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# The political roots of intermediated lobbying: evidence from Russian enterprises and business associations

**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 lobby officials directly? 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 electoral costs of being captured by narrower interests becomes greater. Evidence from a complementary survey of regional business association managers points in the same direction; the relative attention paid by officials to lobbying efforts by encompassing associations increases with political competition.

## 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 independently through direct, un-mediated contacts with executive and legislative branch personnel? Or does it do so indirectly, using a business

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association as an intermediary? Or does it mix strategies? Despite attention to the question of which enterprises lobby,[1] research exploring specific strategies – i.e. direct and/or intermediated – has not been well developed.[2] Drawing on a large enterprise survey from the Russian Federation, we demonstrate that decisions to lobby via business associations are positively related to regional political competition. This finding is not a product of the propensity either to lobby or to join a business association being greater in more competitive regions. Indeed, similar to Weymouth, we find no relationship between political competition and reported lobbying activity.[3] Moreover, we find that differences in association membership rates across regions are not 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 lobby via a collective action organization like a business association? We argue that the answer lies, at least in part, in the electoral incentives facing public officials. Inspired by recent evidence confirming Mancur Olson's hypothesis[4] that less "encompassing" actors tend to lobby for more distortionary policies,[5] we hypothesize that greater political competition makes government officials relatively more sensitive to voices representing a broader swath of economic interests. In more competitive environments, officials face greater electoral risk if perceived to have been captured by narrow interests seeking policies that – while generating concentrated rents – impose broad social costs. With greater competition, that is, officials become more prone to accommodate the appeals of collective actors relative to those made by single actors. If enterprises understand as much, they will adjust their lobbying strategy accordingly.

Alternative explanations might focus more directly on the calculus of the enterprise. For instance, the institutional environment may affect the cost of lobbying directly relative to the cost of lobbying through intermediaries. Our finding from the enterprise survey data, after all, is consistent with the proposition that the relative cost of working with a business association is low where politics are freer and more competitive. Why then do we interpret the propensity for intermediated lobbying to be driven, at least in part, by officials' incentives? We draw evidence

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**1** Barber, Pierskalla, and Weschle (2014); Chong and Gradstein (2010); Grier, Munger, and Roberts (1994); Kanol (2015); Weymouth (2013).

**2** A related literature draws attention to the distinction between "inside" lobbying, direct interactions between interest groups and policymakers, and "outside" lobbying, involving efforts to pressure elected officials indirectly through their constituents, usually using the media (Kollman 1998).

**3** Weymouth (2013).

**4** Olson (1982).

**5** Guriev, Yakovlev, and Zhuravskaya (2010); Pyle and Solanko (2013).

from 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 more encompassing ones.

Studying lobbying behavior in the Russian Federation has several advantages. First, the country possesses a large number of regions that differ substantially with respect to their levels of political competition. In the manner of others before us, we exploit these differences to explore potentially broader truths about political competition and its consequences.[6] Second, by focusing on within-country variation across sub-national units, we can control for sources of heterogeneity that, if unobserved or unmeasured, complicate identification in cross-national samples (e.g. lobbying regulations, electoral systems, culture). Third, over the past two decades, Russia has developed a rich and diverse ecosystem of business associations active in shaping regional policy. Evidence suggests enterprises are active in both lobbying via associations[7] and in pursuing their interests through direct and un-mediated contacts with officials.[8]

Our paper proceeds as follows. The next section presents the logic of the "officials' incentives" hypothesis that motivates our paper. Section three provides relevant context for the Russian case. Section four introduces our survey data and 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 drew an important, yet often overlooked, distinction between more and less "encompassing" organizations:[9]

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**6** Freinkman and Plekhanov (2009); Gehlbach, Sonin, and Zhuravskaya (2010); Karhunen and Ledyaev (2011); Libman (2013); Obydenkova and Libman (2012).
**7** Frye (2002); Pyle (2011).
**8** Frye (2002); Slinko, Yakovlev, and Zhuravskaya (2005).
**9** Olson (1982).

[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 (47–48).

Not all lobbies, in other words, are created equal. Olson suggests that the less encompassing generally pursue interests at odds with social welfare, whereas the more encompassing, on balance, are more benign.

Recent empirical studies confirm this intuition: less encompassing business actors are more likely to push for policies that distort competitive markets and slow development.[10] Pyle and Solanko provide the literature's most direct test of Olson's theory that relatively less encompassing organizations prefer policies – e.g. subsidies, tariffs, tax loopholes and competition-limiting regulations – that generate relatively greater external costs.[11] The authors draw on a pair of surveys administered in 2004 in the Russian Federation, one targeting the managers of industrial enterprises, the other managers of regional business lobbies. Respondents were asked a set of questions that explored the intensity of their preferences for policies that would benefit particular sectoral or regional interests and implicitly impose external costs. The pattern of responses was striking. Controlling for a host of respondent-level and regional characteristics, managers at both the less-encompassing lobbies and the enterprises belonging to less-encompassing groups were apt to view particularistic policies in a relatively favorable light. More encompassing lobby groups and the members of such organizations, on the other hand, exhibited greater skepticism.

Olson provides two metrics for assessing how encompassing a particular organization is. He primarily highlights the extent to which its members contribute to society's income-producing capacity. The greater the contribution, the more likely the organization internalizes costs associated with its members' desired policies. In the relevant section of *The Rise and Decline of Nations*, Olson makes this link quite clearly:[12]

"If an organization represents, say, a third of the income-producing capacity of a country, its members will, on average, obtain about a third of the benefit from any effort to make the society more productive. The organization will therefore have an incentive to make sacrifices up to a point for policies and activities that are sufficiently rewarding for the society as a whole." (48)

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**10** Guriev, Yakovlev, and Zhuravskaya (2010).
**11** Pyle and Solanko (2013).
**12** Olson (1982).

Olson subsequently suggests that a business lobby that merely adds firms from a single sector that it already represents need not develop a more encompassing interest. He thereby also ties a business lobby's sectoral diversity to the probability of expressing interests more in line with social welfare. Multi-sector business associations are therefore more encompassing than sector-specific ones.[13] Olson's logic, as Gray and Lowery argue,[14] implies that, in the limit, the least encompassing business lobby is the single enterprise acting independently and making choices purely on the basis of its own private costs and benefits.[15]

We can thus envision a spectrum of lobbying channels arrayed according to the degree to which they are encompassing. 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 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 be filtered out by multi-member associations.[16] The logic we propose 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.[17] Acting independently, the single actor can pursue any of its objectives unencumbered by concerns of externalities. But if acting as part of a collective action organization, it will be constrained by the organization's sensitivity to costs imposed on other members.
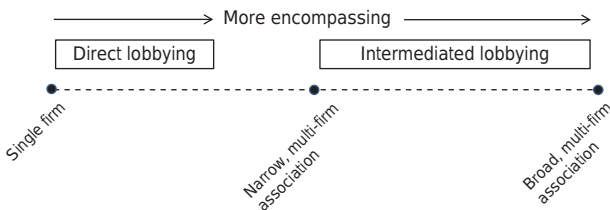


**Figure 1:**  Spectrum of lobbying channels.

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**13** Jankowski (1989).
**14** Gray and Lowery (1988: p. 120).
**15** Although in a non-Olsonian context, other authors have also drawn attention to the distinction between the pursuit of business interests by individual firms and collective action groups (Hart 2004; Walker and Rea 2014).
**16** Smith (2010).
**17** Gray and Lowery (1988).

Which of its lobbying objectives would an enterprise be more likely to pursue with a business association's assistance? 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, an association would be more likely to champion policies that create shared benefits among members 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 benefit others as well will tend to be pursued more through an intermediary that includes co-beneficiaries.

Enterprises are resource constrained and pursuit of any particular objective will hinge on the potentially uncertain payoffs of success and the opportunity cost of lobbying. Although it is difficult to imagine any enterprise not having a long list of policy objectives, only some (if any) of these are likely to merit the costs of pursuit. Some enterprises, indeed, may choose not to lobby at all, whereas others 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 important determinants of decisions to engage in lobbying.[18] Interestingly, this same study found an enterprise's choice to lobby to be insensitive to the presence of democratic political institutions. We ask here whether, conditional on the choice to lobby, the same is true of using an intermediary. Do political institutions, that is, influence whether an enterprise approaches officials through a business association as opposed to using more direct channels? 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.[19] In drawing attention here to the marginal impact of political

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**18** Weymouth (2013).

**19** As we do, Bombardini and Trebbi (2012) study variation in lobbying approaches but link them not to political institutions but to market structure.

competition, we focus on a mechanism linking political competition and the preferences of officials for intermediated lobbying. We argue that as the degree of political competition increases, the relative attention given to appeals from encompassing actors also increases. This could be because encompassing actors lobby, on balance, for policies that generate broader electoral support. As Olson theorized,[20] and as others demonstrated empirically,[21] more encompassing business actors are more likely than the less encompassing to push for policies whose effects do not distort competitive markets and slow development. Officials that respond to these sorts of broader, less particularistic, appeals are likely to be rewarded at the ballot box.[22] What is more, by their nature, more encompassing actors generally represent a broader swath of the electorate (or the electorate's employers) than single enterprises. Policies good for an association representing multiple enterprises will thus tend to have a direct and positive benefit for a larger subsection of voters than those aimed at a single enterprise. Again, this is likely to result in greater electoral support.

At the margin, greater electoral support is apt to be more valuable for officials feeling the least secure in their positions – i.e. those in politically competitive regions. Attentiveness to the lobbying appeals of more encompassing actors should thus be greatest in precisely these settings. Recognizing this, enterprises will adjust their behavior accordingly, becoming more likely to channel lobbying through an intermediary in politically competitive regions. Correspondingly, in non-competitive environments, officials can afford to be more responsive to the appeals of less encompassing voices, whose policy objectives, with greater probability, generate negative externalities[23] and may hold out the prospect of corruption rents or other forms of *quid pro quo* exchanges.[24] Understanding the weakness of electoral incentives in less competitive regions, fewer enterprises are apt to direct lobbying efforts through intermediaries that might constrain their lobbying agenda.

In Section 5, we show that enterprises in more politically competitive environments are more apt to lobby through an intermediary. This finding is consistent with the "officials' incentives" hypothesis but also with alternative mechanisms. To further explore officials' incentives with respect to dealing with different types of business actors, we turn to survey evidence collected directly from a sample of business associations. In doing so, we demonstrate that the degree to which

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**20**  Olson (1982).

**21**  Guriev, Yakovlev, and Zhuravskaya (2010); Pyle and Solanko (2013).

**22**  Bueno de Mesquita et al. (2003).

**23**  Olson (1982); Guriev, Yakovlev, and Zhuravskaya (2010); Pyle and Solanko (2013).

**24**  Gehlbach (2008); Frye, Reuter, and Szakonyi (2014).

these organizations report officials are responsive to their lobbying appeals is sensitive to the interaction of their political-institutional environment and the degree to which they are encompassing.

# 3 Politics and lobbying in Russia's regions

Many recent studies document Russia's transition from a troubled nascent democracy in the 1990s to the centralized, competitive authoritarian regime of today.[25] Legislative dominance by the hegemonic party, United Russia (UR), and the suborning of regional elites to mobilize for, and ultimately win, elections have become two fundamental pillars of this new regime[26] as has 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 competition. A large body of research suggests, however, that there is indeed substantial variation in political competition across Russian regions. This variation has been used to explore political competition's consequences for a variety of political and economic outcomes.[27]

Policy-making in Russia's regions is dominated by the executive branch, making it a locus for lobbying activities. In 2010, when our surveys were conducted, regional governors were appointed to office by the President. They were thus insulated in a *de jure* sense from direct electoral pressures. *De facto*, however, governors in most regions – particularly the more politically competitive ones – had to remain sensitive to electoral results. As is true of officials in many hegemonic party systems, Russian governors were indirectly accountable to the electorate. Vote shares matter because the perception of monopolistic control is critical. So long as the hegemonic party is viewed as invincible, potential challengers prefer to remain inside it to ensure continued access to office and rents. Failure to win elections decisively shatters the illusion of invincibility and can encourage other parties to mobilize and elites to defect.[28] As a consequence, party leaders have incentives to insure their vote shares are high and pass these incentives along to subordinates by tying access to office and rents to electoral results.[29]

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**25** Smyth, Lowry, and Wilkening (2007); Reuter and Remington (2009); Robertson (2010).

**26** Fish (2005); Remington (2008); Reuter (2010); Frye, Reuter, and Szakonyi (2014).

**27** Freinkman and Plekhanov (2009); Gehlbach, Sonin, and Zhuravskaya (2010); Karhunen and Ledyaev (2011); Libman (2013); Obydenkova and Libman (2012).

**28** Magaloni (2006); Reuter and Gandhi (2011).

**29** Magaloni (2008).

This logic of hegemonic party systems finds support in the Russian data. Indeed, the best predictors of governors' reappointment are vote margins for the incumbent president (Putin or Medvedev) and the party of power, United Russia, both of which are important to the perceived invincibility of the UR party.[30] So important was producing good results, that many governors actively campaigned for UR in regional legislative elections, even going so far as to headline UR party lists.[31] In such a situation, in which the governor is closely tied to UR's candidates and electoral results are critical to receiving the President's blessing to stay in office, governors have strong incentives to be mindful of voters in politically competitive regions.

Although governors are the locus of policy-making at the regional level, the elected legislatures also play an important role. They retain the power to pass laws, approve budgets, override gubernatorial vetoes, amend regional constitutions, and, in a few notable cases, confirm or reject gubernatorial appointments.[32] Moreover, regional legislatures represent an important channel through which elites pursue policies beneficial to themselves and their friends.[33] They are the venue for traditional corporate political activity[34] and sufficiently influential to induce many enterprise owners to run for seats in them.[35]

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 lobbying at the sub-national level, even though it is in the regions where the average enterprise is more likely to be politically active. Frye, in an important 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 business associations.[36] Slinko et al. 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, and energy subsidies) directly to single enterprises.[37] And Guriev et al. use the same source, in conjunction with a sample of large and medium-size

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**30** Reuter and Robertson (2012).
**31** Reuter and Remington (2009); Reuter (2010).
**32** Tolstykh (2008); Makhortov (2008); Reuter (2013).
**33** Reuter and Robertson (2015); Reuter and Turovsky (2014).
**34** Mironov and Zhuravskaya (2016).
**35** Szakonyi (2016).
**36** Frye (2002).
**37** Slinko, Yakovlev, and Zhuravskaya (2005).

enterprises, to draw inferences about direct lobbying efforts and the sources of regional variation in economic institutions.[38]

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 creations 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.[39] Unlike in some continental European countries, business association membership in Russia has remained voluntary.[40]

A number of studies have documented the role these associations have played in translating their members' 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.[41] At the sub-national level, there has been less research, but regional associations have nevertheless been shown to serve as an important intermediary between the business community and government officials.[42] Some regional associations, such as 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 have a narrower, sector-specific orientation. In a study that motivates our investigation here, Pyle and Solanko draw on evidence from Russia to demonstrate that managers from both less encompassing regional associations and their membership display stronger preferences than colleagues affiliated with more encompassing associations for the sorts of narrowly targeted policy interventions that create rents for a small group while imposing costs on the rest of society.[43] In part, this is due to the nature of decision making within some Russian business associations, which work by consensus and tend to grant smaller members chances to veto or alter policies. For example, firms willing to send representatives to working groups and committee meetings at the Russian Union of Industrialists and Entrepreneurs (RSPP), Russia's largest business association, can often modify or scuttle proposals, even if large members dominate the process of generating policy recommendations.[44]

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**38** Guriev, Yakovlev, and Zhuravskaya (2010).
**39** Pyle (2006); Yakovlev and Govorun (2011).
**40** Duvanova (2013).
**41** Ashwin and Clarke (2002); Guriev and Rachinsk (2005); Cook (2007); Sokhey (2010).
**42** Yakovlev and Govorun (2011); Pyle (2011).
**43** Pyle and Solanko (2013).
**44** Please see Chapter 3 of Marques II (2015).

# 4 Data and methodology

We make use of two surveys conducted by the National Research University Higher School of Economics in late 2010. Both draw respondents from roughly three-quarters of Russia's 83 regions, with roughly balanced numbers of observations across regions.[45] The first survey addressed managers at 1013 enterprises, most of which are located in regional capitals. They represent ten major sectors, roughly half of which are industrial.[46] The average enterprise in the sample is a bit larger than the national average as those with less than 15 employees were deliberately excluded. Because of the size and sectoral composition of the sample, our respondents are more likely to be business association members than would be the case for a truly representative sample. We present descriptive statistics in Table 1.

To assess the relative importance of different lobbying strategies, respondents were asked whether his/her enterprise attempts "to influence the content of new laws and normative acts … for adoption at the regional level." Those answering in the affirmative were then asked whether they had done so by making "personal contacts" with executive or legislative branch officials and/or by seeking assistance from a business association.[47] Just over 13% of all respondents reported lobbying and drawing on support of a business association; roughly 11% reported lobbying and making contact directly with legislative or executive branch officials; and less than 5% reported lobbying and following both of these strategies. Though addressing the distinction between less-encompassing (i.e. direct contacts with officials) and more-encompassing (i.e. business associations) strategies, this question does not allow us to characterize the type of business association from which enterprises may have sought assistance.

The second survey, which we believe to be the most comprehensive of its kind, targeted managers at 315 Russian business associations. About 45% of these represent the regional affiliates of national organizations (e.g. Russian Union of Industrialists and Entrepreneurs, the Chamber of Commerce), 29% represent

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[45] Moscow and St. Petersburg, both 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 large contribution to national output.

[46] Sectors include machinery (14% of enterprises), metallurgy (3%), chemicals (6%), woodworking (6%), light industry (9%), food industry (12%), information technology (12%), trucking (12%), retail (13%), and travel services (13%).

[47] Respondents also could answer "media" or "personal contacts with influential individuals outside of government (e.g. other entrepreneurs or public figures)." Respondents gave these latter two responses much less frequently than the other three.

**Table 1:** Summary statistics.

| | Mean | St. dev. |
|---|---|---|
| Lobbying through business association | 0.13 | 0.34 |
| Log employees | 4.89 | 1.50 |
| Log enterprise age | 2.97 | 1.12 |
| Export firm indicator | 0.28 | 0.45 |
| Member of commercial (holding) group | 0.23 | 0.42 |
| Major owner: manager | 0.29 | 0.46 |
| Major owner: foreigner | 0.03 | 0.17 |
| Regional BA member | 0.20 | 0.40 |
| Location: regional center | 0.54 | 0.50 |
| Location: Moscow/St. Petersburg | 0.19 | 0.39 |
| Use of non-BA lobbying strategy | 0.12 | 0.32 |
| Carnegie democracy index (2005–2009) | 32.33 | 5.98 |
| Effective number of parties | 3.66 | 1.57 |
| Press freedom index (2009) | 2.18 | 0.62 |
| United Russia margin of victory at regional level in most recent federal legislative elections (2007) | 0.47 | 0.09 |
| United Russia margin of victory in most recent regional legislative elections | 0.33 | 0.17 |
| GRP per capita (2009) | 7.74 | 5.67 |
| Log regional population (2009) | 14.65 | 0.81 |
| Herfindahl index of GRP (2009) | 0.14 | 0.03 |
| Ratio of profit tax to regional revenue (2009) | 0.43 | 0.12 |

Enterprise sample.

regional associations with no connection to a national organization and 26% represent national associations that draw members from multiple regions. Since we know of no comprehensive database of business associations in Russia, we cannot comment on how representative our sample is of the overall population.

Because our interest lies in lobbying at the regional level, we omit from our analysis below national associations with members in multiple regions so as to focus on the 233 associations with a presence exclusively in a single region. Because our sample was designed to facilitate cross-regional analysis, we tried to ensure that associations of different types were balanced across regions. In each region, that is, we tried to survey regional affiliates of the major national multi-sector associations, a regional affiliate from a smaller federal association, and up to two additional associations. Descriptive statistics are presented in Table 2.

Our dependent variable for the association-level analysis draws on a question that asks the association managers whether officials in their region "are interested in the participation of your organization in the development of laws and legal norms." Just over half, 53.6%, responded positively. This question, we feel,

**Table 2:** Summary statistics.

|  | Mean | St. dev. |
| --- | --- | --- |
| Requests for association's policy input | 0.54 | 0.50 |
| Members' contribution to GRP | 0.73 | 0.44 |
| Sector specific association | 0.38 | 0.49 |
| Share of membership fees in association budget | 0.64 | 0.43 |
| Share of membership fees (no response) | 0.10 | 0.31 |
| Branch of federal association | 0.61 | 0.49 |
| Log association age | 2.20 | 0.78 |
| Square log association age | 5.46 | 3.08 |
| Carnegie democracy index (2005–2009) | 31.92 | 5.94 |
| Effective number of parties | 3.77 | 1.75 |
| Press freedom index (2009) | 2.08 | 0.65 |
| United Russia margin of victory at regional level in most recent federal legislative elections (2007) | 0.50 | 0.11 |
| United Russia margin of victory in most recent regional legislative elections | 0.34 | 0.19 |
| GRP per capita – (2009) | 5.77 | 2.41 |
| Log regional population 2009 | 14.39 | 0.65 |
| Herfindahl index of GRP (2009) | 0.13 | 0.02 |
| Ratio of profit tax to regional revenue (2009) | 0.39 | 0.08 |

Association sample.

well captures the spirit of the "officials' incentives" hypothesis that we sketched above. Association managers are asked to reflect directly on the question of regional officials' sensitivity to their organization's lobbying efforts. As a result, we can assess whether officials' sensitivity to the interests of more encompassing actors (relative to those that are less encompassing) increases with region-level political competition.

## 4.1 Modeling strategy

In order to explore the relationship between political competition and lobbying strategy, we estimate a set of multi-level hierarchical (MLH) logistical models

$$Y_i = \alpha_0 + \gamma_1 \text{Dem}_j + \gamma_2 Z_j + \rho X_i + \eta_j + \epsilon \tag{1}$$

with $Y_i$ the enterprise's response to a question about lobbying strategy, $\text{Dem}_j$ a measure of regional political competition, $X_i$ a vector of enterprise-level controls, $Z_j$ a vector of regional controls, $\eta_i$ a vector of region-specific varying intercepts, and $\epsilon$ the error term.

MLH models, as opposed to other estimation techniques, facilitate analysis of heteroskedastic, nested data for which the interest lies in measuring the influence of higher-level (regional) variables on individual outcomes.[48] They allow us both to estimate the effects of specific regional controls and to capture the effect of region invariant characteristics in a manner similar to fixed effects.[49] By using information from within and between higher level units, MLH models also produce more efficient estimates than other approaches for the higher-level variables of interest. This is particularly important in cases with either few units at the higher level or for which each higher-level unit has a small number of individual observations.[50]

As noted above, our dependent variable comes from two survey questions, one that asks respondents whether they try "to influence the content of new laws and normative acts … for adoption at the regional level" and the other that addresses their strategies for doing so. Because our interest lies in understanding the determinants of intermediated lobbying, our dependent variable is binary, coded as "1" if the respondent reports lobbying at the regional level and uses a business association to do so, and "0" otherwise.

Properly measuring political competition, our primary independent variable of interest, is a subject of great contention in the literature. Scholars disagree on everything from the fundamental definition of political competition to how it should be measured.[51] Sensitive to this debate and the lack of consensus, we draw on a diverse set of measures that, although correlated, capture different features of political competition emphasized in prior studies. To the extent that our findings are comparable across these multiple measures, we can be confident of their robustness to objections to any specific measure.

First, we use the Carnegie Democracy Index (CDI), produced as part of the Moscow Carnegie Center's Regional Monitoring Project and averaged for the period from 2005 to 2009. The CDI draws on expert assessments to measure democracy at the regional level across ten different dimensions, including representativeness of elections, pluralism, and openness of political life. These components are added to produce an index ranging from 5 to 50, with higher scores representing higher levels of democracy.[52] Conceptually, this index captures a broad definition of democracy, encompassing electoral concerns, political competition, and civil rights.[53]

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**48** Gelman and Hill (2007); Steenbergen and Jones (2002).
**49** Gelman and Hill (2007: pp. 245–256).
**50** Franzese (2005); Leoni (2009).
**51** Treier and Jackman (2008); Cheibub, Gandhi, and Vreeland (2010).
**52** McMann and Petrov (2000).
**53** Dahl (1971).

Second, we use Laakso and Taagepera's methodology to compute the effective number of parties (ENP) in the region, a more objective measure of pluralism than the CDI.[54] We draw on electoral data from the most recent regional elections prior to our 2010 survey.[55] A higher score indicates more parties and greater political pluralism, which, we believe, implies greater political competition.

Third, since political competition requires the free flow of information, we introduce a three-point categorical measure of regional press freedom constructed by the Glasnost Defense Foundation, a Russian NGO. This measure speaks more to the quality of civil rights and the freedom of information, which are important to some definitions of democracy and political competition. Experts assigned regions to one of three categories: "somewhat free," "somewhat not free," and "not free," coded "3," "2" and "1," respectively. We use the assessments from 2009.

Finally, we separately employ United Russia's region-level margin of victory in both the 2007 federal legislative elections and in the regional legislative elections immediately prior to our survey. Intuitively, the greater is United Russia's regional electoral dominance, the greater is the concentration of political power, and the weaker is the degree of political competition. Indeed, a number of studies document that those regions in which United Russia wins by a landslide tend to be those in which officials have the strongest political machines and the most control.[56] Two caveats are in order with respect to these measures. First, as the summary statistics in Table 1 indicate, United Russia's average margins of victory were relatively large in the federal and regional legislative elections: 47% and 33%, respectively. While such margins are not uncommon for a hegemonic party system, they may seem far from competitive by the standards of Western democracies. Nonetheless, we feel it is not unreasonable to interpret them as capturing important differences in the levels of competition across regions. Where *relatively* small, that is, regional politicians have less leeway to anger voters before triggering a backlash.[57] Second, we recognize that vote shares in a hegemonic party

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[54] Laakso and Taagepera (1979).

[55] These range from 2005 to 2009 depending on region-specific electoral calendars.

[56] Treisman (1999); Robertson (2010); Reuter and Robinson (2012); Reuter (2010); Reuter (2013).

[57] The Colored Revolutions illustrate the principle nicely, with protests typically erupting in the relatively more competitive cities, despite previously high vote margins for incumbents (Tucker 2007). It is also worth noting that these variables are highly correlated with vote margins in previous periods, when UR's vote margins were considerably lower. UR's average margin of victory in the federal legislative prior to the 2009 elections was 21% with a standard deviation of 18%. These results have a correlation coefficient of 0.49 with the 2009 electoral results and the correlation is significant at conventional levels. Similar results hold for regional elections.

system such as Russia's are potentially subject to manipulation. But whether the electoral outcomes reflect popular opinion exclusively or the combination of popular opinion and machine politics, we believe they capture meaningful variation in the levels of regional political competition.

Our enterprise-level controls include a set of sector dummy variables, the (natural log of the) number of employees, the (natural log of the) enterprise's age, and dummy variables to capture the following enterprise-specific characteristics: whether the enterprise exports its output, whether it belongs to a holding company or commercial group, whether it is a member of a business association, whether it is located in a regional capital, whether it is located in Moscow or St. Petersburg, and, to capture any unobserved characteristics associated with the choice to lobby, whether it reported lobbying through any non-business-association channel.

We also include additional regional controls. Gross regional product (GRP) per capita in 2009 (measured in tens of thousands of rubles) and the (natural log of) the region's population (measured in January of 2009) proxy for the region's development and market size. Two variables capture the region's industrial structure: the ratio of profit taxes to total regional revenue, and a Herfindahl index measuring the diversity of the regional economy.[58] We include the former as a measure of available resource rents since regions that rely more on natural resource revenues tend to be less likely to provide public goods or grant enterprises a voice in policy[59] and because resource rents are, themselves, associated with weaker political competition.[60] The latter, a proxy for regional economic concentration, is a potential factor in shaping the relationship between the business community and public officials. Following Gelman and Hill, we mean center our regional variables to improve the computational efficiency of our estimates.[61]

For the association analysis, we again use MLH logistic models, which are particularly well-suited for our association data because they provide efficient estimates of region-level parameters even in cases in which there are only a few individual observations in each region.[62] Our equation takes the form

$$Y_i = \alpha_0 + \gamma_1 \text{Dem}_j + \gamma_2 Z_j + \beta_1 \text{Narrow}_i + \beta_2 \text{Narrow}_i * \text{Dem}_j + \rho X_i + \chi_{1j} + \eta_j + \epsilon_i, \quad (2)$$

**58** This measure is constructed using official data on contributions to regional GRP broken down into 15 sectors, based on the statistical classification of economic activities in the European Community (NACE Rev.2).
**59** Gehlbach (2008).
**60** Fish (2005).
**61** Gelman and Hill (2007).
**62** Gelman and Hill (2007).

with $Y_i$ the indicator of officials' interest in cooperation with association $i$ ("1" indicates interest, "0" no interest), $Dem_j$ a measure of political competition in region $j$, $Narrow_i$ a proxy for whether or not the association is encompassing ("1" indicates not encompassing, "0" encompassing), $X_i$ a vector of association-specific controls, and $Z_j$ a vector regional controls. As before, $\eta_j$ is a set of region-specific random intercepts and $\epsilon$ is the association-specific error term. The new term, $\chi$, represents a random co-efficient of the Narrow variable necessary for cross-level interactions to be identified; it can be interpreted as an additional error term in analyses such as these.[63]

Our measures of $Dem_j$ and the components of $Zj$ are the same as those used in our enterprise analysis. Our two proxies for whether an association is more or less encompassing are survey-based. First, we include a measure based on the respondent's estimate of the association's membership's contribution to GRP.[64] Recall that Olson emphasized that the smaller the share of regional output produced by an association, the less encompassing its interests are likely to be.[65] We code $Narrow_i$ "0" if the respondent claims that members' output comprises more than one-quarter of GRP; 27% of the associations in our sample are in this group. Other enterprises, for which this variable is coded as "1," either volunteer that their members' output constitutes less than one-fourth of regional GRP or refrain from answering the question.[66] As an alternative measure of how encompassing an association is, we also employ a dummy variable that takes on the value of "1" if the association's membership is composed of enterprises exclusively from a single sector and "0" if the association represents multiple sectors; 37.8% are sector-specific and the remainder are multi-sector.

Our "officials' incentives" hypothesis predicts that regional government officials will be relatively more (less) sensitive to more encompassing associations in more (less) politically competitive regions. The hypothesis, that is, focuses on the attention given by officials to one type of lobbying organization

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**63** Gelman and Hill (2007).

**64** 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.

**65** Olson (1982).

**66** Of association managers, 46% report that their members' contribution to regional GRP is less than one-quarter and 27% do not provide an answer to the question. In our specifications in Table 5 we combine these two groups, treating both as representing "narrow" interests on the assumption that those that do not wish to avoid admitting that their members' share of the regional economy is relatively small. Our results, however, are not sensitive to this choice. Excluding the associations that did not respond to this question produces results that mirror, extremely closely, those in Table 5.

(i.e. more encompassing) relative to another (i.e. less encompassing) and how the degree of relative attention changes with the level of regional political competition. As a result, our main variable of interest is the interaction between regional political competition and the degree to which an association is encompassing.

Additional association-specific controls include the percentage of the association's budget funded by member donations and a dummy variable equal to "1" if the association refused to answer this budgetary question.[67] This speaks to the association management's dependency on, and therefore sensitivity to the preferences of, the membership. We also include a dummy variable equal to "1" if the association is an affiliate of a federal association. Finally, we include the (natural log of the) age of the association and its square to capture the potential influence of time on the strength of connections to public officials.[68]

# 5 Results

Our results confirm that the degree of regional political competition explains enterprise lobbying strategy. Considering first the full sample, Table 3 shows that three different measures of political competition are associated with lobbying through an intermediary in a statistically significant manner. The margins of victory by United Russia in both the regional and federal legislative elections are negatively related to using a business association, with both relationships statistically significant at the 5% level. Moreover, our "effective number of parties" (ENP) measure is positively related at the 10% level with using a business association. Each of these three results suggests that in regions with greater competition, enterprises are more likely to employ business associations for lobbying. It is also worth noting the positive correlation between lobbying through an association and the other two measures of political competition, the Press Freedom Index (PFI) and the Carnegie Democracy Index (CDI). Although these relationships are not significant at conventional levels, they reassuringly point in the same direction as our other results. Political competition and intermediated lobbying go hand in hand.

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**67** We treat the associations that refused to answer this question as having none of their budget funded by member donations. Our results in Table 5 are robust to several alternative ways of dealing with this group (e.g. excluding them altogether).

**68** All of our specifications are robust to dropping this square term.

**Table 3:** Business association lobbying and institutional context – full sample.

|  | (1) | (2) | (3) | (4) | (5) |
|---|---|---|---|---|---|
| Carnegie democracy index (2005–2009) (Higher = more competitive) | 0.031 (0.030) |  |  |  |  |
| Effective number of parties (Higher = more competitive) |  | 0.175* (0.097) |  |  |  |
| Press freedom index (2009) (Higher = more competitive) |  |  | 0.391 (0.266) |  |  |
| Margin of victory – most recent federal elections (2007) (Higher = less competitive) |  |  |  | −4.236** (2.039) |  |
| Margin of victory – most recent regional elections (Higher = less competitive) |  |  |  |  | −2.243** (1.082) |
| Log employees | 0.086 (0.135) | 0.082 (0.135) | 0.097 (0.136) | 0.094 (0.134) | 0.088 (0.135) |
| Log enterprise age | 0.311** (0.147) | 0.299** (0.147) | 0.306** (0.147) | 0.321** (0.147) | 0.317** (0.147) |
| Export firm indicator (1 = yes) | 0.850*** (0.294) | 0.802*** (0.294) | 0.827*** (0.292) | 0.833*** (0.293) | 0.826*** (0.294) |
| Member of commercial (holding) group (1 = yes) | −0.350 (0.307) | −0.349 (0.308) | −0.361 (0.308) | −0.338 (0.307) | −0.331 (0.308) |
| Major owner: manager (1 = yes) | −0.188 (0.272) | −0.191 (0.271) | −0.206 (0.271) | −0.153 (0.271) | −0.177 (0.271) |
| Major owner: foreign (1 = yes) | −0.030 (0.649) | −0.031 (0.649) | −0.027 (0.651) | −0.089 (0.648) | −0.070 (0.649) |
| Regional BA member (1 = yes) | 1.426*** (0.270) | 1.463*** (0.268) | 1.452*** (0.268) | 1.457*** (0.269) | 1.464*** (0.268) |
| Location: regional capital (1 = yes) | 0.466 (0.338) | 0.483 (0.339) | 0.439 (0.337) | 0.480 (0.336) | 0.511 (0.339) |

**Table 3** (continued)

| | (1) | (2) | (3) | (4) | (5) |
|---|---|---|---|---|---|
| Location: Moscow/St. Petersburg (1 = yes) | 0.527 (0.923) | 0.442 (0.881) | 0.250 (0.925) | −0.011 (0.888) | 0.109 (0.897) |
| Use of non-BA lobbying strategy (1 = yes) | 2.441*** (0.302) | 2.445*** (0.302) | 2.42*** (0.300) | 2.481*** (0.301) | 2.478*** (0.302) |
| GRP per capita (2009 – tens of thousands of rubles) | 0.017 (0.088) | 0.012 (0.082) | 0.018 (0.084) | 0.015 (0.079) | 0.054 (0.087) |
| Log regional population (2009) | −0.003 (0.312) | 0.177 (0.322) | −0.055 (0.310) | 0.136 (0.305) | 0.180 (0.317) |
| Herfindahl index of GRP (2009) | −1.154 (8.263) | 0.703 (8.179) | −1.617 (8.138) | −1.302 (7.902) | −0.694 (8.074) |
| Ratio of profit tax to regional revenue (2009) | 0.902 (3.334) | 0.830 (3.166) | 1.902 (3.101) | 0.780 (3.063) | 0.252 (3.199) |
| Sector dummies | Yes | Yes | Yes | Yes | Yes |
| Observations | 892 | 892 | 892 | 892 | 892 |
| Number of groups | 58 | 58 | 58 | 58 | 58 |
| $\chi^2$ | 123.6 | 124.8 | 125.0 | 126.8 | 125.7 |
| Log likelihood | −257.4 | −256.3 | −256.8 | −255.6 | −255.6 |

Standard errors in parentheses. Stars indicate the following significance levels: ***$p < 0.01$, **$p < 0.05$, *$p < 0.1$.

When we restrict analysis to the subset of enterprises that report lobbying at the regional level, our results do not change.[69] Table 4 shows that the ENP measure as well as both margin-of-victory variables explain intermediated lobbying in a manner similar to that observed with the full sample. If anything, these results appear to be a bit stronger than those with the full sample as the coefficient for each measure of political competition becomes greater in magnitude. Conditional on lobbying regional officials, in other words, an enterprise is more likely to use the services of a business association in regions with greater political competition.

Tables 3 and 4 further demonstrate that exporting enterprises as well, unsurprisingly, as members of business associations are more likely to use associations' services to lobby. And although the results from the full sample demonstrate that older enterprises use associations to lobby more frequently, this relationship is not robust to restricting analysis to the subset of lobbying enterprises. Table 3 also reveals that enterprises that report lobbying through channels other than a business association are more likely to use the lobbying services of a business association than those that do not use these other channels. These enterprises, in other words, rely upon multiple channels to lobby.

Our enterprise level analysis is broadly consistent with the "officials' incentives" hypothesis outlined in Section 2. That is, the relationship between political competition and intermediated lobbying may reflect that officials in politically competitive regions are relatively more sensitive to the appeals of more encompassing collective actors. The relationship might also be due to other factors. For instance, perhaps the relative cost of intermediated lobbying (as opposed to directly contacting public officials) is lower in regions with more political competition. The Tables 3 and 4 results, however, do not allow us to distinguish officials' incentives from other possible mechanisms. In order to bring greater clarity to the question of the mechanism that can explain the relationship, we turn to the survey of business association managers.

For our analysis of the business association data, recall that our hypothesis focuses on the interaction between the measure of how encompassing the actor lobbying is and the degree of regional political competition. In more competitive regions, we would expect that less encompassing business associations, which

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**69** In an ideal world, we would be able to check the robustness of our results to selection effects using a specialized two-stage method, such as a Heckman selection model. Such models would require us to find a predictor of the decision to lobby for the first stage equation that is uncorrelated with *how* the firm chooses to lobby and can therefore be omitted from the second stage. We are aware of no such instrument.

**Table 4:** Business association lobbying and institutional context – firms that lobby.

| | (1) | (2) | (3) | (4) | (5) |
|---|---|---|---|---|---|
| Carnegie democracy index (2005–2009) (Higher = more competitive) | 0.059 (0.042) | | | | |
| Effective number of parties (Higher = more competitive) | | 0.208* (0.125) | | | |
| Press freedom index (2009) (Higher = more competitive) | | | 0.557 (0.375) | | |
| Margin of victory – most recent federal elections (2007) (Higher = less competitive) | | | | −6.857** (2.963) | |
| Margin of victory – most recent regional elections (Higher = less competitive) | | | | | −3.430** (1.460) |
| 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) |
| Export firm indicator (1 = yes) | 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 (1 = yes) | −0.890* (0.482) | −0.930* (0.485) | −0.953** (0.478) | −0.964** (0.488) | −0.948* (0.489) |
| Major owner: manager (1 = yes) | −0.618 (0.453) | −0.585 (0.458) | −0.581 (0.455) | −0.485 (0.471) | −0.438 (0.469) |
| Major owner: foreign (1 = yes) | −0.294 (0.866) | −0.313 (0.867) | −0.348 (0.857) | −0.385 (0.873) | −0.301 (0.881) |
| Regional BA member (1 = yes) | 1.167*** (0.445) | 1.319*** (0.450) | 1.290*** (0.449) | 1.363*** (0.458) | 1.354*** (0.457) |
| Location: regional capital (1 = yes) | 0.196 (0.544) | 0.153 (0.547) | 0.066 (0.538) | 0.168 (0.551) | 0.297 (0.558) |

**Table 4** (continued)

| | (1) | (2) | (3) | (4) | (5) |
|---|---|---|---|---|---|
| Location: Moscow/St. Petersburg (1 = yes) | −0.673 | −0.467 | −0.842 | −1.210 | −1.064 |
| | (1.096) | (1.050) | (1.121) | (1.137) | (1.114) |
| Use of non-BA lobbying strategy (1 = yes) | −0.620 | −0.571 | −0.581 | −0.567 | −0.583 |
| | (0.483) | (0.484) | (0.483) | (0.496) | (0.492) |
| GRP per capita (2009 – tens of thousands of rubles) | 0.154 | 0.139 | 0.134 | 0.161 | 0.219* |
| | (0.118) | (0.112) | (0.113) | (0.114) | (0.123) |
| Log regional population (2009) | 0.011 | 0.207 | −0.058 | 0.168 | 0.295 |
| | (0.402) | (0.417) | (0.406) | (0.405) | (0.421) |
| Herfindahl index of GRP (2009) | −10.24 | −8.307 | −10.884 | −8.774 | −8.558 |
| | (10.46) | (10.658) | (10.376) | (10.631) | (10.899) |
| Ratio of profit tax to regional revenue (2009) | −1.986 | −2.313 | −0.191 | −3.624 | −4.408 |
| | (5.079) | (5.066) | (4.878) | (5.341) | (5.336) |
| Sector dummies | Yes | Yes | Yes | Yes | Yes |
| Observations | 148 | 148 | 148 | 148 | 148 |
| Number of groups | 49 | 49 | 49 | 49 | 49 |
| $\chi^2$ | 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. Stars indicate the following significance levels: ***$p < 0.01$, **$p < 0.05$, *$p < 0.1$.

represent a relatively narrow range of economic interests, will report less interest from officials (relative to more encompassing associations) in their participation in formulating laws. Indeed, this is what we observe. Table 5 introduces association managers' estimate of members' contribution to gross regional product (GRP). This variable $Narrow_i$ takes on the value of "1" if members are estimated to account for less than a quarter of GRP. Consistent with the "officials' incentives" hypothesis, the interaction terms between being a "narrow" (i.e. less-encompassing) association and both the ENP and the PFI, two different measures of political competition, are negative and statistically significant at the 10% level. As political competition, measured by ENP and PFI, increases, less-encompassing associations report officials demonstrate less interest in their participation in the development of legislation.[70] Also consistent with this result are the two positive margin-of-victory interaction terms, which are statistically significant at the 5% and 1% levels. As United Russia's regional dominance increases (i.e. as political competition decreases), the relative influence of narrower associations also increases.[71]

In sum, the evidence pointing to relatively greater influence for narrower, less-encompassing associations (as opposed to those that are more encompassing) in less politically competitive regions is quite strong. In line with the "officials' incentives" hypothesis, that is, officials in more competitive regions give greater attention to the appeals of more encompassing associations, relative to those that are less encompassing, than their counterparts in less competitive regions.[72]

As a robustness test, we run the same models on our association data but with an alternative measure for how encompassing a business association is. In Table 6, the variable $Narrow_i$ takes on the value of "1" if the association represents enterprises from only a single economic sector. Because Olson, himself, in describing what defined an actor with or without less encompassing interests, gave less attention to this measure, it would not be unreasonable to consider it

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**70** The interaction term with the Carnegie Democracy Index is not statistically significant, but the negative sign is what would be predicted by the "officials' incentives" hypothesis and is consistent with the ENP and the PFI results.

**71** In Online Appendix A, we discuss the magnitude of these effects. Specifically, we calculate (and represent graphically) for two associations that are similar, but for the degree to which they represent encompassing interests, the predicted probabilities that they characterize officials as interested in working with them to develop new laws as a function of the degree of political competition in their region.

**72** Results that proxy for how encompassing an association is with the estimate of members' share of regional employment are quite similar.

**Table 5:** Members' contribution to GRP and degree of officials' interest in working with association to develop new laws and legal norms.

| | (1) | (2) | (3) | (4) | (5) |
|---|---|---|---|---|---|
| Less encompassing association (1 = members produce ≤ 25% of GRP) | -0.989** (0.412) | -0.974** (0.413) | -1.138*** (0.434) | -0.934** (0.411) | -0.868** (0.418) |
| Carnegie democracy index (2005–2009) (Higher = more competitive) | 0.003 (0.067) | | | | |
| Carnegie democracy index (2005–2009)* Less encompassing association | -0.065 (0.069) | | | | |
| Effective number of parties (Higher = more competitive) | | 0.094 (0.200) | | | |
| Effective number of parties * Less encompassing association | | -0.421* (0.228) | | | |
| Press freedom index (2009) (Higher = more competitive) | | | 0.973 (0.645) | | |
| Press freedom index (2009)* Less encompassing association | | | -1.271* (0.685) | | |
| Margin of victory – most recent federal elections (2007) (Higher = less competitive) | | | | -2.416 (3.406) | |
| Margin of victory (federal elections)* Less encompassing association | | | | 8.983** (3.914) | |
| Margin of victory – most recent regional elections (Higher = less competitive) | | | | | -1.588 (1.863) |
| Margin of victory (regional elections)* Less encompassing association | | | | | 6.048*** (2.194) |
| 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) |

**Table 5** (continued)

| | (1) | (2) | (3) | (4) | (5) |
|---|---|---|---|---|---|
| Branch of federal association | 0.638* | 0.639* | 0.602* | 0.650* | 0.686* |
| | (0.350) | (0.353) | (0.352) | (0.356) | (0.363) |
| Log association age | −0.106 | −0.365 | −0.0771 | 0.0565 | 0.0272 |
| | (0.847) | (0.887) | (0.852) | (0.881) | (0.911) |
| Square log association age | 0.076 | 0.129 | 0.064 | 0.038 | 0.044 |
| | (0.223) | (0.232) | (0.225) | (0.230) | (0.237) |
| GRP per capita (2009) | 0.060 | 0.067 | 0.071 | 0.095 | 0.043 |
| | (0.109) | (0.106) | (0.109) | (0.105) | (0.113) |
| Log regional population (2009) | 0.891** | 0.653 | 0.948** | 0.724* | 0.575 |
| | (0.396) | (0.410) | (0.414) | (0.402) | (0.421) |
| Herfindahl index of GRP (2009) | 7.748 | 5.107 | 8.518 | 8.057 | 7.210 |
| | (10.18) | (10.26) | (10.63) | (10.19) | (10.49) |
| Ratio of profit tax to regional revenue (2009) | −5.130 | −5.610 | −7.179* | −5.766 | −4.429 |
| | (3.814) | (3.686) | (3.751) | (3.728) | (3.854) |
| Observations | 213 | 213 | 213 | 213 | 213 |
| Number of groups | 56 | 56 | 56 | 56 | 56 |
| $\chi^2$ | 20.44 | 22.29 | 20.28 | 23.6 | 25.15 |
| Log likelihood | −132.3 | −130.5 | −131.8 | −128.6 | −126.9 |

Standard errors in parentheses. Stars indicate the following significance levels: ***$p < 0.01$, **$p < 0.05$, *$p < 0.1$.

**Table 6:** Sector specialization and degree of officials' interest in working with association to develop new laws and legal norms.

| | (1) | (2) | (3) | (4) | (5) |
|---|---|---|---|---|---|
| Sector specific association | 0.169 | −0.038 | 0.045 | 0.021 | −0.058 |
| (1 = members produce ≤ 25% of GRP) | (0.406) | (0.390) | (0.397) | (0.390) | (0.390) |
| Carnegie democracy index (2005–2009) | 0.001 | | | | |
| (Higher = more competitive) | (0.042) | | | | |
| Carnegie democracy index (2005–2009)* | −0.145** | | | | |
| Sector specific association | (0.061) | | | | |
| Effective number of parties | | −0.166 | | | |
| (Higher = more competitive) | | (0.134) | | | |
| Effective number of parties* | | 0.011 | | | |
| Sector specific association | | (0.197) | | | |
| Press freedom index (2009) | | | 0.359 | | |
| (Higher = more competitive) | | | (0.371) | | |
| Press freedom index (2009)* | | | −1.098** | | |
| Sector specific association | | | (0.520) | | |
| Margin of victory – most recent federal elections (2007) | | | | 3.795 | |
| (Higher = less competitive) | | | | (2.464) | |
| Margin of victory (federal elections)* | | | | 1.302 | |
| Sector specific association | | | | (3.458) | |
| Margin of victory – most recent regional elections | | | | | 3.006** |
| (Higher = less competitive) | | | | | (1.441) |
| Margin of victory (regional elections)* | | | | | −1.415 |
| Sector specific association | | | | | (1.845) |
| 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) | −0.798 | −0.811 | −0.827 | −0.761 | −0.898 |
| (1 = no response) | (0.629) | (0.624) | (0.630) | (0.627) | (0.633) |

**Table 6** (continued)

| | (1) | (2) | (3) | (4) | (5) |
|---|---|---|---|---|---|
| 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 | 0.034 | 0.185 | 0.108 | 0.121 | 0.166 |
| | (0.234) | (0.223) | (0.226) | (0.225) | (0.222) |
| GRP per capita (2009) | 0.021 | 0.046 | 0.049 | 0.053 | 0.025 |
| | (0.107) | (0.103) | (0.106) | (0.099) | (0.103) |
| 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 (2009) | −3.458 | −4.657 | −5.333 | −3.786 | −3.559 |
| | (3.683) | (3.561) | (3.563) | (3.469) | (3.544) |
| Observations | 213 | 213 | 213 | 213 | 213 |
| Number of groups | 56 | 56 | 56 | 56 | 56 |
| $\chi^2$ | 19.74 | 15.75 | 17.75 | 17.65 | 17.24 |
| Log likelihood | −132.8 | −136.0 | −134.6 | −134.4 | −134.4 |

Standard errors in parentheses. Stars indicate the following significance levels: ***$p < 0.01$, **$p < 0.05$, *$p < 0.1$.

a noisier proxy for the characteristic in which we are interested. Nevertheless, it is interesting to note that two of the five interaction terms are statistically significant at the 5% level and carry the predicted signs. The negative interaction terms that include the CDI and the PFI both suggest that as political competition increases in a region, the attention paid by regional officials to the more-likely-to-be narrow and particularistic appeals of sector-specific lobbies, as opposed to the more-likely-to-be broader concerns of more encompassing lobbies, decreases with political competition. This said, these results are not as uniformly strong as those with our preferred measure of members' contribution to GRP. But taken together, and considering that the GRP measure is the one to which Olson gives greater attention, the evidence supporting the "officials' incentives" hypothesis in Tables 5 and 6 is strong. Less-encompassing actors report less interest from officials in more politically competitive regions than their counterparts in regions with greater political competition.

These results from the survey of business association managers suggest that what we observed in Tables 3 and 4 – i.e. enterprises' usage of business associations to lobby increases with regional political competition – is driven, at least in part, by the incentives of regional officials. Although the association data do not allow us to completely eliminate the possibility of other explanations for the sensitivity of lobbying strategy to the political environment, they do provide us with a degree of confidence that competition in the political sphere influences how officials interact with lobbying actors of different types. Officials' incentives to respond to lobbying actors appear to change based upon both the degree of local political competition and the degree to which any particular lobbying actor represents encompassing interests. For individual enterprises, whose interests will generally be less encompassing than associations', the appeal of using such intermediaries would appear to increase with the competitiveness of their local political environment, at least in part, because officials in more politically competitive settings are relatively more receptive to intermediated lobbying (as opposed to direct lobbying) than their counterparts in less politically competitive settings.

In order to verify the robustness of our enterprise survey results, we explored a number of additional specifications and models, the two most important of which we report here. First, in order to address concerns of possible selection bias, we checked whether an enterprise's choice to lobby through any channel is correlated with the political regime. One might be tempted to think that the relationship observed in Tables 3 and 4 stems from enterprises' greater willingness and ability to lobby through any channel, business associations included, in more competitive regions. In Table 7, in a specification similar to that depicted in Table 3, but with the dependent variable the manager's response to the question

**Table 7:** Decision to lobby and political competition.

| | (1) | (2) | (3) | (4) | (5) |
|---|---|---|---|---|---|
| Carnegie democracy index (2005–2009) (Higher = more competitive) | −0.012 (0.025) | | | | |
| Effective number of parties (Higher = more competitive) | | 0.025 (0.082) | | | |
| Press freedom index (2009) (Higher = more competitive) | | | 0.268 (0.224) | | |
| Margin of victory – most recent federal elections (2007) (Higher = less competitive) | | | | 0.799 (1.540) | |
| Margin of victory – most recent regional elections (Higher = less competitive) | | | | | 0.450 (0.848) |
| Log employees | 0.355*** (0.116) | 0.355*** (0.116) | 0.358*** (0.116) | 0.352*** (0.117) | 0.353*** (0.116) |
| Log enterprise age | 0.394*** (0.126) | 0.392*** (0.126) | 0.390*** (0.126) | 0.393*** (0.126) | 0.393*** (0.126) |
| Export firm indicator (1 = yes) | 0.023 (0.255) | 0.020 (0.256) | 0.025 (0.254) | 0.032 (0.255) | 0.032 (0.255) |
| Member of commercial (holding) group (1 = yes) | 0.105 (0.248) | 0.101 (0.248) | 0.094 (0.247) | 0.104 (0.248) | 0.101 (0.248) |
| Major owner: manager (1 = yes) | −0.089 (0.234) | −0.088 (0.234) | −0.097 (0.234) | −0.096 (0.235) | −0.088 (0.234) |
| Major owner: foreign (1 = yes) | 0.740 (0.499) | 0.755 (0.499) | 0.775 (0.498) | 0.752 (0.499) | 0.754 (0.498) |
| Regional BA member (1 = yes) | 1.259*** (0.226) | 1.254*** (0.226) | 1.252*** (0.226) | 1.253*** (0.226) | 1.253*** (0.226) |
| Location: Regional capital (1 = yes) | 0.187 (0.271) | 0.193 (0.271) | 0.187 (0.269) | 0.187 (0.271) | 0.185 (0.271) |

**Table 7** (continued)

|  | (1) | (2) | (3) | (4) | (5) |
|---|---|---|---|---|---|
| Location: Moscow/St. Petersburg (1=yes) | 0.702 | 0.641 | 0.398 | 0.789 | 0.769 |
|  | (0.836) | (0.846) | (0.843) | (0.874) | (0.861) |
| GRP per capita (2009) | −0.011 | 0.004 | 0.024 | −0.006 | −0.013 |
|  | (0.077) | (0.075) | (0.075) | (0.075) | (0.078) |
| Herfindahl index of GRP (2009) | 7.405 | 7.622 | 6.869 | 7.326 | 7.284 |
|  | (6.894) | (6.995) | (6.843) | (6.938) | (6.926) |
| Log regional population (2009) | −0.698** | −0.686** | −0.758*** | −0.735*** | −0.745*** |
|  | (0.271) | (0.283) | (0.272) | (0.277) | (0.280) |
| Ratio of profit tax to regional revenue (2009) | 0.503 | −0.069 | −0.018 | 0.425 | 0.479 |
|  | (2.737) | (2.680) | (2.578) | (2.702) | (2.713) |
| Sector dummies | Yes | Yes | Yes | Yes | Yes |
| Observations | 892 | 892 | 892 | 892 | 892 |
| Number of groups | 58 | 58 | 58 | 58 | 58 |
| $\chi^2$ | 89.22 | 88.87 | 89.65 | 89.15 | 89.07 |
| Log likelihood | −337.6 | −337.6 | −337.0 | −337.5 | −337.5 |

Standard errors in parentheses. Stars indicate the following significance levels: ***$p < 0.01$, **$p < 0.05$, *$p < 0.1$.

of whether or not the enterprise lobbies regional officials through any channel (direct, intermediated, etc.), the signs on the measures of political competition are mixed and none achieve statistical significance at conventional levels. This finding that the decision to lobby is insensitive to regional political competition in Russia is consistent with Weymouth's from enterprise surveys conducted across a large number of countries.[73]

Even though a control was included for business association membership in the models presented in Tables 3 and 4, one might also be concerned that the relationship we uncovered between political competition and intermediated lobbying might be driven by the proclivity of enterprises to join an association, which then provides lobbying services to its members, being greater in more politically competitive regions. But, again, if we run models similar to those in Table 3 but with business association membership as the dependent variable, we see in Table 8 no clear relationship with our measures of political competition. Although they are not statistically significant, the coefficients on four of the five measures of political competition point in the direction of membership in associations being related to less political competition.[74] The coefficient on the CDI measure is positive and significant at the 10% level, suggesting that there is a link between greater political competition and joining a business association. But we should point out that the CDI in fact includes a sub-index capturing the extent to which individuals and enterprises in the region belong to non-governmental organizations. Thus the variable is by construction related to business association membership. In sum, we find it reasonable to conclude that enterprises are just as likely to be members of business associations in regions with little political competition as they are to join associations in regions with a relatively greater degree of political competition.[75]

Finally, we should add that while we prefer an MLH model for the reasons noted, our results are robust to other estimators. Running the models in Tables 3 and 4 using probits with cluster-corrected standard errors, we get similar results for the full sample and notably stronger results for the sub-sample of enterprises that report having lobbied. The results in Tables 5 and 6 are also robust to probit estimation.

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**73** Weymouth (2013).

**74** Previous research suggests that one reason Russian enterprises join an association is to better protect their property rights and that property rights, moreover, are weaker in less politically competitive regions (Pyle 2011).

**75** A related concern is that a region-level variable that we have not controlled for, social trust, explains both political competition and the activity of encompassing business interests. In online Appendix B, we show that our main results are robust to the inclusion of a control for regional trust.

**Table 8:** Business association membership and political competition.

| | (1) | (2) | (3) | (4) | (5) |
|---|---|---|---|---|---|
| Carnegie democracy index (2005–2009) (Higher = more competitive) | 0.032* (0.018) | | | | |
| Effective number of parties (Higher = more competitive) | | −0.006 (0.061) | | | |
| Press freedom index (2009) (Higher = more competitive) | | | −0.035 (0.163) | | |
| Margin of victory – most recent federal elections (2007) (Higher = less competitive) | | | | 0.035 (1.188) | |
| Margin of victory – most recent regional elections (Higher = less competitive) | | | | | 0.146 (0.627) |
| 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) |
| Export firm indicator | 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 | 0.031 (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) |

**Table 8** (continued)

| | (1) | (2) | (3) | (4) | (5) |
|---|---|---|---|---|---|
| GRP per capita (2009) | −0.081 | −0.122*** | −0.125*** | −0.121*** | −0.126** |
| | (0.050) | (0.046) | (0.048) | (0.046) | (0.049) |
| Log regional population (2009) | −0.472** | −0.447** | −0.432** | −0.443** | −0.454** |
| | (0.199) | (0.205) | (0.200) | (0.200) | (0.203) |
| Herfindahl index of GRP (2009) | 4.919 | 5.446 | 5.662 | 5.521 | 5.520 |
| | (5.139) | (5.154) | (5.150) | (5.107) | (5.104) |
| Ratio of profit tax to regional revenue (2009) | 2.837 | 3.999** | 3.963** | 3.970** | 4.074** |
| | (1.938) | (1.876) | (1.832) | (1.871) | (1.897) |
| Sector dummies | Yes | Yes | Yes | Yes | Yes |
| Observations | 908 | 908 | 908 | 908 | 908 |
| Number of groups | 58 | 58 | 58 | 58 | 58 |
| $\chi^2$ | 103.6 | 101.8 | 101.9 | 101.8 | 101.8 |
| Log likelihood | −396.5 | −398.1 | −398.1 | −398.1 | −398.1 |

Standard errors in parentheses. Stars indicate the following significance levels: ***$p < 0.01$, **$p < 0.05$, *$p < 0.1$.

# 6 Conclusion

Interest in the institutional sources of long-run economic performance is often traced to Olson's *The Rise and Decline of Nations* which drew attention to the socially damaging impact of rent-seeking interest groups.[76] Much of the subsequent work on the political economy of business lobbying, both theoretical and empirical, has tended to underscore this point. But often overlooked in Olson's work is a caveat that not all lobbies are created equal. We draw on this fundamental point and employ two unique datasets to shed light on how and why business lobbying strategy differs with the institutional context. Our primary finding is that enterprises lobby more through multi-member associations in more politically competitive regions, a result due neither to different rates of lobbying nor association membership in these settings. We also demonstrate that the influence of the least encompassing lobby groups is greatest in the least politically competitive regions. Both findings are consistent with officials' incentives being sensitive to the interaction of their political environment and the degree to which a lobbying actor represents an encompassing interest. Both findings, that is, are understandable if officials pay greater attention to encompassing voices as political competition and the probability of electoral defeat increases.

As noted above, we believe there to be clear advantages to exploiting within-country variation to explore the relationship between political competition and lobbying strategy. But our analysis of course does leave open the question as to whether we have identified a relationship that may be generalizable across countries. Russia's high degree of cross-regional variation in political competition gives us some confidence to believe that our findings may travel. But, ultimately, we would encourage study of the relationships highlighted here in other national contexts. At a minimum, we hope that our analysis here encourages greater appreciation for the diversity of lobbying channels and how their relative importance may be sensitive to the broader political environment.

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**76** Olson (1982).

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