique is particularly well-suited to analysis of our association survey, because it provides good, efficient estimates of regional level parameters even in cases, such as this one, in which there are only a few individuals nested in each region (Gelman and Hill 2007).²⁰ Our equation takes the form:

¹⁹ This measure is constructed using official data on contributions to regional GRP broken down into 15 sectoral categories. It was originally based on the Statistical classification of economic activities in the European Community (NACE Rev.2) and is roughly comparable to the two digit level of that measure.

²⁰ Other useful features were noted above in our discussion of this technique with respect to the firm survey.

$$Y_i = \alpha_0 + \gamma_1 Dem_j + \gamma_2 Z_j + \beta_1 Narrow_i + \beta_2 Narrow_i * Dem_j + \rho X_i + \chi_{1j} + \eta_j + \epsilon_i,$$

where Y_i is the indicator of officials' interest in cooperation with association i , based on the dependent variable mentioned above, Dem_j is one of the measures of political accountability in region j we introduced above, $Narrow_i$ is a proxy measure for business association i indicating its degree of encompassing-ness, X_i is a vector of association specific control variables, and Z_j is a vector of regional control variables. As before η and ϵ are region and individual specific error terms, respectively. The new term χ , represents a random co-efficient of the *narrow* variable necessary for cross level interactions, but can be interpreted as an additional error term (Gelman and Hill 2007).

Our measures of Dem_j and the components of Z_j are the same as those used in our firm survey (discussed above). Indicators of associations' encompassing-ness are survey based. First, we include a measure based on each association's self-estimation of its members' contribution to regional GRP²¹. Recall that according to Olson, the smaller the slice of regional output an association represents, the less encompassing it is likely to be. We code this variable 0 if association's claim that members' output makes up more than 25% of total regional output and 1 otherwise. As an alternative, we also use a dummy variable that equals 1 if association membership is composed of firms from a single sector and 0 if the association membership is multi-sectoral. Intuitively, the more sectors represented in an association, the more encompassing it is likely to be. Our theory predicts that politicians will see the policy advice of encompassing associations (whether measured by concentration of regional GRP or sectoral composition of membership) as a more valuable commodity as political competition and accountability improve.

²¹ Respondents could select one of four available options: 10% or less, 10-25% of regional GRP, 25-50% of regional GRP and more than 50% of regional GRP, and “”. The distribution of responses is presented in Figure 2.

As a consequence, our main variable of interest is an interaction between our accountability measure and our measure of encompassing-ness.²²

In our specifications, we also control for several important potential explanations for the degree to which politicians are interested in consulting associations. We limit the number of controls in our main specification due to concerns about the relatively small n of our sample and the small number of associations in some of our regions.²³ First, we include a measure of the percentage share of associations' budget funded by member donations and a dummy variable equal to 1 if the association refused to answer. This variable speaks to how likely the association is to be dependent on, and therefore more representative of, its membership. Second, we also include a dummy variable equal to one if the sector is a local branch of a federal association. Connections to the federal center may impart additional weight to an otherwise small association. Finally, we include the log age and the squared log age of the association. This allows us to capture potential influence and connections built over time, while also controlling for potential non-linearities in the relationship.²⁴ We also include (as controls) the direct effect of concentration of regional GRP and a dummy variable for single sector associations in all specifications.

²² We worry slightly that these variables may be subject to endogeneity concerns. On the one hand, then officials should seek out associations which represent large shares of regional GRP or multi-sector membership. On the other hand, it could be the case that firms form such associations in order to attract politicians notice through bargaining power. In either case, however, notice that politicians with more to lose due to accountability will have fewer tools to resist having to deal with these groups, thus influencing the lobbying strategies of business. As a consequence, the endogeneity problem is not one core to our theory and stems from incentives under political competition, which is the core of our *accountability* story.

²³ Nonetheless, in the robustness check sections, we introduce several additional controls in order to insure that our results are not a function of a parsimonious model.

²⁴ Nonetheless, all of our specifications are robust to dropping this square term.

5. Results

Table 1 presents the results of our main specification. With respect to individual level characteristics that predict lobbying through business, Table 1 indicates that firms are more likely to lobby through business associations if they engage in export operations or are members of business associations at conventionally significant levels. Firms also appear to regularly engage in lobbying through multiple channels simultaneously, with firms who report lobbying government officials directly also being more likely to make use of business associations to lobby. Finally, older firms are also more likely to lobby through business associations. Other individual level controls failed to reach significance at conventional levels.

Turning to the institutional variables of interest, there is some evidence that institutional context influences the lobbying strategy of firms. The Petrov index of democracy and the measure of regional effective number of parties (ENP) are both positive, significant predictors of the use of business associations as a lobbying strategy at the 90% confidence level. Since competition should rise along with both of these measures, this implies that in regions where competition is greater firms are more likely to employ business associations when lobbying. Similarly, both United Russia's margin of victory in the national Duma elections and its margin of victory in the most recent regional elections were negative and significant at conventional levels (95%). As political competition falls as United Russia's margins of victory increase and it solidifies its status as a hegemonic party, this again implies that business associations are a more popular strategy where political accountability is greater. In all cases, these results are consistent with our theory. Although not significant at conventional levels, the signs for our alternative measure, the Press Freedom index, is positive, which is also consistent with the notion that

business associations see more use in regions with greater accountability. Overall, then, Table 1 is consistent with our theories of both “politicians’ incentives” and “relative costs”.

While the full sample results are illustrative, we worry that the effects of interest are being drowned out by the large number of firms that do not lobby at all. Table 1 may be underestimating the effect of political accountability on lobbying strategy.²⁵ In order to check this, in Table 2 we limit our sample to firms who report having lobbied at the regional level and exclude firms that do not lobby at all. Using a restricted sample does little to our results. The signs of all variables remain the same as in table one and our ENP measure and the two measures for margins of victory are significant at the same levels as in Table 1. In contrast to Table 1, however, the Moscow Carnegie index is not significant at conventional levels in Table 2. Also in contrast to Table 1, the magnitude of the effects appears to be larger, somewhat consistent with the notion that Table 1 may be understating the extent to which political institutions shape preferences for lobbying strategy. Finally, with respect to the individual level control variables, Table 2 is roughly similar to Table 1, although company age and use of alternative lobbying strategies are no longer significant at conventional levels.

Taken together, these firm level tests provide some evidence for both the “officials’ incentives” and “relative costs” explanations we proposed in Section 2. Unfortunately, these tests make it difficult to distinguish between the two, as our measures of institutional quality simultaneously capture many aspects of both the officials’ incentives mechanism – accountability, competition, and degree of democracy – and the relative costs mechanism – political concentration, number of veto players, etc. Thus, these results leave open the question of whether lobbying strategy a function of the “demand” side – cost-benefit calculations by

²⁵We address the opposite problem, that selection effects may be causing us to overstate the effect, in the following section, where we introduce a set of robustness checks.

individual firms – or the “supply” side – based on the incentives politicians have to be receptive to different types of lobbying strategies? In order to resolve this ambiguity in the results, we turn to tests using our survey of business associations. Recall that here the dependent variable of interest is whether or not business associations are called on by politicians to participate in the development of laws and regulations. The results of these tests are presented in Tables 3 and 4, which provides some support for the proposition that the authorities in more democratic regions are more likely to solicit the opinions of more encompassing business associations.

Table 3 introduces our first measure of encompassing-ness, which uses associations’ self-assessment of members’ contribution to regional GRP. The relationship which is of greatest interest here is the interaction between the political environment indicators and our measure of association members’ contribution to regional GRP. Recall that under the *accountability hypothesis*, politicians in regions with a high degree of accountability have incentives to favor encompassing organizations over non-encompassing ones. Consistent with this story, the interaction terms between members’ concentration of regional GRP and ENP and Press Freedom are negative and significant in Table 3 (Models 2 and 3). Conditional on associations representing a small concentration of regional GRP, they are more likely to feel that politicians solicit their opinions in regions with a lower effective number of parties and less Press Freedom. Similarly, Models 4 and 5 show that United Russia’s margins of victory in Duma and regional elections, respectively, are a significant, negative predictor. As United Russia’s hegemony over the legislature increases, less encompassing associations are more likely to report that the authorities are interested in consulting them on policy matters. Finally, Model 1 indicates that the interaction between the Moscow Carnegie Center Index and encompassing-ness is negative (as

predicted by our accountability mechanism), however it does not reach conventional level of significance.

Table 4 presents the results using our alternative measure of encompassing-ness, a dummy for those associations which are sector-specific. In this case the results appear to be a bit weaker than those from Table 3: only two of five political environment indicators – the Moscow Carnegie Center Index and Press Freedom Index – are significant and in the directions expected. The main (unconditional) effect of the remaining measures of political competition – Effective Number of Parties and Margins of Victory for United Russia – are significant at conventional levels and have sign indicating that associations, in general, are more likely to feel they are consulted in regions with weaker political competition. On the one hand, given our emphasis on political competition increasing the attractiveness of encompassing associations, this result is somewhat unexpected. On the other hand, this result is anomalous, contradicting results from Table 3 and our tests of the firm survey. We leave further exploration and explanation for subsequent drafts of this paper. Nonetheless, on the whole, Table 4 provides some additional support for the *accountability* hypothesis.

Robustness Checks

In order to verify the robustness of our firm survey results, we run a number of additional tests. First, in order to control for possible selection bias, we check whether lobbying behavior is correlated with regime type. It could be that the relationship observed in Table 1 stems from firms' willingness to lobby in politically competitive settings (but not uncompetitive ones), which would also imply that they are more likely to use business associations as a lobbying mechanism in these settings. It could also be the case that the decision to lobby is taken due to other unobserved variables correlated with political institutions. Table 5 presents the results of a

robustness check in which we test whether political institutions shape the decision to lobby. Our specifications use the same control variables as those from our main tests. Signs are mixed in Table 5 and none of the variables achieve statistical significance at conventional levels. This test is consistent with other work showing that there is not relationship between the decision to lobby and political institutions (Weymouth 2012). It is safe to say that firms choose to lobby irrespective of political competition.

Another source of possible selection bias stems from the decision to join business associations. If firms are more likely to be association members in regions that are more competitive, for example, then the explanation for variation in the use of business associations as a mechanism for lobbying rests not in competition per se, but in the decision to join associations in the first place. Table 6 tests this proposition, taking as a dependent variable firm membership in business associations. Although all signs are positive (which is perplexing in the case of the margin variables), the institutional variables fail to reach conventional levels of significance in Table 6, with the exception of the Petrov index. This is likely because one of the components of the Petrov index – political pluralism – directly captures the extent to which individuals and firms belong to organizations and associations. Thus, it is reasonable to conclude that firms are just as likely to be members of business associations in regions with poor political competitiveness as they are to join associations in regions with high degrees of political competitiveness.

Finally, in order to reassure ourselves as to the validity of our main results, we ran additional sets of unreported regressions using additional individual and regional level variables. We tried specifications that included controls for the characteristics of managers (age and education), whether firms are oriented towards the regional or federal markets, self-reported

productivity, ownership structure, holding company status, and foreign ownership, whether the firm is managed by its owner, and whether firm owners know regional officials. At the regional level, we also included additional controls for natural resource rents (ratio of resource taxes in total revenue), the number of bureaucrats (healthcare workers and education workers) in the region, numbers of firms of various sizes (small and total), and an alternative herfindahl index that uses more detailed data on manufacturing by sector. Results remained roughly the same in all of these various permutations and actually become more robust, statistically, as we include more individual level control variables. Finally, we also check whether the results are related to the characteristics of regional executives.²⁶ Executives with private sector experience or who have served in their regions for longer are more likely to develop relationships that encourage direct lobbying. We include in our specifications variables measuring the governor's tenure in office, age, and the number of years he or she worked in the private sector before.²⁷ While the measure of governor tenure and number of years worked in the private sector were significant (and negative) predictors of firms' decisions to lobby through business associations, inclusion of these variable had no effect on our main results.

Conclusion

In the modern era, scholarly interest in the institutional sources of long-run economic performance is often traced to Olson's *The Rise and Decline of Nations* (1982) which drew attention to the socially damaging impact of rent-seeking special interests, including business lobbies. Much of the subsequent work on the political economy of business lobbying, both theoretical and empirical, has tended to underscore this fundamental point. But what has often gone overlooked in Olson's work is a caveat that not all lobbies are created equal. In our analysis

²⁶ Results of all of these specifications are available upon request.

²⁷ These tests draw on a database of Russian regional and federal elites developed by the International Center for the Study of Institutions and Development. For more details, see Buckley *et al.* 2012.

here, we extrapolate on his point that business lobbying through more encompassing channels is apt to produce “better” policy. Specifically, we hypothesize that more encompassing channels are likely to exercise relatively greater influence in more politically competitive environments in which officials face a greater degree of popular accountability and therefore have more incentives to heed the requests of associations.

We employ two unique datasets to put this basic proposition to the test. First, we show that enterprise managers consider lobbying through multi-member associations, in comparison to a more direct and individual strategy, more appealing in Russian regions that are less autocratic. This relationship derives neither from a greater propensity to join business associations nor an increased tendency to lobby in these regions. Second, we demonstrate that the influence of the least encompassing lobby groups, those that represent firms that contribute less to total regional output or firms from a single sector, is greatest in the most un-democratic regions. Compared to that of more encompassing associations, these narrow lobbies see their influence on public officials wane in more politically competitive settings.

Though they need to be tested in other contexts, our findings are suggestive of a positive feedback loop between “better” political institutions and the popularity of more encompassing approaches to influencing policy. More competitive and democratic politics, that is, encourage greater use of lobbying channels that should filter out negative-externality-generating policies. Better policies, presumably, would in turn strengthen democratic institutions. It would be premature to push this conclusion too far at this point. But we hope, at a minimum, that our analysis here encourages greater appreciation for the diversity of lobbying channels and how the relative importance of those channels may be sensitive to the broader political environment.

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Table 1: Business Association Lobbying and Institutional Context

	(1)	(2)	(3)	(4)	(5)
Log employees	0.0863	0.082	0.097	0.094	0.088
	[0.135]	(0.135)	(0.136)	(0.134)	(0.135)
Log enterprise age	0.311**	0.299**	0.306**	0.321**	0.317**
	[0.147]	(0.147)	(0.147)	(0.147)	(0.147)
Exporting firm	0.850***	0.802***	0.827***	0.833***	0.826***
<i>(I=Yes)</i>	[0.294]	(0.294)	(0.292)	(0.293)	(0.294)
Member of commercial (holding) group	-0.35	-0.349	-0.361	-0.338	-0.331
<i>(I=Yes)</i>	[0.307]	(0.308)	(0.308)	(0.307)	(0.308)
Major owner: Manager	-0.188	-0.191	-0.206	-0.153	-0.177
<i>(I=Yes)</i>	[0.272]	(0.271)	(0.271)	(0.271)	(0.271)
Major owner: Foreign	-0.0299	-0.031	-0.027	-0.089	-0.070
<i>(I=Yes)</i>	[0.649]	(0.649)	(0.651)	(0.648)	(0.649)
Regional BA member	1.426***	1.463***	1.452***	1.457***	1.464***
<i>(I=Yes)</i>	[0.270]	(0.268)	(0.268)	(0.269)	(0.268)
Location: regional capital	0.466	0.483	0.439	0.480	0.511
<i>(I=Yes)</i>	[0.338]	(0.339)	(0.337)	(0.336)	(0.339)
Location: Moscow/St. Petersburg	0.527	0.442	0.250	-0.011	0.109
<i>(I=Yes)</i>	[0.923]	(0.881)	(0.925)	(0.888)	(0.897)
Use of non-BA lobbying strategy	2.441***	2.445***	2.422***	2.481***	2.478***
<i>(I=Yes)</i>	[0.302]	(0.302)	(0.300)	(0.301)	(0.302)
Ratio of profit tax to regional revenue	0.902	0.830	1.902	0.780	0.252
	[3.334]	(3.166)	(3.101)	(3.063)	(3.199)
Regional GRP per capita (2009 - tens of thousands of Rubles)	0.002	0.001	0.002	0.001	0.005
	[0.009]	(0.008)	(0.008)	(0.008)	(0.009)
Log regional population (2009)	-0.003	0.177	-0.055	0.136	0.180
	[0.312]	(0.322)	(0.310)	(0.305)	(0.317)
Herfindahl Index of GRP (2009)	-1.154	0.703	-1.617	-1.302	-0.694
	[8.263]	(8.179)	(8.138)	(7.902)	(8.074)
Carnegie Democracy Index (2009)	0.031				
<i>(Higher = More competitive)</i>	[0.030]				
Effective Number of Parties (2009)		0.175*			
<i>(Higher = More competitive)</i>		(0.097)			
Press Freedom Index (2009)			0.391		
<i>(Higher = More competitive)</i>			(0.266)		
Margin of Victory - most recent federal elections				-4.236**	
<i>(Higher = Less competitive)</i>				(2.039)	
Margin of Victory - most recent regional elections					-2.243**
<i>(Higher = Less competitive)</i>					(1.082)
Constant	-5.281***	-5.175***	-5.708***	-5.230***	-5.294***
	[1.474]	(1.451)	(1.455)	(1.414)	(1.438)
Observations	892	892	892	892	892
Number of groups	58	58	58	58	58
chi2	123.6	124.8	125.0	126.8	125.7
log Likelihood	-257.36	-256.3	-256.8	-255.6	-255.6

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

Table 2: Business Association Lobbying and Institutional Context – Lobbying Firms Only

	(1)	(2)	(3)	(4)	(5)
Log employees	0.106 [0.237]	0.115 (0.237)	0.146 (0.239)	0.117 (0.236)	0.111 (0.238)
Log enterprise age	-0.103 [0.257]	-0.171 (0.256)	-0.157 (0.255)	-0.113 (0.258)	-0.135 (0.258)
Exporting firm (<i>I=Yes</i>)	1.287** [0.523]	1.156** (0.520)	1.349** (0.530)	1.323** (0.538)	1.271** (0.531)
Member of commercial (holding) group (<i>I=Yes</i>)	-0.890* [0.482]	-0.930* (0.485)	-0.953** (0.478)	-0.964** (0.488)	-0.948* (0.489)
Major owner: Manager (<i>I=Yes</i>)	-0.618 [0.453]	-0.585 (0.458)	-0.581 (0.455)	-0.485 (0.471)	-0.438 (0.469)
Major owner: Foreign (<i>I=Yes</i>)	-0.294 [0.866]	-0.313 (0.867)	-0.348 (0.857)	-0.385 (0.873)	-0.301 (0.881)
Regional BA member (<i>I=Yes</i>)	1.167*** [0.445]	1.319*** (0.450)	1.290*** (0.449)	1.363*** (0.458)	1.354*** (0.457)
Location: regional capital (<i>I=Yes</i>)	0.196 [0.544]	0.153 (0.547)	0.066 (0.538)	0.168 (0.551)	0.297 (0.558)
Location: Moscow/St. Petersburg (<i>I=Yes</i>)	-0.673 [1.096]	-0.467 (1.050)	-0.842 (1.121)	-1.210 (1.137)	-1.064 (1.114)
Use of non-BA lobbying strategy (<i>I=Yes</i>)	-0.620 [0.483]	-0.571 (0.484)	-0.581 (0.483)	-0.567 (0.496)	-0.583 (0.492)
Ratio of profit tax to regional revenue	-1.986 [5.079]	-2.313 (5.066)	-0.191 (4.878)	-3.624 (5.341)	-4.408 (5.336)
Regional GRP per capita (2009 - tens of thousands of Rubles)	0.015 [0.012]	0.014 (0.011)	0.013 (0.011)	0.016 (0.011)	0.022* (0.012)
Log regional population (2009)	0.011 [0.402]	0.207 (0.417)	-0.058 (0.406)	0.168 (0.405)	0.295 (0.421)
Herfindahl Index of GRP (2009)	-10.24 [10.46]	-8.307 (10.658)	-10.884 (10.376)	-8.774 (10.631)	-8.558 (10.899)
Carnegie Democracy Index (2009) (<i>Higher = More competitive</i>)	0.059 [0.042]				
Effective Number of Parties (2009) (<i>Higher = More competitive</i>)		0.208* (0.125)			
Press Freedom Index (2009) (<i>Higher = More competitive</i>)			0.557 (0.375)		
Margin of Victory - most recent federal elections (<i>Higher = Less competitive</i>)				-6.857** (2.963)	
Margin of Victory - most recent regional elections (<i>Higher = Less competitive</i>)					-3.430** (1.460)
Constant	0.664 [2.205]	0.942 (2.222)	-0.125 (2.273)	1.282 (2.301)	1.233 (2.260)
Observations	148	148	148	148	148
Number of groups	49	49	49	49	49
chi2	24.65	25.22	24.99	26.35	26.86
log Likelihood	-84.24	-83.76	-84.10	-81.95	-82.25

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

Table 3: Contribution to GRP and Requests for Policy Input

	(1)	(2)	(3)	(4)	(5)
Share of membership fees in association budget	-0.717 [0.502]	-0.751 [0.507]	-0.765 [0.512]	-0.709 [0.513]	-0.778 [0.522]
Share of membership fees (no response) (1=No response)	-0.725 [0.631]	-0.731 [0.639]	-0.714 [0.636]	-0.727 [0.651]	-0.813 [0.666]
Branch of federal association	0.638* [0.350]	0.639* [0.353]	0.602* [0.352]	0.650* [0.356]	0.686* [0.363]
Log association age	-0.106 [0.847]	-0.365 [0.887]	-0.0771 [0.852]	0.0565 [0.881]	0.0272 [0.911]
Square Log association age	0.076 [0.223]	0.129 [0.232]	0.064 [0.225]	0.038 [0.230]	0.044 [0.237]
Regional GRP per capita (2009 - tens of thousands of Rubles)	0.006 [0.011]	0.007 [0.011]	0.007 [0.011]	0.010 [0.011]	0.004 [0.011]
Log regional population (2009)	0.891** [0.396]	0.653 [0.410]	0.948** [0.414]	0.724* [0.402]	0.575 [0.421]
Herfindahl Index of GRP (2009)	7.748 [10.18]	5.107 [10.26]	8.518 [10.63]	8.057 [10.19]	7.210 [10.49]
Ratio of profit tax to regional revenue	-5.130 [3.814]	-5.610 [3.686]	-7.179* [3.751]	-5.766 [3.728]	-4.429 [3.854]
Less encompassing association (1= Members produce ≤ 25% of GRP)	-0.952** [0.414]	-0.981** [0.413]	-1.140*** [0.434]	-0.926** [0.411]	-0.839** [0.419]
Carnegie Democracy Index (2009) (Higher = More competitive)	0.003 [0.067]				
Carnegie Democracy Index (2009) *	-0.065				
Less encompassing association	[0.069]				
Effective Number of Parties (2009) (Higher = More competitive)		0.094 [0.200]			
Effective Number of Parties (2009) *		-0.421*			
Less encompassing association		[0.228]			
Press Freedom Index (2009) (Higher = More competitive)			0.973 [0.645]		
Press Freedom Index (2009) *			-1.271*		
Less encompassing association			[0.685]		
Margin of Victory - most recent federal elections (Higher = Less competitive)				-2.416 [3.406]	
Margin of Victory (federal elections) *				8.983**	
Less encompassing association				[3.914]	
Margin of Victory - most recent regional elections (Higher = Less competitive)					-1.588 [1.863]
Margin of Victory (federal elections) *					6.048***
Less encompassing association					[2.194]
Constant	-10.33** [5.136]	-6.514 [5.281]	-10.23* [5.317]	-8.091 [5.164]	-6.201 [5.434]
Observations	213	213	213	213	213
Number of groups	56	56	56	56	56
chi2	20.44	22.29	20.28	23.6	25.15
log Likelihood	-132.29	-130.51	-131.77	-128.59	-126.90

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

Table 4: Sector Specialization and Requests for Policy Input

	(1)	(2)	(3)	(4)	(5)
Share of membership fees in association budget	-0.589	-0.545	-0.591	-0.533	-0.588
	[0.499]	[0.493]	[0.502]	[0.493]	[0.493]
Share of membership fees (no response) (I=No response)	-0.798	-0.811	-0.827	-0.761	-0.898
	[0.629]	[0.624]	[0.630]	[0.627]	[0.633]
Branch of federal association	0.701*	0.578	0.633*	0.599	0.556
	[0.385]	[0.378]	[0.382]	[0.376]	[0.378]
Log association age	0.231	-0.369	-0.074	-0.076	-0.300
	[0.908]	[0.850]	[0.868]	[0.867]	[0.846]
Square Log association age	0.0338	0.185	0.108	0.121	0.166
	[0.234]	[0.223]	[0.226]	[0.225]	[0.222]
Regional GRP per capita (2009 - tens of thousands of Rubles)	0.00205	0.00456	0.00490	0.00534	0.00254
	[0.0107]	[0.0103]	[0.0106]	[0.00988]	[0.0103]
Log regional population (2009)	0.675*	0.539	0.691*	0.513	0.468
	[0.379]	[0.394]	[0.392]	[0.373]	[0.387]
Herfindahl Index of GRP (2009)	9.847	6.427	8.051	7.709	7.026
	[10.01]	[10.07]	[10.26]	[9.681]	[9.839]
Ratio of profit tax to regional revenue	-3.458	-4.657	-5.333	-3.786	-3.559
	[3.683]	[3.561]	[3.563]	[3.469]	[3.544]
Sector specific association (1= Members produce ≤ 25% of GRP)	0.253	-0.0379	0.0430	0.0219	-0.0644
	[0.412]	[0.390]	[0.397]	[0.390]	[0.390]
Carnegie Democracy Index (2009) (Higher = More competitive)	0.001				
	[0.042]				
Carnegie Democracy Index (2009) *	-0.145**				
Sector specific association	[0.061]				
Effective Number of Parties (2009) (Higher = More competitive)		-0.166			
		[0.134]			
Effective Number of Parties (2009) *		0.0105			
Sector specific association		[0.197]			
Press Freedom Index (2009) (Higher = More competitive)			0.359		
			[0.371]		
Press Freedom Index (2009) *			-1.098**		
Sector specific association			[0.520]		
Margin of Victory - most recent federal elections (Higher = Less competitive)				3.795	
				[2.464]	
Margin of Victory (federal elections) *				1.302	
Sector specific association				[3.458]	
Margin of Victory - most recent regional elections (Higher = Less competitive)					3.006**
					[1.441]
Margin of Victory (federal elections) *					-1.415
Sector specific association					[1.845]
Constant	-9.012*	-6.167	-8.325	-6.502	-5.401
	[5.001]	[5.115]	[5.112]	[4.834]	[5.006]
Observations	213	213	213	213	213
Number of groups	56	56	56	56	56
chi2	19.74	15.75	17.75	17.65	17.24
log Likelihood	-132.77	-136.00	-134.60	-134.40	-134.36

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

Table 5: Decision to Lobby and Institutional Context

	(1)	(2)	(3)	(4)	(5)
Log employees	0.355***	0.355***	0.358***	0.352***	0.353***
	[0.116]	(0.116)	(0.116)	(0.117)	(0.116)
Log enterprise age	0.394***	0.392***	0.390***	0.393***	0.393***
	[0.126]	(0.126)	(0.126)	(0.126)	(0.126)
Exporting firm	0.0233	0.020	0.025	0.032	0.032
<i>(I=Yes)</i>	[0.255]	(0.256)	(0.254)	(0.255)	(0.255)
Member of commercial (holding) group	0.105	0.101	0.094	0.104	0.101
<i>(I=Yes)</i>	[0.248]	(0.248)	(0.247)	(0.248)	(0.248)
Major owner: Manager	-0.0890	-0.088	-0.097	-0.096	-0.088
<i>(I=Yes)</i>	[0.234]	(0.234)	(0.234)	(0.235)	(0.234)
Major owner: Foreign	0.740	0.755	0.775	0.752	0.754
<i>(I=Yes)</i>	[0.499]	(0.499)	(0.498)	(0.499)	(0.498)
Regional BA member	1.259***	1.254***	1.252***	1.253***	1.253***
<i>(I=Yes)</i>	[0.226]	(0.226)	(0.226)	(0.226)	(0.226)
Location: regional capital	0.187	0.193	0.187	0.187	0.185
<i>(I=Yes)</i>	[0.271]	(0.271)	(0.269)	(0.271)	(0.271)
Location: Moscow/St. Petersburg	0.702	0.641	0.398	0.789	0.769
<i>(I=Yes)</i>	[0.836]	(0.846)	(0.843)	(0.874)	(0.861)
Ratio of profit tax to regional revenue	0.503	-0.069	-0.018	0.425	0.479
	[2.737]	(2.680)	(2.578)	(2.702)	(2.713)
Regional GRP per capita (2009 - tens of thousands of Rubles)	-0.001	0.000	0.002	-0.001	-0.001
	[0.008]	(0.008)	(0.007)	(0.008)	(0.008)
Herfindahl Index of GRP (2009)	-0.698**	7.622	6.869	7.326	7.284
	[0.271]	(6.995)	(6.843)	(6.938)	(6.926)
Log regional population (2009)	7.405	-0.686**	-0.758***	-0.735***	-0.745***
	[6.894]	(0.283)	(0.272)	(0.277)	(0.280)
Carnegie Democracy Index (2009)	-0.0122				
<i>(Higher = More competitive)</i>	[0.0254]				
Effective Number of Parties (2009)		0.025			
<i>(Higher = More competitive)</i>		(0.082)			
Press Freedom Index (2009)			0.268		
<i>(Higher = More competitive)</i>			(0.224)		
Margin of Victory - most recent federal elections				0.799	
<i>(Higher = Less competitive)</i>				(1.540)	
Margin of Victory - most recent regional elections					0.450
<i>(Higher = Less competitive)</i>					(0.848)
Constant	-5.748***	-5.610***	-5.752***	-5.747***	-5.721***
	[1.262]	(1.261)	(1.237)	(1.268)	(1.258)
Observations	892	892	892	892	892
Number of groups	58	58	58	58	58
chi2	89.22	88.87	89.65	89.15	89.07
log Likelihood	-337.55	-337.6	-337.0	-337.5	-337.5

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

Table 6: Business Association Membership and Institutional Context

	(1)	(2)	(3)	(4)	(5)
Log employees	0.223** [0.102]	0.227** (0.102)	0.226** (0.102)	0.227** (0.102)	0.226** (0.102)
Log enterprise age	0.228** [0.107]	0.227** (0.107)	0.228** (0.106)	0.227** (0.106)	0.227** (0.106)
Exporting firm	0.735*** [0.217]	0.711*** (0.217)	0.710*** (0.216)	0.710*** (0.216)	0.712*** (0.216)
Member of commercial (holding) group	-0.556** [0.229]	-0.536** (0.228)	-0.533** (0.228)	-0.535** (0.228)	-0.536** (0.228)
Major owner: Manager	0.263 [0.201]	0.259 (0.201)	0.262 (0.201)	0.259 (0.201)	0.259 (0.201)
Major owner: Foreign	0.573 [0.466]	0.527 (0.465)	0.522 (0.465)	0.528 (0.464)	0.529 (0.464)
Location: regional capital	0.0308 [0.221]	0.010 (0.221)	0.011 (0.221)	0.010 (0.221)	0.008 (0.222)
Location: Moscow/St. Petersburg	0.316 [0.439]	0.520 (0.436)	0.550 (0.462)	0.518 (0.469)	0.552 (0.461)
Ratio of profit tax to regional revenue	2.837 [1.938]	3.999** (1.876)	3.963** (1.832)	3.970** (1.871)	4.074** (1.897)
Regional GRP per capita (2009 - tens of thousands of Rubles)	-0.008 [0.005]	-0.012*** (0.005)	-0.012*** (0.005)	-0.012*** (0.005)	-0.013** (0.005)
Log regional population (2009)	-0.472** [0.199]	-0.447** (0.205)	-0.432** (0.200)	-0.443** (0.200)	-0.454** (0.203)
Herfindahl Index of GRP (2009)	4.919 [5.139]	5.446 (5.154)	5.662 (5.150)	5.521 (5.107)	5.520 (5.104)
Carnegie Democracy Index (2009) <i>(Higher = More competitive)</i>	0.0316* [0.0176]				
Effective Number of Parties (2009) <i>(Higher = More competitive)</i>		-0.006 (0.061)			
Press Freedom Index (2009) <i>(Higher = More competitive)</i>			-0.035 (0.163)		
Margin of Victory - most recent federal elections <i>(Higher = Less competitive)</i>				0.035 (1.188)	
Margin of Victory - most recent regional elections <i>(Higher = Less competitive)</i>					0.146 (0.627)
Constant	-4.379*** [0.942]	-4.590*** (0.942)	-4.559*** (0.939)	-4.581*** (0.939)	-4.593*** (0.936)
Observations	908	908	908	908	908
Number of groups	58	58	58	58	58
chi2	103.61	101.8	101.9	101.8	101.8
log Likelihood	-396.50	-398.1	-398.1	-398.1	-398.1

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

Appendix

Table A1: Summary Statistics. Firm Sample.

Variable	Obs	Mean	Std. Dev.	Min	Max
Carnegie Democracy Index 2009	1013	0.00	5.98	-13.33	10.67
ENP 2009	1013	0.00	1.57	-2.44	6.42
Press Freedom Index 2009	1000	0.00	0.62	-1.18	0.82
Margin 2009 – Federal Elections	1013	0.00	0.09	-0.12	0.43
Margin 2009 – Regional Elections	1013	0.00	0.17	-0.26	0.52
Ln Employees 2010	1011	4.89	1.50	2.08	9.68
Export Firm indicator	986	0.28	0.45	0.00	1.00
Commercial group Member	993	0.23	0.42	0.00	1.00
Majorowner: Manager	1013	0.29	0.46	0.00	1.00
Majorowner: Foreigner	1013	0.03	0.17	0.00	1.00
Regional BA Member	1013	0.20	0.40	0.00	1.00
Ln Firm age	979	2.97	1.12	0.00	5.68
Not BA lobbying	991	0.12	0.32	0.00	1.00
GRP perCapita 2009	1000	77.44	56.71	26.20	239.18
Ln Regional population 2009	1000	14.65	0.81	11.99	16.17
Location: Regional Center	1013	0.54	0.50	0.00	1.00
Location: MoscoworPetersburg	1013	0.19	0.39	0.00	1.00
Profit tax Share in Regional budget 2009	1000	0.43	0.12	0.21	0.72
Herfindahl Index of GRP (2009)	984	0.00	0.03	-0.04	0.08

Table A2: Summary Statistics. Association Sample.

Variable	Obs	Mean	Std. Dev.	Min	Max
Carnegie Democracy Index 2009	224	0.45	5.94	-12.48	11.52
ENP 2009	232	-0.03	1.75	-2.58	6.28
PressFreedomIndex 2009	221	0.00	0.65	-1.08	0.92
Margin 2009 - FederalElections	221	0.00	0.11	-0.15	0.40
Margin 2009 - RegionalElections	221	0.00	0.19	-0.27	0.51
Members' contribution to GRP	232	0.73	0.44	0.00	1.00
Funded by Members	232	0.64	0.43	0.00	1.00
Funded by Members (no response)	232	0.10	0.31	0.00	1.00
Branch of federal association	232	0.61	0.49	0.00	1.00
Log association age	229	2.20	0.78	0.00	3.95
Square Log association age	229	5.46	3.08	0.00	15.61
GRP per Capita 2009	221	57.71	24.05	26.20	239.18
ln Regional population 2009	221	14.39	0.65	11.99	16.17
Herfindahl Index of GRP (2009)	217	0.00	0.02	-0.03	0.09
Ratio of profit tax to regional revenue	224	0.39	0.08	0.21	0.72

Table A3: Sample Characteristics. Firm Sample.

	Number of firms	Median size	Participate in BAs
Machinery	135	420	26%
Metallurgy	34	307	15%
Chemical industry	59	390	29%
Woodworking industry	59	220	22%
Light industry	87	252	18%
Food industry	123	300	23%
IT	119	21	8%
Transportation of goods	120	35	8%
Tourism	131	18	17%
Retail	124	133	12%

Figure 1: Encompassing-ness of different lobbying strategies

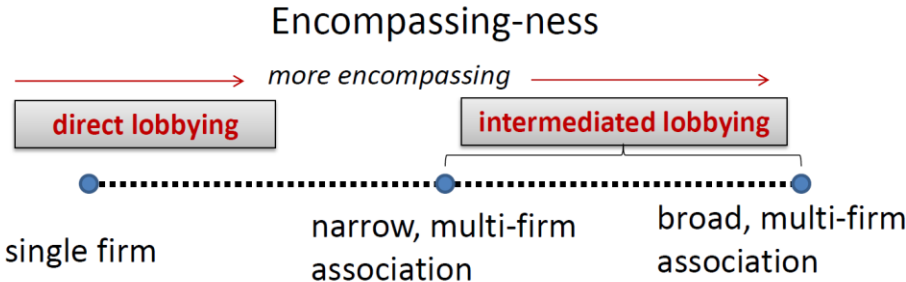


Figure 2: Association Survey. Members' contribution to GRP.

