Unity or Fracture?

Explaining Political Preference Formation Among Large American, British, and German Firms

Niels Selling

Thesis submitted for assessment with a view to
obtaining the degree of Doctor of Political and Social Sciences
of the European University Institute

Florence, 28 May 2018

European University Institute

Department of Political and Social Sciences

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Department of Political and Social Sciences - Doctoral Programme

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Chapter overview

Detailed table of contents

Preface and acknowledgments

My doctoral adventure would not have started were it not for Stefan Svallfors. As my boss and mentor, he encouraged me to pursue a Ph.D. and to apply to the doctoral program at the European University Institute. His sharp intellect and big heart continue to inspire me as a researcher and as a person. Before coming to the EUI, I was lucky to be his research assistant and to be part of a very special research group. Apart from Stefan and myself, this group included Björn Werner, Bo Rothstein, and Christina Garsten. I want to thank them for showing me how stimulating and fun research can be.

At the EUI, I was fortunate to have such a great person and fantastic academic as Pepper Culpepper as a supervisor. He both gave me a lot of freedom and regularly steered me away from landmines and dead ends. I have internalized much of his wisdom and this I will carry with me for a long time to come. He was always available and with incredible speed and accuracy dissected my ideas and made me see right away why some of them clearly belonged to the academic scrap heap.

EUI is a very special environment and to go to Florence is one of the best decisions I have ever made. I will struggle to ever again find a place where wit, intelligence, and friendliness exist in such abundant quantities as they do at the EUI. Some of the people there became the best of friends. Ian Rogers made my first year in Florence a blast and I am so happy that I still get to see him on a regular basis in Florence, Stockholm, London, the New Forest, and Gran Canaria. I am always waiting for the next time when I get to see you! Lorenzo Piccoli was my EUI colleague, friend, and roommate in Turin. He was a crucial element in making Turin my preferred Italian city. Another person with whom I spent a lot of time is Marinus Jacobus van den Brink. Together, we made Mandello del Lario and Siracusa the best "workcation" spots on the planet and Ann Arbor great again!

Daniel Schulz and Pierre Schlosser are my twin brothers. I was born on the same day, the same year, as Pierre and only three days after Daniel. If I had to describe how fantastic I think you are, I would not know where to start. So, I stop right here. Then there is the family of Pierre, with two other team members - Maria and Elena. You are all so cool and smart at the same time. How do you do it?

To mention all the people with whom I have shared stimulating discussions, tasty drinks, and laughter is impossible. Some of them flash by quickly, others leave a lasting impression and will always occupy a privileged position in your mind and heart. Mikkel Munthe Jensen is my favorite Dane ever and he is kindness personified. Mariana Mendes was my desk partner and whenever I saw her, life became a bit better. With Pauline Weller, I had more deep and entertaining conversations than one can possibly count. Vivian Kube is the coolest kid on the block and someone I want in my rock band in the next life. To that group, I would also add James Dennison – my Britpop soulmate. Julia Rone is one of the most

talented individuals I have ever met and if she is not going to be a prominent researcher, she will become a famous children's author. Your pick. Mariana Sprately is my favorite traveling buddy and I think we might be able to cover the entire continent at this rate. About Martina Selmi I could say a lot, so let me cut to the chase – I forgive you for the mishap with Francescana. I know how much it means to you to hear that. Last, but not least, Fabio Bulfone – siamo al top!

This family of mine is now spread across Europe and the rest of the world. But I know that each one of you will do great and – more importantly – that we will meet again, again, and again.

My doctoral adventure also took me to the Ross School of Business at the University of Michigan, Ann Arbor, and to Collegio Carlo Alberto in Turin. I want to thank Jerry Davis for sponsoring my stay at the University of Michigan. To be so friendly and smart as Jerry is almost scary. I also want to thank Marina von Neumann Whitman. She has always been very helpful and another reason for why I went to Ann Arbor. In Ann Arbor and in Turin, many people helped me with my research and made my life as a doctoral student much more enjoyable. Thank you all! From a personal perspective, Laura Sonday became extra special and in Turin, Marco and Leila became two very close friends.

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At last, I want to thank the panel – Philipp Genschel, Mark Mizruchi, and Stefano Pagliari – for reading my dissertation and providing me with a lot of good feedback. In conjunction with this, Mark Mizruchi deserves special mention. His books have inspired me greatly and while I was in Ann Arbor, he was of great help.

Chapter 1: Introduction

THIS IS A THESIS on *political preference formation,* which refers to the ways in which actors learn to prefer one political option over another. In political science, these actors are usually private citizens, in their role as voters, and it is easy to see that voting behavior will continue to dominate the research on political preferences. After the referendum that saw a majority of Britons in favor of leaving the EU and the American election of 2016, which brought Donald J. Trump to the White House, people now call for political scientists to spend the next few years trying to figure out how this could have possibly happened.[1] It is a safe bet that political science journals will be filled to the brim with articles on the topic and that many, many hours in university classrooms will be devoted to discussions of Trumpism, authoritarianism, anti-immigrant sentiments, white backlash, et cetera. As important as this is, the road that this study travels takes a different turn. It heads away from elections and referendums – "electoral spectacles", as Hacker and Pierson (2011, p. 86) call them – and instead takes aim at preference formation among large firms, the type of actor that, according to the same authors, truly shapes politics in the long run.

Brexit and Trump's triumph are described as big defeats for big business. During the campaigns, the American business community was depicted as overwhelmingly anti-Trump, the British as a staunch "Remainiac". Although these sentiments undoubtedly percolated through vast swaths, the story is more multifaceted. While it is true that, for example, Amazon's Jeff Bezos proposed that Donald Trump should be sent to space and Elon Musk said that Trump "is probably not the right guy" for president, other corporate leaders seemingly warmed to Trump, such as Bruce Van Saun, CEO of Citizens Financial Group, and Andrew N. Liveris, CEO of Dow Chemical, to mention but two.[2] In the United Kingdom, three hundred business leaders signed an open letter urging Britain to leave the EU[3] and in a poll, only 43 percent of FTSE 350 firms viewed Brexit as "potentially damaging."[4] This is not to say that American and British firms were perfectly divided on these issues, only that it is difficult to find examples of business consensus, even in the instances when we are most likely to do so.

Looking beyond the most discernible political affairs of the day, clashes between firms in the political arena are more or less ubiquitous, which the following newspaper excepts give examples of:

> Brewers large and small are descending on Capitol Hill to drum up support for competing bills aiming to ease taxes on sectors of the beer industry. The dispute pits the world's largest beer producers against smaller craft beer makers.[5]

[1] http://nymag.com/daily/intelligencer/2016/10/donald-trump-the-nemesis-of-political-science.html
[2] https://ig.ft.com/sites/trump-business-reaction/?mhq5j=e1
[3] http://www.telegraph.co.uk/news/2016/05/15/eu-referendum-more-than-300-business-leaders-back-a-brexit/
[4] http://www.telegraph.co.uk/business/2016/05/23/business-indifferent-to-brexit-poll-finds/
[5] http://thehill.com/business-a-lobbying/232054-beer-brawl-foams-over-on-capitol-hill

"Beer battle foams over on Capitol Hill", The Hill, February 8, 2015

> The launch of EU antitrust charges against Google has triggered celebrations in Berlin and Paris, where European companies troubled by the tech giant's strength have found common cause with politicians anxious about US economic dominance [...] European companies led by Springer — publisher of the tabloid Bild — and France's Lagardère joined forces last year as the Open Internet Project to lobby the commission about Google.[6]
>
> "Google's foes in Germany and France cheer antitrust charges", Financial Times, April 15, 2015

> All this happens in a political environment in which Delta has gone before the courts and Congress, challenging Ex-Im's support for the sale of American-made aircraft to foreign carriers. Delta argues that the government-backed financing is so generous that it puts US carriers, like itself, at a disadvantage when competing for international routes. [T]he lead US manufacturer, Boeing Co. counters that tens of thousands of American workers benefit from the Ex-Im support.[7]
>
> "Delta Export-Import Bank deal buys no peace", Politico, April 5, 2012

> US companies have lined up on opposing sides over President Barack Obama's Clean Power Plan, the centerpiece of his climate policy. Apple, Google, other technology companies and some utilities have weighed into the court case over the plan in support of the administration's policy, while coal producers and local electricity companies have opposed it.[8]
>
> "US business split on clean power plan", Financial Times, April 5, 2016

The puzzle that grows out of these examples, and a countless number of others, is that some firms exhibit similar political interests while others do not. What then are the underlying drivers that make corporate political preferences converge or diverge? This inquiry takes place at a special juncture in time when a historically high level of political fracture of the corporate elite is being observed. There are those that dispute this (Domhoff 2015) but by most accounts, the post-war period has never been so characterized by an inability on the part of major companies to forge political partnerships (Mizruchi, 2013; Scott, 2003; Waterhouse, 2013). Apparently, the political preferences of large firms are increasingly becoming discordant. A restatement of the aim to understand corporate political preference formation is to identify the pathways to corporate political fracture/unity.

To caricature the state of the research somewhat, there are two competing set of explanations. One highlights profit-maximization as the paramount driver, the mother and the father of all political preferences. This is opposed by decades of research which reject "economic determinism" (for an early and groundbreaking example, see Bauer, Pool, & Dexter, 1963). In reality, the attempts to track the causes

[6] https://www.ft.com/content/1485980a-e377-11e4-aa97-00144feab7de
[7] http://www.politico.com/news/stories/0412/74881_Page2.htm
[8] https://www.ft.com/content/c0d33ba2-fb4b-11e5-8e04-8600cef2ca75

behind the current fracture mostly give prominence to the latter as they point to sociological and institutional explanations that are exogenous to the market.

What is essential, however, is to recognize that the politics of business is being reconfigured (E. T. Walker & Rea, 2014, p. 283). This follows an age of economic upheavals which have profoundly altered the conditions of competition. The contributions to this are many, and not always easy to isolate from each other, but include the rise of shareholder capitalism (Fligstein, 2001) and the globalization of markets (Mann, 2013). In the wake of these shifts, corporations have reoriented their strategic thinking and have made their political affairs an inherent part of their market strategies. The fusion of the two is the prescriptive and descriptive message of the nonmarket literature (Bach & Allen, 2012; Baron, 2001, 2012). In practice, this means that politics, more than ever, is a domain where firms compete. This dissertation is not a historical analysis but a bid to decipher current variations in corporate political preferences and the argument is that the market is at the root of all this, thereby siding with the first camp.

In this introductory chapter, this quest will be outlined. To begin with, the research question will be submitted and key terms defined. I will then justify why this undertaking is important, both from a real-world and scientific point of view. In conjunction with this, the shortcomings of previous treatises are diagnosed, followed by a description of the analytical framework and research design that are devised to fill these gaps. Bear in mind that these sections will, in later chapters, be developed in greater depth. Thus, the purpose here is mainly to provide the reader with an overview and set up the theoretical and empirical springboards from which this study is launched. At the end of the chapter, a roadmap will describe the structure of the thesis and the subsequent chapters.

1.1. Research question

The phenomenon can be represented as a continuum, ranging from a state in which firms express completely diverse political leanings to one in which they want exactly the same things to come out of the political machinery. These two end-points can be labeled corporate political unity and corporate political fracture. It is the variation along this continuum, a variation that is illustrated by newspaper articles and empirically established by scientific studies, that provides the puzzle that the following research question seeks to resolve: What explains the varying degrees of overlap of political preferences between large firms?

What is meant by *political preferences*? It is an overarching concept, composed of two dimensions: (1) Preferences regarding issues: What policy issues does a firm take an interest in? (2) Preferences regarding outcomes: What positions does a firm take on policy issues?

The concepts designated to capture these two dimensions, these two types of preferences, are activity overlap and agreement overlap. Even if they both derive from the same concept, they embody two

distinct expressions of it. I will not let them coalesce but treat them as two separate dependent variables. *Activity overlap* is the extent to which a group of actors prioritize the same policy issues. *Agreement overlap* is the next logical step in the sequence: The extent to which a group of actors, in relation to the policy issues they all prioritize, share the same policy positions. Hence, the research question breaks down further into two: (1) What explains the varying degrees of activity overlap between large firms? (2) What explains the varying degrees of agreement overlap between large firms?

The two concepts can be easily applied to a group of people. If Mr. Smith and Ms. Johnson declare abortion, immigration, and drug policies as the three most important issues of the day, their activity overlap is high. Conversely, if Mr. Williams and Ms. Brown only share one issue – gun control, for example – their activity overlap is relatively low. However, the degree of activity overlap does not necessarily say much about agreement overlap. If Mr. Smith and Ms. Johnson have completely different viewpoints on their shared pet issues, their agreement overlap is lower than that of Mr. Williams and Ms. Brown, who both support stricter (or laxer) gun control measures. This goes for firms as well, just change the issues and replace Mr. Smith, Ms. Johnson, Mr. Williams, and Ms. Brown with Microsoft, Adidas, Barclays, and General Motors.

1.2. So what?

Why is this research worth pursuing? There are two vantage points from which to deal with the so what question: the scientific relevance and the real-world consequences.

There are two perspectives on the second one. First, why care about corporate political action in the first place? The simple response would be that firms, by dint of the money they spend on politics and the sheer influence they allegedly have on the political process, are political actors of awesome rank. Consequently, their political behavior is relevant in itself. Second, why care about their overlap of political preferences? "Influence" is the supreme justification also here. It was (and still is) widely believed that business unity is a precondition for political power. By that token, discovering the causes of unity has been inextricably linked to the research on power and the suspension of democracy in favor of rule by the capital. Recent works have debilitated this link by suggesting that the prospect of a political victory actually declines when firms rally around a common goal (Culpepper, 2011; M. A. Smith, 2000). Furthermore, it has been asserted that unity is not undesirable per se but leads to a better functioning political system (Mizruchi, 2013). Therefore, these days it would be unsound to reply to "Why is this piece of research important?" with a simple reference to undue influence. Still, it would be unequally unwise to jettison the idea that business unity might set politics on a course away from serving the masses to primarily benefiting the rich few (Hacker & Pierson, 2011, 2017; Hojnacki et al., 2015). In the end, regardless of whether corporate political unity is viewed with apprehension or optimism, there is no escape from the fact that it does matter, as divisions and coalitions in the business communities often are

a key contributing factor to policy changes (see, for example, Gourevitch, 1986; Mares, 2003; Swenson, 2004).

As for the scientific relevance of this study, by the end of the '80s and the beginning of the '90s, scholars such as Mizruchi (1992) and Prechel (1990) were urging their peers to transcend the rather polarized debate that had, up to then, animated the field – i.e., "the capitalist class is incapable of unified action!" versus "the capitalist class is unified" – and instead identify the conditions under which the convergence of political preferences occurs. Since then, several academic fields have unearthed a broad set of conditions. As a result, the scientific gap is not the absence of hypotheses. Rather, it is the lack of attempts to bring them together to attain a comprehensive understanding. To be specific, such studies already exist. However, many of them were published many years ago and the basic premise of this thesis is that in the 21st century, the model of century corporate political behavior needs to be updated. The second chief contribution of this thesis is its scope. It comprises various business communities, institutional settings, and different dimensions of corporate political preference formation. Third, a novel analytical framework helps us to structure the inquiry and to build a larger story out of the many proposed explanations simultaneously pursued here.

1.3. Analytical framework and research design

The propositions of corporate political preference formation is an eclectic collection of hypotheses, with different theoretical pedigrees and proposed mechanisms. More than regression models with many independent variables, the purpose is to shed light on the underlying structure that runs through the collection of hypotheses and which captures basic pathways to high/low overlap of political preferences.

This structure is composed of two dimensions. One concerns the role of the market, where the market is understood as the place where goods and services are bought and sold. In short, the hypotheses belong to either *economic determinism* or *rejection of economic determinism*. If a hypothesis points to a causal relationship between the structure of the market or the firm's market activities and the political preference formation, it is labeled as economic deterministic. If the causal relationship does not go through the market, it falls within rejection of economic determinism. The former build on neoclassic theory and regard political preferences as the direct outgrowth of its material interests. The latter views corporate political preferences are "somewhat indeterminate" (Martin, 1995, p. 901) and does not perceive a one-to-one relationship between material preferences and political preferences.

The second dimension of the analytical framework probes into preference formation from another perspective, namely if it is governed by outside forces or if it is mainly endogenous to the firm. The *firm-centric* perspective expects preferences to emanate from the solitary pursuit of goals. In the other ringside, there are those who reject this treatment of firms as disconnected atoms and argue that social

and economic interactions determine corporate political preferences. This is *class-centrism*, the dominant perspective of the last few decades.

Stated succinctly, the unit of analysis is very large firms (or rather, dyads of very large firms) from Germany, the United Kingdom, and the United States and what is being observed is their lobbying activities (activity overlap) and policy positions (agreement overlap) in the European Union and at the US federal level. These selections beget some questions. First, why firms and not business associations? Second, why only large firms? Third, why these three business communities? Fourth, why these two sites of investigation? The full answers will unfold in the next chapter, but it makes good sense to provide a brief outline at the outset.

In the relevant literature, the unit of analysis varies and covers large firms (Mizruchi, 1992), small and medium-sized firms (Cook & Barry, 1995), associations (Drutman, 2012; Schmitter & Streeck, 1999), entire industries (Hiscox, 2001; Roemer-Mahler, 2013), and mixes of these categories (Mizruchi, 2013; Waterhouse, 2013). There are a number of reasons to lock the target on large firms, which is done here. To begin with, small and medium-sized firms are excluded on several grounds. First, previous research demonstrates the existence of a political divide between small and large firms (Akard, 1992, p. 599). There is no need to rehearse this well-established cleavage. Second, smaller firms normally rely on their trade associations (Schuler & Rehbein, 1997), which effectively conceals their own private preferences. Third, their immense economic muscles make large firms more relevant. As for the decision to not directly analyze trade and peak associations, this is partly motivated by the fact that associations have seen their importance deteriorate and are increasingly being sidelined in the political process in favor of firms, both in the US and in the EU (Coen, 1997; Cowles, 2001; Eising, 2007; Greenwood & Webster, 2000; Hacker & Pierson, 2017; Martin, 1999). Moreover, associations and industries are composed of firms. Thus, if the aspiration is to drill to the core, the units should be firms.

To confine the scope to American, British, and German firms and the European Union and the US federal level is, in comparison to what has been done before, an expansion of the lens. These three business communities and two institutional settings introduce a variation that offers a comparatively high degree of generalizability of research findings. It is true that the omission of non-Western firms and a sole focus on two massive polities, both of which have been described as more or less pluralist (Coen, 1997, 1998), prevents sweeping statements from being made. Even so, by selecting firms from traditionally corporatist as well as pluralist systems and examining their political activities in two rather different institutional settings, the generalizability of this study is improved when measured against earlier studies.

Of course, the design is not without weaknesses. The recognition of these is a theme that will be addressed repeatedly. The intention here is to offer a glimpse of the most significant ones. Many of these emanate from the data selection, which is why a brief preview is in order. In short, activity overlap is measured based on (1) US lobbying disclosure records and (2) open consultation submissions to the

European Commission. For agreement overlap, the policy positions are "discovered" through (1) US congressional hearings, and (2) open consultation submissions to the European Commission. This data is far from perfect but, given the constraints imposed, has clear merits over other alternatives. Nonetheless, it would be ill-advised not to acknowledge the potential problems intrinsic to the data.

If the problems were to be summed up in a neat sentence, it would be this: What is being observed is the tip of the iceberg and it is difficult to know how the part that remains hidden below is dissimilar from what comes into view. This iceberg metaphor applies to several properties of this study. The data at hand only comprises issues that are on the agenda and are at least salient enough to be subject to Congressional activity or notice-and-comment rulemaking. As a consequence, the vista is reduced to more or less one of Lukes' (1974) three faces of power (the decision dimension, not the agenda or the ideological dimension), two of Kingdon's (2010) parts of the policy process (the policy deliberation and the policy enactment, not the agenda setting or implementation), and one of Culpepper's governance spaces (partisan contestation, not social partner bargaining, private interest governance, or bureaucratic network negotiation). Put concisely, the surveying instrument is directed towards the most visible parts of politics, where it is possible that preference formation is shaped by different dynamics compared to the subterranean side of politics.

In addition, the time period – the data covers the period between 2007 and 2014 – is specific. It has been argued that this is an era of particularistic and sector-specific policies (Majone, 1997). To illustrate what this means, let us turn to a concrete example. Only one large firm publicly supported the Occupy Wall Street movement, namely Ben & Jerry's.[9] Sure enough, Occupy Wall Street is not a policy issue but there is no surprise that so few firms came out in support of the ideas that the movement promoted. If the floor of the Congress were to be jammed with anti-capitalistic proposals, it is likely that the whole business community would form a single front, with very few deserters. With a policy agenda largely monopolized by narrow, mostly business-friendly issues, firms can afford to act less united. The preference formation would most likely reflect this and not be very "backward compatible" (or "forward compatible" for that matter). Later, I will advocate for why these shortcomings should not be overstated but, at the same time, cannot be reduced to mere trifles.

1.4. Roadmap

To anticipate what follows in the remainder of the thesis, the reader is provided with a roadmap:

Chapter 2: "What is this all about? And what is at stake?"

[9] https://www.theguardian.com/commentisfree/cifamerica/2011/oct/10/occupy-wall-street-ben-jerrys

This chapter serves four interrelated purposes. It provides a state of the art, it exposes the knowledge gaps, it presents the analytical framework, and it justifies why identifying the determinants of overlap of corporate political preferences is an important research area. The chapter is inaugurated with the long-standing debate between pluralists and elite theorists on whether the business community is politically united or not. In the light of later empirical findings, this debate appeared too simplistic and instead morphed into a discussion on why unity fluctuates and why some business communities and/or parts of the business communities are more united than others. The airing of the hypotheses is postponed until later, but they nonetheless appear in the detailing of the analytical framework which structures the various hypotheses and tests their most basic features against each other. In conjunction with this, the main argument of the thesis will be presented in greater detail. An additional task carried out here is the conceptualization of the two dependent variables: activity overlap and agreement overlap. The last section will sketch out the real-world impacts.

Chapter 3: "Hypotheses and measurements"

The third chapter is a detailed description of the hypotheses and the operationalization of these. Prior to this, there is the case selection, which answers three questions: "What type of business actors have been selected?", "From which business communities were they drawn?" and "What are the sites of investigation?"

Chapter 4: "The anatomy of activity overlap and agreement overlap"

This segment is divided into three main parts. The first picks up the baton from Chapter 2, where the dependent variables are conceptualized, by operationalizing activity overlap and agreement overlap. The next part marks a turning point when the thesis enters its empirical phase. This begins with the presentation of basic descriptive results, an exercise which, among other things, shows that activity overlap and agreement overlap vary, thereby reifying the puzzle that some firms have higher overlap of political preferences than others. The straightening out of this puzzle is primarily done in the subsequent two chapters but a head start is provided already here, by tapping into the debate on the role of industry affiliation versus country affiliation in political preference formation.

Chapter 5: "Explaining activity overlap" and Chapter 6: "Explaining agreement overlap"

Chapters 5 and 6 are the main empirical chapters. The variables from Chapter 3 will be brought into statistical models, with activity overlap and agreement overlap as dependent variables. Both the individual effects and the theoretical dimensions at large – economic determinism versus rejection of economic determinism and firm-centrism versus class-centrism – are explored, and how their explanatory power varies across subgroups and institutional settings is detailed. Along the way, various sub-topics will be attended to, such as multicollinearity and reverse causation.

Chapter 7: "Conclusions"

In the conclusion, the results from Chapters 4, 5, and 6 are briefly summarized. Due to the multidimensional nature of the problem and a large number of variables that are tested, the findings are many but the focus here is on the most important results. This is also where direct comparisons will be made between the findings of my thesis and earlier works, thus accentuating the historical context and testing my overall argument from another perspective.

Chapter 2: What is this all about? And what is at stake?

THIS CHAPTER IS STRUCTURED around two "so what?" questions. The first asks "what is the scientific importance of this study?", the second "what is the real-world importance of this study?" The answers to these questions lay the foundation for what is to come by addressing two central issues: (1) What is this study fundamentally about? and (2) How is this relevant?

This piece of research is another bead in a long chain of works on corporate political preference formation, where the phenomenon of interest is the greater liking, of an individual business actor or a group of business actors, for one alternative over another or others in politics. More to the point, the objective of this strand of literature is to explain why some business actors' political preferences converge (on one or more policy issues), while others diverge.

Throughout the decades, this topic has been tackled by scholars from various disciplines, shining their lights on different periods, types of business actors and countries et cetera. In earlier periods, the business community was described as either completely united or disunited, with little regard to the in-betweens. As research progressed, this black-or-white representation blurred more and more until a consensus was reached: Unity fluctuates, over time and within and across business communities and is conditioned by a multitude of factors. Through a series of inquiries, a host of such conditions have been identified. What I do is to bring these conditions together, within a single investigative frame, to be able to produce a comprehensive picture of contemporary preference formation.

However, the underlying aim of doing so is not merely to see how proposed hypotheses fare when allowed to clash with each other. It goes deeper than that, namely to the basic forces shaping corporate preferences. The analytical framework that will serve this purpose categorizes hypotheses along two dimensions: *economic determinism* versus *rejection of economic determinism* and *firm-centrism* versus *class-centrism.* The first dimension captures the role of the market – does the market or factors that are located outside of the market shape political preferences among business interests? The second dimension is on the role of the external environment – are political preferences shaped by the environment that surrounds the organizations or primarily by internal features of the organizations?

These two dimensions yield a two-by-two table composed of the following four boxes: (1) class-centric economic determinism, (2) class-centric rejection of economic determinism, (3) firm-centric economic determinism, and (4) firm-centric rejection of economic determinism. The hypothesis will be classified into these four intersections. Hence, the brief answer to "What is this study fundamentally about?" is to go beyond single predictors and to track down the ultimate source of corporate political

unity in this day-and-age. The argument is that firms, due to a great shift in how competition plays out and the strategic approach to politics, are different political entities these days than they used to be. Accordingly, the hypotheses that have traditionally been espoused by institutionalists and organizational sociologists should be superseded by drivers that are located inside the market and inside the firm.

The subsequent section will be dedicated to the actual real-world consequences of corporate political unity. Often, the retort is that a unified business elite can successfully promote a political agenda that is not the one favored by ordinary people. Traditionally, the jury has been completely in on this, but this is changing and the idea of a united business elite as something inherently bad is being contested. This calls for an updated account of why this study is warranted.

2.1. The scientific relevance of this study

This is a thesis about corporate political preference formation and it dispenses with the notion that firms are a set of like-minded actors. The objective then becomes to map the policy preferences held by individual business interest groups (firms and/or business associations) and make sense of the heterogeneity therein. This can be either done with specific policies (Culpepper, 2011; Culpepper & Reinke, 2014; Hiscox, 2001; Martin, 1995, 1999, 2005; Osgood, 2016; Rogowski, 1987) or, less commonly, may cover a broad swath of issues (Baumgartner & Leech, 1998; Mizruchi, 1992, 2013). Regardless, all the efforts ultimately boil down to the same puzzle: Why do some business actors' political preferences converge, while the preferences of other actors diverge?

2.1.1. State of the art

Starting from the '50s, two camps set the tone for this research agenda. One was dominated by the pluralists, who see power as dispersed and conflicts as ubiquitous. In this conflict-oriented view of society, corporate leaders are divided and rarely manage to reach political agreement (Dahl, 1958; Epstein, 1969; Truman, 1951). These scholars argue that the interests of firms are too divergent to sustain long-term unity on virtually anything. This basic notion is shared by many neo-Marxists (for example, Poulantzas, 1973), who claim that firms are primarily focused on their own market activities and act in accordance to what is most beneficial to their own profit rates, rather than what serves the business community as a whole.

The other outfit – led by Charles W. Mills, Ralph Miliband, and G. William Domhoff – take the opposite stand and insist that the business community is more or less one political entity. True, these elite theorists admit, political preferences might diverge but through various types of social and institutional arrangements, differences are bridged and firms are subsequently able to enter the political arena as a collective. Two of these arrangements are worth highlighting. First, the members of the corporate elite

often share a social background. From prep schools and elite education to social clubs and intermarriage, they have socialized and done business together for years, if not decades. Their political unity is an extension of social cohesion (Mills, 1956, pp. 278–281). Another route to unity, stressed by Domhoff (1978) and Miliband (1969), goes through associations, which enable firms to deliberate and build consensus behind closed doors.

During the '80s, the either/or debate between pluralists and elite theorists was superseded. Thus entered Michael Useem (1984) with his influential work *The Inner Circle*. In an effort to make pluralism compatible with elite theory, he concludes that they are both right but on different levels of analysis. On a macro level, he contends that pluralists are correct. Within the large population of firms, there is indeed a wide array of political preferences. In this sea of market actors, there is a core of firms – especially the big ones – connected through a dense network of directorial interlocks (board members serving multiple boards). The members of this network – the inner circle – see themselves as representatives of the broader business sphere, not as advocates of narrow firm-specific interests. These cosmopolitans, as Useem names them, are frequent travelers in the business landscape, going from one board to another, and in the process acquiring an awareness of the complexities and intricacies of the political environment in which corporations find themselves. This allows them to take broader considerations into account and in partnership arrive at the perception of what is best for the business community. At this top-tier, Useem unearths a unified business class.

By the end of the same decade and the beginning of the '90s, researchers came to the realization that it is not possible to speak of a rock-solid unity anywhere in the business community. Two insights undergird this conclusion. First, unity – even at the very top – fluctuates (Vogel, 1989). If corporate political unity is a series of peaks and troughs, what has been witnessed during the past decades is a progression towards fracture. This development goes for several countries but is perhaps most clearly established for the United States and the United Kingdom. Once upon a time – roughly between the '40s and the '60s – the American and British business elites were each relatively internally united and ideologically pragmatic (Mizruchi, 2013, p. 78; Moran, 2006, p. 455).

During the late '60s and early '70s, they entered a new phase in which the strong internal unity persisted but neoliberalism – rather than pragmatism – became a defining attribute. By the end of the '70s, this metamorphosis started to pay off. For instance – even though the President of the United States was Jimmy Carter and both chambers of the Congress were controlled by the Democratic Party – the American business community enjoyed many victories. This was an era when corporate and capital gains taxes were significantly lowered, labor unions found themselves increasingly circumscribed, and initiatives pertaining to social regulations did not move forward any longer (Hacker & Pierson, 2011; Mizruchi, 2013, p. 180). In 1979 and 1980, free-market supporters celebrated as Margaret Thatcher became the Prime Minister of the United Kingdom and Ronald Reagan was elected the 40th President of the United States.

Intriguingly, the next step in the chain of events was the gradual fragmentation of the American and British business elites (Mizruchi, 2013; Moran, 2006). If large firms had displayed almost rock-solid team spirit in the preceding decades, the '80s saw them deeply split over important reform packages, encapsulated in Useem's (1984, pp. 108–109) reflection that "[s]ector interests, not classwide concerns, seemed to determine responses." Political unity has remained on low levels ever since (Baumgartner, Berry, Hojnacki, Leech, & Kimball, 2009; Drutman, 2011; Martin, 1995; Mizruchi, 2013; Vogel, 1996). This does not mean that it is safe to jump straight into the notion that there is "war of all against all" between firms in Washington D.C., London, or anywhere else. It is easy to find contemporary examples of firms mobilizing around a common cause. A paper by Hojnacki and others (2015) also shows that business interest groups are most frequently challenged from outside the business community, not from within. Still, the worldwide trend is that businesses move towards less political coordination (Martin & Swank, 2012, p. 132).

The second blow to the idea of the business elite as either a political monolith or polylith is the unearthing of a number of political fault lines. Depending on how the business community is sliced and diced, one can simultaneously uncover unity and a lack of thereof. Akard (1992, p. 599) provides a list of such political divides and includes:

- Financial versus nonfinancial sectors
- Manufacturers versus retailers
- Utilities and energy producers versus corporate energy consumers
- Regional economic interests (for example, 'Sunbelt' versus 'Frostbelt')
- Defense versus nondefense industries
- Large multinational corporations versus smaller national or regional firms

The continuous supply of fault lines opened up the doors for a middle ground, which inserted itself into the fray in the late '80s and early '90s with the works by Prechel (1990) and Mizruchi (1992). A redefinition of the research problem was proposed:

> I believe that the debate over business unity, as it is currently constituted, has outlived its usefulness […] [T]he question of whether business is unified has become a non-issue. For every example of unity […], one can find a case of opposition […] The fact is, there are times in which business is unified and times in which it is not. There are periods in which the sectors that typically support one another quarrel and the sectors that usually oppose one another unite. The key question is not whether business is unified but rather when; that is, the conditions under which unity and opposition occur.
>
> Mark S. Mizruchi (1992, p. 31).

Whether the calls made by Mizruchi and others have been heeded is unclear. Clawson, Neustadtl, and Weller (1998, p. 168) write that "For at least the last thirty years, the central question in academic debates

about business power has been whether or not business unifies to promote a common agenda." Nonetheless, nowadays it is not exactly the absence of proposed conditions that is the problem. Rather, the research suffers from a lack of attempts to bring them together. There are at least two reasons for why the hypotheses often live in isolation. First, the topic attracts scholars from organizational sociology, strategic management, political economy, and economics. That so many disciplines have a stake is a strength. Unfortunately, most works are confined within strict academic paradigms and hypotheses consequently tend to remain enclosed in academic silos. The second reason is the dominance of case studies. Such a design limits the degrees of freedom and consequentially the number of possible explanations one can simultaneously pursue. In addition, case studies put a break on the ability to generalize. If the ambition is to transcend the promotion of particular explanations and move towards a more conclusive and broad understanding of what facilitates the converge of political preferences among business actors, this is what is needed to be done.

The inclusion of an extensive set of hypotheses is one of the main contributions of this thesis. Make no mistake, there are other works with the same ambition. Some of them have already been cited and others will appear later. However, I am not aware of any dissection of corporate political formation with an equally wide scope. There are four additional aspects of this study that sets it apart from earlier attempts. First, it approaches corporate political preferences from two different angles, namely activity overlap and agreement overlap – two concepts that are unpacked later in this chapter. They complement each other insofar as the story on corporate political behavior would be incomplete unless it could furnish the answers to two separate questions "what determines a firm's interest for certain policy issues?" and "what determines its positions on those issues?" Second, it is rare to see anyone expand the lens beyond a single business community or a single jurisdiction. Here, the population consists of American, British, and German firms and the United States and the European Union are the two sites of investigation. Third, many years have passed since a large-n general examination of preference formation pulled off. The overarching argument of this thesis is that the political behavior of firms has been reconfigured as a response to a new set of market and nonmarket challenges. This study marks a unique opportunity to test the validity of that expectation. Fourth, a further elaboration of the argument is that the reconfiguration is not random in any shape or form but that the preference formation has come to be influenced by some factors more than others. The analytical framework is a novel edifice, aimed at highlighting differences between the various hypotheses and at bringing clarity to why some determinants come out stronger than others.

This analytical framework rests on the most fundamental theories of the firm. Below, a quick overview of these theories will be presented and how they feature in the research on corporate political preference formation. This presentation will culminate with the disclosure of the analytical framework of this thesis, a two-by-two table that – informed by theory – captures the main lines of conflicts in the research on preference formation.

2.1.2. The analytical framework

Depending on what is under consideration, there are several theoretical perspectives. One concerns the normative aspect – the ultimate goal of the firm (see, for example, Donaldson & Walsh, 2015; M. Friedman, 1970). Another one is the boundary of the firm, or the "make-or-buy problem" à la Coase (1937) and Williamson (1979). Pushing these aside, theories here refer to the "descriptive and prescriptive models of firms' decision-making processes" (Gibbons, 2005, p. 201), meaning those theories that explain how preferences are formed and decisions are made within a firm. Below, the main tenants of these theories are broadly fleshed out.

David M. Hart (2010) identifies three major theories: the neoclassic theory, the nexus of contract theory, and the behavioral theory. The first – neoclassical theory – views the firm as a unitary, profit-maximizing actor. The nexus of contract theory (or agency theory) moves to an analytical level below the firm and asserts that individuals – not firms per se – are rational. It points to those situations when the goals of managers are unaligned with the profit-maximizing model of the firm. The intellectual roots of the nexus of contract theory can be traced back to at least Bearle and Means (1932), who argued that the stockholders had been reduced to mere suppliers of capital while the real decisions were left to a growing class of managers, who do not merely prioritize profit-maximization but other ends as well, such as expansion of the firm, the avoidance of risks, employee welfare, their own welfare et cetera.

The unpacking of the organization and the discovery of conflicting goals is also a hallmark of the behavioral theory of the firm. The founders of the theory, Richard M. Cyert and James G. March (1963), regard the modern business firm as a group of individuals with different goals (for example, production goal, sales goal, market-share goal, profit goal, and the like). While the neoclassical model and the nexus of contract theory assume utilitarian actors with perfect information (albeit on different levels of analysis), the behavioral theory of the firm rejects these assumptions. In place of perfect rationality, it talks about bounded rationality (March & Simon, 1958) – the idea that decision-making capabilities are restricted by biases, cognitive limitations, and other various constraints. Therefore, organizations opt for "good enough" solutions, rather than searching for what is optimal. Behavior is the result of an incremental process of bargaining and elaboration over time in response to short-run pressures. What is crucial to understand – so the theory goes – is that firms are in the grip of uncertainty and that large organizations are populated by people with conflicting goals.

Several attempts have been made to tap into these theories to classify the proposed causes as to why political preferences of corporations converge or diverge. In several of her works, Cathie Jo Martin (1995, pp. 899–901, 1999, 2005, pp. 132–134) surveys the proposed explanations for employers' public policy preferences and divides them into two main categories, which emanate from the basic theories that have just been exposed. The first category – economic explanations – is primarily promoted by public choice theorists and pluralists. Economic explanations make, she writes, a number of assumptions.

Pushing these together yields the following basic proposition: Firms are unitary profit-maximizers and the structure of the industry and the position of the firm within that industry shape the material preferences of the firm and – by extension – its political preferences. That is to say, the economic characteristics of the firms and the industries are the kernel that governs all types of preferences – including the political ones – just as the neoclassic theory of the firm would have it. The second group – the institutionalists – regards corporate political preferences as "somewhat indeterminate" (Martin, 1995, p. 901). While they recognize economic factors, they maintain that there is usually no identifiable optimal course towards greater profits and that institutional context and organizational structures condition the information available to firms and their perceptions of their interests, much in line with what the behavioral theory of the firm professes. Thus, firms with similar material interests may have diverse political outlooks.

This clash between economic and institutional explanations somewhat parallels the research on the political behavior of voters, where there been an intense debate over how their preferences are formed. On the one hand, there are those who advance sociological explanations – such as the Columbia School and the Michigan School. The former claim that voters' preferences are mediated by the social environment (Lazarsfeld, Berelson, & Gaudet, 1944), the latter that votes are cast according to stable party identifications (Campbell, Converse, Miller, & Stokes, 1960). This sociological stance is met with resistance from the rational school (for example, Fiorina, 1981; Key, 1966), whose slogan "voters are not fools" portrays citizens as being able to vote according to preferences. But to frame Jo Martin's distinction along similar lines – "firms are fools" or "firms are not fools" – would be a leap in the wrong direction. The question is not whether firms are rational. Rather, it is about how business organizations navigate the uncertain and complex world of politics and what and who shape their political decisions.

The division between economic and institutional explanations is central but in my opinion, a better representation of the theoretical stakes is represented by a two-dimensional scheme. The first dimension categorizes hypotheses into either class-centrism or firm-centrism. What separates them is their views on unitary action. From the firm-centric perspective, unitary pursuit of goals is what governs preference formation. Hence, unity is merely the accidental by-product of self-interests that converge, which is dictated by the similarity between firms. For all that, it is important to bear in mind that firm-centrism recognizes that similar enterprises are competitors as well. If political action is becoming an extension of market rivalry, the message of pluralists, neo-Marxists, and elite theorists alike – that homogeneity always has a harmonizing effect – must be reassessed. In brief, firm-centrism sees similitude as the overriding determinant but – depending on type – may lead to both consensus and fracture. From the class-centric vantage point, interactions make it possible to bridge the inherent rifts and realize a capitalist class consciousness. These interactions constitute the external environment of a firm. The idea is that a business' policy positions are modified as a function of these interactions. Instead of espousing narrow interests, the positions come to reflect the welfare of other firms.

The second dimension – economic determinism versus rejection of economic determinism – is about the role of market dynamics in corporate political behavior, a demarcation that pits the neoclassic theory against its critics (Martin, 1995). What it does is to encapsulate the clash between the contention that economic laws steer corporate political behavior and the one asserting that factors exogenous to the market matter as well. It might be easy to confuse firm-centrism with economic determinism and class-centrism with the rejection of economic determinism. However, it is opportune to avoid this conflation, as two types of economic determinism circulate in the state of the art. One has regard to the structure of the market, proposing that certain market conditions make it rational for firms to cooperate. This is class-centric economic determinism. The other type is about the position of the individual firm itself within the market. The notion of this firm-centric economic determinism is that an organization pursues its material interests but does so disconnected from other corporations. Analogously, rejection of economic determinism can be divided into two – class-centric rejection of economic determinism and firm-centric rejection of economic determinism. The first emphasizes interactions between firms that are exogenous to the market and the second pays heed to organizational similarities that do not pertain to market operations and financial conditions.

This two-dimensional scheme is detailed in Table 2.1 with the associated hypotheses (which will be presented in the next chapter). Henceforth, class-centrism, firm-centrism, economic determinism, and rejection of economic determinism are referred to as "theoretical categories." The combinations of these theoretical categories produce four "theoretical intersections" – (1) class-centric economic determinism, (2) class-centric rejection of economic determinism, (3) firm-centric economic determinism, and (4) firm-centric rejection of economic determinism. To avoid these clunky terms, they are abbreviated to (1) C-E, (2) C-RE, (3) F-E, and (4) F-RE. The argument of the thesis is that the forces governing corporate political preference formation have shifted towards the intersection between firm-centrism and economic determinism and that political competition, not only political collaboration, characterizes the relationship between firms that are similar market actors. That get a better understanding of this argument, the current debate regarding the fracture of the American corporate elite serves as a good illustration.

Twenty-five years ago, when Akard (1992) tried to identify the chief promoters of corporate political unity, he highlighted two in particular: the existence of outside threats to the business community and cohesion – that is social networks between firms. Both connect to dynamics that are class-centric and reject the idea that economic laws determine preferences.

Table 2.1: The classification of the hypotheses into theoretical intersections.

	Economic determinism	Rejection of economic determinism
Class-centrism	Concentration	Cohesion
	Dependence	Threat from labor
		Threat from government
		Ownership
		Political insider
Firm-centrism	Industry	Executives
	Internationalization	Directors
	Generic strategy	Lobbyists
	Size	Organizational political culture

Even if many years have passed since Akard wrote this, these continue to occupy a leading position among sociologists and organizational scholars. Waterhouse (2013, pp. 20–27) and Mizruchi (2013) – in their books on how the American business community mobilized during the '60s and '70s and subsequently fragmentized during the '80s – put them at the center. The threats that allegedly set the mobilization of the business community in motion were three in total. The first threat came from the government in the form of a wave of regulations. Unlike earlier regulations, which targeted economic activities of specific industries, these sought to address externalities and were broad in scope and cut across sectors. Examples of these so-called "social regulations" were environmental regulations, consumer protection, and workplace safety.

The second and third external threats were the increasingly assertive non-business interest groups and labor unions, which ardently championed new regulations. Confronted by these three threats – government, non-business interest groups, and unions – the business community came together, sectorial conflict lines disappeared, and disagreements were buried as a growing consensus swept through the corporate landscape: "enough is enough." The earlier moderate business community adopted a much more confrontational rhetoric, blaming regulation and strong unions for the recession, and promoting free-market ideas as solutions to the problems facing the economy. This crusade paid off and during the '80s, these threats were severely weakened. As a result, the business community could afford to demobilize.

Concurrent with the fading external threats, the corporate social networks started to break down. Historically, these networks ensured the propagation of political unity across the business community (Mizruchi, 1992, 1996, 2013). The last few decades have seen a general decrease in cohesion – measured by board interlocks (board members serving multiple boards) – around the world (Barnes & Ritter, 2001;

Chu & Davis, 2016; François & Lemercier, 2014; Heemskerk, 2007; Mizruchi, 2014; Scott, 2003). Even the corporate network in Germany – the archetype of close interfirm relations – has virtually eroded (Höpner & Krempel, 2004).

It is difficult to pin down the exact causes behind this decline. Suggestions include the diminishing importance of organizational ties in an age of mergers (Barnes & Ritter, 2001, pp. 214–215) and the "flattening" of the world where resources can be obtained from many places and corners, effectively reducing earlier interdependences (Mizruchi, 2014). Also mentioned are the efforts by firms to take previously excluded demographics, such as women and minorities, into the boardroom, which expanded the pool of candidates and diluted the previously tightly knit corporate elite (Chu & Davis, 2016, pp. 4–5). Whatever the explanation is, this decline in corporate cohesion is, according to Mizruchi, one of the main factors responsible for the political fracture.

This narrative can be challenged by an alternative version, one that proceeds from economic determinism and firm-centrism. The world is, as Mariana Whitman (1999) says, a completely new place for business compared to the 1950s and 1960s. She traces back the start of this shift to the 1970s and 1980s when a rapid globalization permitted firms to have a worldwide reach. As firms broke free from borders and markets became increasingly crowded, firms started to focus on bottom line, efficiency, and productivity. The organization was transformed into a much more specialized entity than it used to be. Buzzwords that came into fashion were "leaning", "downsizing", "rightsizing", "re-engineering", "outsourcing", and the like. Some scholars even go so far as saying that we have entered an era of "hyperspecialization" (Malone, Laubacher, & Johns, 2011).

By way of illustration, the 1980s saw a wave of "deconglomeration". In the preceding decades, portfolio management had become the default method by which corporations grew. This basically meant that a firm saw itself as a collection of (unrelated) products. As long as a business segment was financially healthy, regardless of its focus and served markets, there was no need to jettison it. By 1980, fewer than 25 percent of the firms on the Fortune 500 made all their sales within a single broadly-defined (2-digit SIC) industry (Davis, Diekmann, & Tinsley, 1994, pp. 547–548). In the 1980s, two developments turned the tide. First, political decisions made it easier to mount takeovers and this fueled the bust-ups and corporate raiders' movement (famously depicted on screen in the 1987 Oliver Stone movie "Wall Street"). Second, scientific studies showed conglomerates did not make much sense financially, as each part was usually valued higher than the whole, which was exactly what these corporate raiders took advantage of (Comment & Jarrell, 1995, pp. 67–68). By 1990, well over 40 percent of the Fortune 500 firms were operating in single segments (Davis et al., 1994, p. 562).

Another transformative change was the introduction of a much more aggressive management style. No corporate leader embodied this better than Jack Welch, the CEO and chairman of General Electrics from 1981 to 2001. "There's going to be global price competition like you've never seen. It's

going to be brutal", was his verdict on how future competitive practices would look like (quoted in Sherman, 1992). All of a sudden, books on management started to borrow language from military science and the interest in the philosophy of the ancient strategist Sun Tzu surged (Freedman, 2013, pp. 524–525). In 1998, D'Aveni coined the term "hypercompetition" to describe the competitive environment. It is worth quoting him at length:

> Industries have changed from slow moving, stable oligopolies to environments, characterized by intense and rapid competitive moves, in which competitors strike quickly with unexpected, unconventional means of competing. They now confront "hypercompetitors" who continuously generate new competitive advantages that destroy, make obsolete, or neutralize the industry leader's advantages, leaving the industry in disequilibrium and disarray [...] In the past, firms […] avoided price wars, segmented the market to avoid head-to-head competition, and tried to keep the number of competitors low by putting up entry barriers around their industries. Yet, many firms have learned they cannot successfully follow such strategies in today's markets. The fundamental forces driving hypercompetition so overwhelm them that no company has the power to stop it.
>
> Richard A. D'Aveni (1998, pp. 183–184)

Spurred by these developments, firms now feverishly seek sources of competitive advantage (Schuler, Rehbein, & Cramer, 2002, p. 659). The literature on nonmarket strategies uses this insight as a springboard and shows how politics has become a new frontier where firms wrestle to gain competitive advantage. The basic idea is that just as firms compete in the marketplace, firms are at an increasing rate doing so in the nonmarket environment, where we find government, regulators, NGOs, activists, and media. Baron has offered an often quoted definition of the nonmarket environment: "The social, political, and legal arrangements that structure interactions outside of, although in conjunction with, markets and private agreements" (1995). The nonmarket approach is thus an effort to apply the neoclassical model to the action of firms in the broader socio-political sphere. In other words, just as market structures govern competition in the market, they govern unity and fracture in the nonmarket. In their search for why the American business community fragmented, Mizruchi (1992, 2013), Waterhouse (2013), and Akard (1992) underscore cohesion and threats, which are class-centric. Their story must be juxtaposed with the earthshattering changes in market conditions and nonmarket behavior that have taken place during the last few decades.

The other dimension of the analytical framework is on the environment versus the firm. This speaks to a main debate in the literature on corporate political preferences – whether it is correct to suggest that employers are social animals and develop their preferences in packs (Martin & Swank, 2012, pp. 1–2). In a nutshell, firm-centric hypotheses do away with the conception of the firm as being part of a larger milieu and submit that the preferences are shaped by forces that are located inside the firm, which is what Granovetter (1985) referred to as the "undersocialized view of the firm". The class-centric

hypotheses, conversely, see organizations as highly susceptible to input from the external environment in the formation of their political preferences. In Table 2.1, threats and cohesion are classified as class-centric as they give attention to factors that lie outside the boundaries of firms – external threats and social networks.

Even if the economic rationale would guide political action, as the neoclassic model and economic determinism have it, there are two versions of it. The message of class-centric economic determinism is that economic dynamics can facilitate interactions between firms and produce preferences at a firm-level that take the interests of other economic actors into the equation. These dynamics are derived from the structure of the market. The other type – firm-centric economic determinism – views the firm as a separate entity, singlehandedly pursuing its interests. Political preferences are here derived from the market activities of the firm. Moreover, it is not only with regards to the market where the class-centric/firm-centric division is germane. The nexus of contract theory and the behavioral theory of the firm ask us to analyze the goals and ambitions of the individuals within the organizations. These individuals are not market actors (their firms are) but may push their respective firms towards the same preferences on account of their shared views/biases, hence firm-centric but a rejection of economic determinism. By intersecting rejection of economic determinism with class-centrism and firm-centrism it is possible to be more specific about which factors endogenous to the market matter for preference formation.

Having made it this far, what exactly does the concept *corporate political preferences* mean? In the section below, the two dimensions of it and the main terms in this study – activity overlap and agreement overlap – are conceptualized. Concomitantly, the unit of analysis is defined. As the investigation proceeds in later chapters, the exact operationalization will be unveiled.

2.1.3. What I talk about when I talk about activity overlap and agreement overlap

As for the conceptualization of the outcome variables, let us momentarily hang fire and instead focus on the unit of analysis. When *preferences* are referred to, whose preferences are they? Potential units of analysis are associations (Drutman, 2012; Schmitter & Streeck, 1999), a mix between firms and associations (Mizruchi, 2013; Waterhouse, 2013), or industries (Hiscox, 2001; Roemer-Mahler, 2013). These are rejected in favor of the firm, arguably the most common unit of analysis (Martin, 1995, 2005; Mizruchi, 1992; Prechel, 1990; Rogowski, 1987). Specifically, the target is locked on large firms.

"Why firms and not business associations?" and "Why only large firms?", the reader might ask. The second question is somewhat easier to answer. The decision to narrow the scope of the population only to large firms is based on three reckonings. First, large firms are much more politically engaged and provide more opportunities for data collection, as opposed to small firms which tend to go through their trade associations (Schuler & Rehbein, 1997). Second, previous research has demonstrated the existence

of a political divide between small and large firms (Akard, 1992, p. 599). There is no use in rehearsing this well-established fact. Third, and most importantly, economic clout should translate into political clout which makes it more relevant to study large firms.

In response to the first question, it goes without saying that firms are not the only business interests in town. Representing the business are also trade associations, peak associations, regional business associations, coalitions, and alliances. In addition, some of the most resourceful lobbying groups are business associations. For example, among the top twenty spenders on lobbying in D.C., nine are business associations.[10] Still, the other eleven are firms and as the list goes on, firms only become more and more prevalent. That firms are important political players in their own right is recognized by Baumgartner and Leech (1999, p. 51), who write that "[a] complete understanding of the role of groups in politics must involve significant study of the role of individual corporations." This notion has gained ground and associations are increasingly eclipsed by firms as the proper object of analysis in the United States as well as in the European Union (Baumgartner & Leech, 1999; Berry, 1994; Coen, 1997; Cowles, 2001; Eising, 2007).

A reason for this shift is the appreciation that many associations, even some of the major peak associations, are either being abandoned by large firms or reduced to mere mouthpieces of the highest bidder. In her book *Stuck in Neutral*, Cathie Jo Martin (1999) demonstrates how large firms organize their own political activities, hire their own staff, and put more and more resources into their public affairs departments. This "do-it-yourself" attitude has created a split between large firms and their associations. Two other scholars who chronicle the changing relationship between large firms and associations are Jacob S. Hacker and Paul Pierson. In their recent book, *American Amnesia* (2017), they describe the metamorphoses of the Business Roundtable and the United States Chamber of Commerce, two iconic and historically über-influential business lobbying groups in Washington D.C. Business Roundtable used to be the unified voice of big business on the most pressing issues of the day but now struggles to speak with authority on even narrow issues (Hacker & Pierson, 2017; Mizruchi, 2013, pp. 211–218). At the same time, Hacker and Pierson (2017, p. 233) write, "[n]o private organization in the history of American politics has assembled anything comparable in scope or capacity to today's Chamber of Commerce." This expansion has been financed by a sharp increase in contributions from large firms, which in return get their "views for dues" in the form of a massive lobbying organization ready to relinquish its function as the main business arbitrator and instead put this impressive apparatus at their disposal of large firms with specific requests (Hacker & Pierson, 2017, pp. 233–235).

Firms are also dominant in Brussels (Coen, 1997; Cowles, 2001; Eising, 2007). Greenwood and Webster (2000, p. 2) argue that the very setup of EU institutions undercuts business associations, the reason being that the Commission and Parliament cannot autonomously determine the policy agenda. As

[10] https://www.opensecrets.org/lobby/top.php?showYear=2016&indexType=s

a result, national associations prefer to go via their national governments instead of developing strong pan-European organizations. This void in Brussels is then filled by large multinationals (Greenwood & Webster, 2000). That associations are experiencing a decline in their status, even if there are great variations across institutional settings, fits with the overall trend in Western countries towards less political coordination among employers (Martin & Swank, 2012, p. 132).

This effectively makes firms the more relevant units of analysis. Another reason why it makes sense to zero in on firms is that associations and industries are composed of firms. Consequently, if an association lobbies on an issue or takes a position, it is difficult to know which of its constituent parts it is on acting behalf of. Additionally, and perhaps most importantly, numerous – if not most – hypotheses are only applicable at the level of the firm. However, the unit of analysis is not the single firm, but a dyad (a group of two firms). To pair firms and examine and explain variation in the overlap of political preferences across dyads has been done before (Mizruchi, 1992; Young, 2015), and it allows the disaggregation of the business community into the smallest possible relationships in order to go to the core of what produces unity between firms.

In the introductory chapter, the research question "What explains the differences in political preferences between firms" was divided into two: (1) What explains the varying degrees of similarity between firms regarding issue-preferences? (2) What explains the varying degrees of similarity between firms regarding outcome-preferences? The concepts used to capture these two questions are activity overlap and agreement overlap. This means that overlap of preferences must be understood both as the extent to which firms have shared preferences regarding specific outcomes on issues and the extent to which they have shared preferences regarding the agenda of issues. Activity overlap and agreement overlap are treated as two separate dependent variables.

Why choose activity overlap and agreement overlap as the two vehicles through which preference formation is examined? Sure, only agreement overlap, which is the bread and butter of the research on preference formation, could have been studied. That would have made the analysis rather incomplete as studies show that many interest groups develop specialized lobbying niches and rarely relate to their rivals in a directly competitive manner (Browne, 1990; Heinz, Laumann, Nelson, & Salisbury, 1993). Also, of all the issues on the agenda, a specific firm is active on a tiny subset and before it can express an opinion on a subject matter it must become active. In short, activity overlap and agreement overlap complement each other and capture the two main types of political preferences firms have and the ways in which they display unity or fracture.

Figure 2.1 gives a visual representation of this. Even if activity overlap and agreement overlap are continuous, not dichotomous, four generic outcomes are accentuated. To complement Figure 2.1, below are descriptions of each generic outcome, plus concrete examples drawn from the data.

1. High activity overlap, high agreement overlap: Two firms that tend to lobby on the same issues and share the same positions.

   Example from Washington D.C.: Washington Mutual (collapsed in 2008) and Wells Fargo. These two American banks lobbied heavily on bills and issues related to mortgages, housing financing, and taxes, for example the "Federal Housing Finance Reform Act of 2007" and "Expanding American Homeownership Act of 2007", the "Credit Card Fair Fee Act of 2008", and the "Business Activity Tax Simplification Act of 2007." Apart from being concurrently active on many issues, the two firms score high on agreement overlap. During the hearing "Foreclosure prevention and intervention: The importance of loss mitigation strategies in keeping families in their homes", Washington Mutual and Wells Fargo shared the position that the banks themselves could cope with the situation and that new regulation should be avoided.

   Example from Brussels: Deutsche Telekom and National Grid. The German telecommunications company Deutsche Telekom and the British electricity and gas utility company National Grid lobby on the same issues, two examples being off-exchange trading and consumption tax. They also have a propensity to agree with each other. In the case of off-exchange trading, for example, they strongly oppose regulation.

2. Low activity overlap, high agreement overlap: Two firms that tend to lobby on different issues. In instances of shared issues, their positions are similar.

   Example from Washington D.C.: Cliffs Natural Resources and Evraz Group. These American and British (Evraz relocated its headquarters to London in 2011) mining companies have diverse issue focuses. Evraz lobbies a lot on defense bills, Cliffs Natural Resources on environmental regulations. This does not prevent them from agreeing. For example, in the hearing "Our nation of builders: The strength of steel" they both advocate for less regulation and a streamlined process for granting exploration permits.

   Example from Brussels: MetLife and Standard Life. MetLife and Standard Life are two quite distinct firms. MetLife is an American insurance company, Standard Life a British investment company. These differences manifest in the types of issues they gravitate towards, MetLife to issues pertaining to financial reporting and insurance guarantee schemes and Standard Life to corporate governance and audit policies. In terms of agreement, they express similar positions. On a consultation on pension systems, they agreed that EU harmonization and consumer education are necessary.

3. High activity overlap, low agreement overlap: Two firms that tend to lobby the same issues and adopt different positions.

Example from Washington D.C.: Microsoft and Oracle. Two west coast-based software companies which try to influence many of the same bills and issues, for example on immigration ("Security Through Regularized Immigration and a Vibrant Economy Act of 2007") and on copyright, patent and trademark ("S.866 - Patent Quality Improvement Act of 2013"). That does not necessarily mean that they adopt the identical positions, which is illustrated by the hearing "Reviewing the federal cybersecurity mission." Microsoft emphasizes public-private partnerships and advocates for an incremental solution that does not deviate from too far from status quo. Oracle takes a much more aggressive stand and wants the US to declare parts of the cyberspace as "spheres of influence" and perceive interferences as acts of foreign aggression.

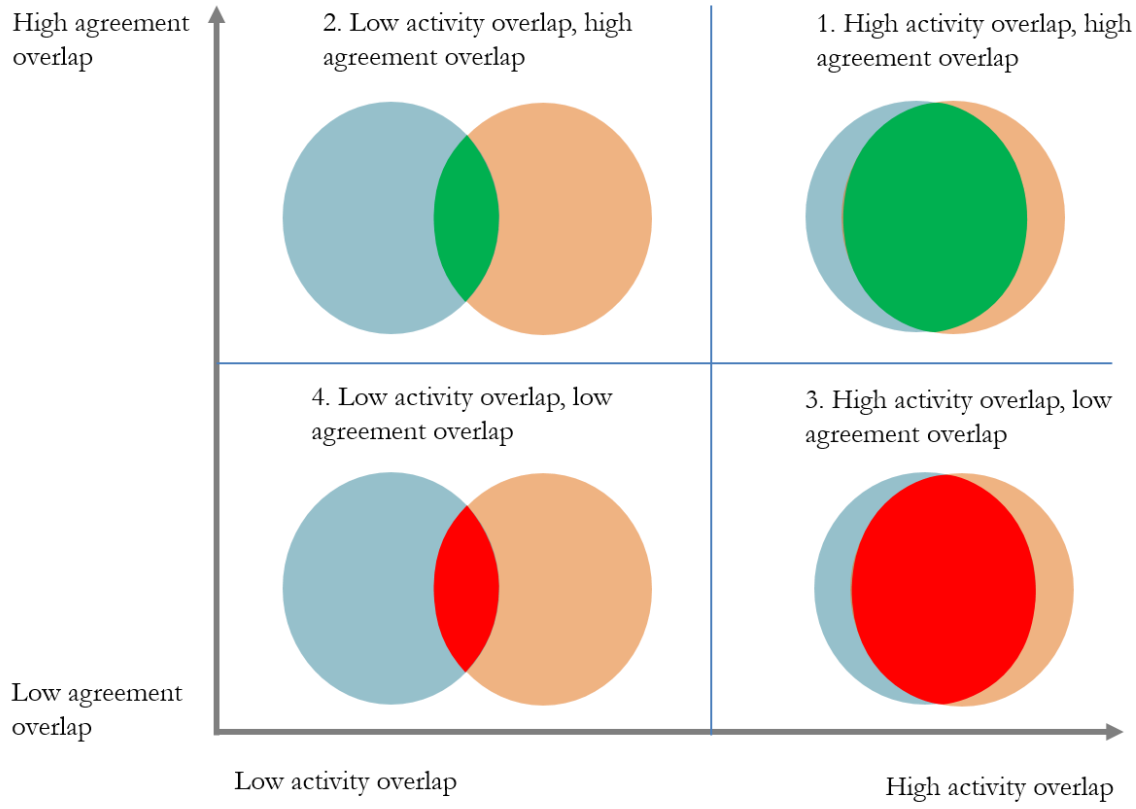
Example from Brussels: Anheuser-Busch and PepsiCo. Anheuser-Busch and PepsiCo produce beverages but the former is a beer brewing company while the latter, apart from its famous soda, sells food and snack products. They lobby on the same issues but adopt diverging positions. For example, in a consultation on food labeling, PepsiCo pushes for different standards for different products, while Anheuser-Busch wants a standardized system and no additional rules for alcoholic beverages.

4. Low activity overlap, low agreement overlap: Two firms that tend to lobby on different issues. In instances of shared issues, the positions are different.

   Example from Washington D.C.: IntercontinentalExchange (ICE) and Northwest Airlines (now part of Delta). ICE owns exchanges and clearing houses for financial and commodity markets, Northwest was a commercial airline. Their preferences were at odds. ICE lobbies on commodities and trading, Northwest Airlines on aviation. They also exhibit conflicting preferences for policy outcomes. In the hearing on "Energy speculation: Is greater regulation necessary to stop price manipulation?", Northwest Airlines, which was suffering from a high oil price at the time, wanted the government to step in. ICE was against government involvement.

   Example from Brussels: BASF and Nasdaq OMX Group. BASF is the world's largest chemical company, Nasdaq OMX Group operates stock exchanges. Not only do they have their eyes set on different policy issues but they also clash once their paths meet. For example, on the issue of off-exchange trading, BASF argues against proposed regulation, whereas Nasdaq wants to go further and have a strong regulatory system with strict central control over off-exchanges.

Figure 2.1: The four generic outcomes of activity overlap (x-axis) and agreement overlap (y-axis).



Notes: The two spheres represent two firms. The larger intersection between these two, the higher is the activity overlap. Red intersection indicates low agreement, green intersection indicates high agreement.

All else being equal, more agreement overlap means more unity. To fully pin down unity, activity overlap must also be considered. However, more activity overlap does not simply mean more unity. Yes, if the various elements of the business community always share the same opinion on policy, they are more united if their agreement is manifested across many policy issues. But what if they never share the same opinion, are they more fractured if their disagreement is manifested across many policy issues or very few? Obviously, the interpretation of activity overlap from a unity/fracture perspective is entirely predicated on the agreement overlap.

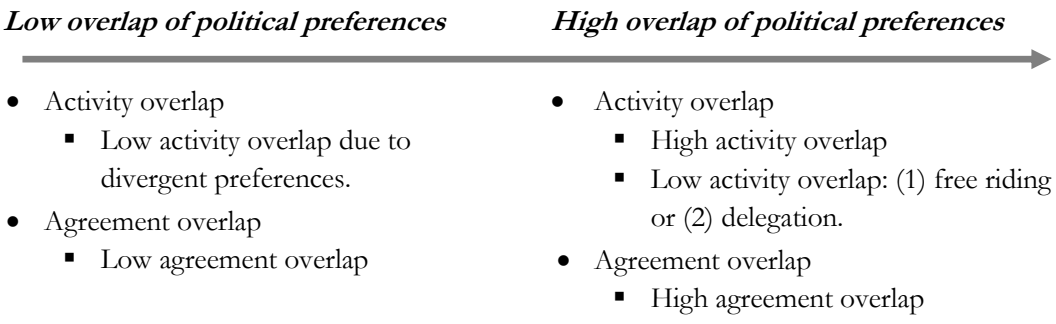
By instead referring to "high overlap of political preferences" and "low overlap of political preferences", this problem contracts somewhat. Regardless of agreement overlap, a high activity overlap signifies that firms take an interest in the same issues, thereby expressing overlapping preferences (regarding which issues on the agenda are more important). What about low activity overlap? This comes with more ambiguity. The reason is that a firm might "outsource" its political activities, meaning that it lets another political actor represent its interests. This happens through either delegation or free riding. Delegation means that this "outsourcing" is coordinated between the two agents. In other words,

delegation happens when one entrusts another with the responsibility to lobby on an issue through a mutual arrangement between the two parties. Free riding occurs when one agent (the free rider) does not commission an agent to represent its interests but nonetheless purposefully benefit from its political activity. What delegation and free riding have in common is their ability to produce low levels of activity overlap between companies, even though they do take an interest in the same items on the agenda. Therefore, there are different "paths" to the same outcomes. These are detailed in Figure 2.2.

With all these different paths, how to utilize the concept of overlap of political preferences? Moreover, how to understand a negative effect in the statistical models if it can indicate both diverging preferences or converging preferences (related to which issues on the agenda are more important)? The answer to both questions is that the predictors being tested are firmly associated – theoretically as well as empirically – with a higher overlap of preferences between firms. Hence, one would be hard pressed to see how any of them would cause the attention of firms to policy issues to bifurcate. Consequently, a negative effect on activity overlap is interpreted as overlapping preferences expressed through either delegation or free riding.

Unfortunately, the research design does not allow us to know if a negative effect is realized through delegation or free riding. True, class-centrism is about communication. Since delegation must be preceded by communication, it would seem sensible to interpret a negative class-centric estimate as delegation. By the same token, firm-centrism is about similarity between firms, which would lend itself to free riding. Nonetheless, communication could also make it easier for a firm to know when to free ride and similarity could bring firms together and indirectly engender delegation. For these reasons, it is prudent to remain agnostic about the underlying mechanism that produces a negative effect on activity overlap.

Figure 2.2: The paths to low and high overlap of political preferences?



2.2. The real-world importance of this study

Why should someone without a theoretical interest in this topic care? The so-what question can, in fact, be divided into two. First, why care about corporate political action in the first place? Second, why care about corporate political preferences?

Starting with the first question, in both Washington D.C. and Brussels firms dominate the expenditure game. At the US federal level, 84 percent of total lobbying expenses are spent by corporations and trade associations, while at the state level this figure reaches 86 percent (Figueiredo, 2004). Across the Atlantic, in Brussels, the situation is no different in that business interests spend the most (Coen & Katsaitis, 2013; Schlozman, 2010). These numbers demonstrate the ubiquity of firms in politics. This is not to say that they always get their way. There are indications, both in the European Union and the United States, that business interest groups are less successful than other types of actors (Dür, 2008; Hojnacki et al., 2015). Even the very idea that money buys influence shows signs of resting on weak foundations (Leech, 2010). This can be contrasted with the view that, in the long run, firms and their associations completely shape politics (Clawson et al., 1998; Gilens & Page, 2014; Hacker & Pierson, 2011; Lindblom, 1977). Regardless, there is no escape from the fact that as a function of sheer spending volume, lobbying capacity, and the importance of large firms to the economy, the political action of corporations is important to understand in and of itself.

As for corporate political unity, democratic theorists, public intellectuals, and activists repeatedly warn about the dangers of a unified capitalist class and how it undermines the prospects for democracy. This fear is vocalized with resounding emphasis by some of the greatest students of democracy. Schumpeter (1942) and Dahl (1958) claim that there can be no democracy without conflicts among the elite. In fact, if there is one thing that the pluralists and elite theorists could agree on, it is this: The more unity in business, the less democracy (Mizruchi, 2016, p. 1). In my view, this is a good point of departure when thinking about the real-world consequences of the subject matter. At the same time, these two propositions – first that business has a political agenda that is not that of people in general, and second that business unity engenders business power – must be qualified as the reality is slightly more complex.

A possible objection against the first proposition would be that there is no such a thing as a gulf between the political preferences of firms and those of the public. If this were true, business power would not be especially problematic per se. As it turns out, the evidence runs counter to this objection. In a recent paper, Gilens and Page (2014) find that the political preferences of business interest groups do correlate negatively, and significantly, with the preferences of citizens. This is in line with Hojnacki and others (2015), who show that a business interest group is most likely to be met with resistance from a citizen interest group, not from another member of the business community. So even if "gulf" is

something of an exaggeration, there certainly appears to be political discord between firms and ordinary people.

The second proposition is a self-evident truth to most, as already stated. Still, to say that unity breeds power seems almost like a meaningless statement to make. How is it possible to even speak of the realization of the will of a collective if its members disagree? The solution to this conundrum is to recognize that certain core interests are shared by virtually all members of the business community. When firms focus on their own narrow side interests or quarrel, the underlying preferences of the business community are obfuscated and the core agenda goes lost.

That said, it is only recently that the unity-power bond has been called into question. Smith (2000) and Culpepper (2011) argue that in case of business unity, the best bet to make is that corporations and their allies will end up on the losing side. The logic is straightforward: Business interests tend to unite on highly salient issues, the type to which the public pays attention. Knowing that reelection ultimately rests on a popular vote, politicians side with the public and "capital" loses. Taken to its logical conclusion, Mizruchi (2016) suggests that by having reached historical levels of fracture, the American corporate elite is now able to exercise more power than ever before. He draws a comparison with earlier decades and writes that "[t]he relatively coherent and well-organized elite in the postwar period provided a relatively identifiable opponent for insurgent groups, such as organized labor. The fractured and relatively amorphous elite that exists in the contemporary United States, on the other hand, represents an opponent that is largely indecipherable. To put it more crudely, one can't fight what one can't see" (Mizruchi, 2016, p. 15).

What to make of all this? Would anti-capitalist activists do best to hold signs proclaiming "Firms of the world, unite!" if unity is indeed negatively correlated with business power? Probably not. First, the time period seems to matter. Hojnacki and others (2015) show how policy salience during the George Bush Jr. administration actually presaged favorable outcomes for the business community. Second, salient issues are few and upset the wheels of day-to-day politics. On more "normal" issues, unity among firms should be beneficial to their chances of attaining victories. Third, and connected to the second point, the ephemeral nature of salience makes it sensible to differentiate between short-term unity and long-term unity, where the latter is what really makes a difference.

In their seminal work on inequality in the United States, Jacob S. Hacker and Paul Pierson (2011), offer an account of what business unity can accomplish in the long run. Their message is that the business community loses battles but rarely loses the war. Elections and highly salient issues are "spectacles", which momentarily bring citizens into the play. What is not revealed by the narrow spotlights of public attention will be subject to what they call "organized combat." In the organized combat, which decides the outcomes on the vast majority of issues, interest groups fight each other. Organizations are permanently

based in the capitals, they have a lot of resources at their disposal, and they have the patience to lobby for years, if not decades, on issues far outside the purview of the public.

An example of this is the tax reform completed in the US in 1986, which sharply reduced tax breaks for businesses. After this law was enacted, public attention drifted elsewhere. Hacker and Pierson (2011, p. 107) write that "[t]he organized groups who had taken such a political hit in 1986 simply went back to work […] Year after year, they succeeded in adding back loopholes—one unnoticed provision at a time […] Backed by organizations, they pushed politicians to respond to their concerns. And nobody pushed back." What was absolutely crucial, they go on to explain, was the unity between the firms, that "[e]mployers learned how to work together to achieve shared political goals" (2011, p. 118). In brief, while it is proper to abandon the routine assumption that business unity and business power are inextricably linked, the baby should not be thrown out with the bathwater. Unity could still be a precursor to influence in the long run.

A completely different perspective to corporate political unity is that while it might frustrate democratic ideals, it may bring about desirable outcomes. In *Fracturing of the American Corporate Elite*, Mizruchi (2013) presents his thesis that the political disunity of big business is largely responsible for the broken Washington politics, where the deep cleavage between Democrats and Republicans has produced a highly ineffectual political system. His argument proposes that a pragmatic, united business elite acts as a power broker between political parties. Now, when the business elite has relinquished this role, he argues, there is no glue that holds the political system together and politicians are more prone (and free) to move towards extreme positions. That corporate unity can serve a good purpose is being expressed more and more, especially after the election of Donald J. Trump as president of the United States. An example, among many, was Trump's proposed ban on Muslims entering the USA, which prompted high-profile intellectuals, among them Larry Summers[11] and Michel Useem[12], to call for the business community to get their act together, mobilize, and fight back.

By this, what I hope to have shown is that there are diverse viewpoints on the normative aspect of corporate political unity. However, dispensing with the normative debate, I take one step back in the funnel of causation and ask a more basic question: What drives overlap of preferences in the first place?

[11] Harvard Business Review Ideacast, February 2, 2017: "Business Leadership Under President Trump." https://hbr.org/ideacast/2017/02/business-leadership-under-president-trump.html
[12] Wharton School Podcast, January 31, 2017: "How the Immigration Ban Will Impact U.S. Businesses." http://knowledge.wharton.upenn.edu/article/immigration-ban/

Chapter 3: Hypotheses and measurements

IN THE LAST CHAPTER, we learned that scholars from a multitude of academic disciplines have charted the same waters as navigated here, in the process collecting a large number of hypotheses. So, the problem is not that the proposed explanations are few, but that a general picture that is up-to-date is still missing. This situation calls for statistical analysis on a large scale (P. A. Hall, 2006), which is the method of choice for this study. While striving for eclecticism and casting the net widely – inclusion rather than exclusion is the guiding principle when it comes to the incorporation of hypotheses – what is presented is by no means a shopping list of hypotheses. Each adds flesh and bone to the analytical framework, which classifies hypotheses into four intersections: (1) class-centric economic determinism (C-E), (2) class-centric rejection of economic determinism (C-RE), (3) firm-centric economic determinism (F-E), and (4) firm-centric rejection of economic determinism (F-RE). A large-n test of these hypotheses makes it possible to test these very basic forces encapsulated in the analytical framework.

The specific hypotheses made a brief appearance in the last chapter. Now it is time to unpack them and to show how they have been operationalized. Before that, the first order of business is to go through the case selection. Only after this is it possible to fully comprehend the considerations that go into the operationalization of the hypotheses. In short, large American, British, and German firms are selected from the Forbes Global 2000 list. I study their political preferences as exhibited in Brussels and Washington D.C. The selections of American, British, and German firms and European Union and the United States, as the two institutional settings, are guided by the same objectives – relevance, the number observations, and generalizability. Indeed, Washington D.C. and Brussels are the two largest lobbying arenas in the world. Similarly, the American, British, and German business communities represent the largest, the fifth largest, and the fourth largest economies in the world respectively. Not only does this make these institutional settings and firms very important but provides more opportunities for data collection. Third, and most importantly, the research on corporate political unity tends to focus on single country-cases. By extending the investigative scope to a rather homogenous set of business communities and institutional settings, a greater generalizability of the results is achieved.

The presentation and operationalization of the hypotheses follow the case selection. Recognizing that there are some additional variables that do not easily fit into the theoretical scheme but nonetheless must be considered. The section "control variables" is devoted to these, of which there are three in total: business community affiliation, policy type, and business associations. The chapter will close with a discussion of the weaknesses and pitfalls associated with the data and the measurements of the independent variables and the control variables.

3.1. Case selection

The goal of the case selection is to ameliorate the limited generalizability of previous works. The literature suffers from (at least) three such problems: (1) issue-related generalizability problems, (2) business community generalizability problems, and (3) institutional generalizability problems. Let us go through these in order.

First, the lens through which one learns about preference formation is usually fixed on specific issues (Bombardini & Trebbi, 2012; Gawande, Krishna, & Olarreaga, 2012; Hiscox, 2001; Kim, 2013; Martin, 1995; Osgood, 2016; Rogowski, 1987; Swenson, 2004; Wuokko, 2013). Consequently, the results coming out of these studies potentially apply narrowly. Other scholars adopt a more macro approach (Mizruchi, 1992, 2013; Useem, 1984; Vogel, 1989; Waterhouse, 2013) but, in doing so, fail to see the nature of issues. This is unfortunate, as interest group scholars are simultaneously urged to strive for generalizability and to be sensitive to the issue-specific context (Beyers, Dür, Marshall, & Wonka, 2014).

The second and the third problems are related as they often appear concurrently: The tendency to direct the attention to one national business community and one institutional context only. Most commonly, the focus is on American firms and their political action at the US federal level (Burris, 2005; Mizruchi, 1992, 2013; M. A. Smith, 2000; Vogel, 1989; Waterhouse, 2013), even though there are plenty of examples of inquiries being directed at other national business communities (for example, see Brownlee, 2005; Höpner & Krempel, 2004; Moran, 2006; Wuokko, 2013). This is not to say that there are no comparative studies. The most obvious attestation is the massive volume of texts on corporatism, where the variation between countries with respect to the scope of coordinated action among business interest groups is a hallmark of the research agenda (Winkler, 1976). However, as Mahoney points out (2008, p. 6) a lot of energy has been invested into classifying interest group systems as either corporatist or pluralist, while the individual interest groups and the formation of their preferences repeatedly go lost, despite that business communities are no political monoliths.

Below, with the selection of firms and sites of investigation, I move in the direction of addressing the second and third problem. Later, with the introduction of the control variables, the first problem – that of the issue context – is attended to.

3.1.1. Firms

Clearly, what is required is the selection of firms from various national business communities. In his latest book, Gerald G. Davis (2016) states that corporations are like breakfasts. If you talk about eating breakfast, people will understand what type of activity you are referring to but as any experienced traveler would know, what would then be on the breakfast plate varies from one country to the next. The same goes for corporations, he argues. There is a designated term but what is observed – once the lid is lifted –

changes radically as we move across borders. There are many reasons for this, including labor market institutions, how financial markets operate, regulations, educational systems, and social safety nets (2016, p. 15). National differences apply to the political preferences of firms as well. Historical institutionalism has contributed greatly to this understanding (Culpepper, 2014, p. 3) by breaking free from the conception that firms' behavior and interests purely stem from their material concerns and by showing that what also matters is previous patterns of interactions between business, labor, and state.

A classic contribution to this strand of literature is *Small States in World Markets* by Peter J. Katzenstein (1985). He chronicles how some smaller European states – and West Germany – came to compete on the global market differently from the larger ones. Because of their historical vulnerability, they display a flexibility in adapting to changing global economic conditions, facilitated by institutions built around an ideology of social partnership and concentrated systems of interest groups. The result is "low-voltage" politics, aimed at creating consensus and to pave the way for economic adjustments. These countries are known as corporatist systems, in which interest groups are "organized into a limited number of singular, compulsory, noncompetitive, hierarchically ordered, and functionally differentiated categories" (Schmitter, 1977, pp. 7–9). On the other side of the spectrum are the pluralist systems – such as the United States and the United Kingdom – where interest intermediation is "organized into an unspecified number of multiple, voluntary, competitive, nonhierarchically ordered, and self-determined categories." In other words, the pluralism/corporatism distinction highlights the variation across countries with respect to size of the population of interest groups, the level of political competition between them, their hierarchal structure, and how power is distributed between individual firms and their trade and peak associations (Wilson, 2003, pp. 8–9).

In pluralist systems, the individual firm picks and chooses which associations to join. This effectively tilts power in favor of the firms and reduces associations to rather toothless organizations, eager to satisfy as many of their members as possible (especially the larger) to secure membership and a stream of dues. If unsatisfied, an individual business can always defect and go "solo". Under these circumstances, firms are more prone to act in accordance with their own preferences, rather than those held by the business community at large. In corporatist systems, conversely, individual firms are members of highly organized collectives and the business community speaks with one voice and unity are manufactured in a top-down fashion, enforced by the trade and peak associations.

To probe preference formation over a diverse set of firms, with the purpose of increasing generalizability, it is imperative that the selection draws from both pluralist and corporatist systems. It should be acknowledged, though, that it is increasingly difficult to draw clear borders between the two institutional arrangements. In fact, the very distinction between corporatist and pluralist systems is dissolving as corporatist structures are rolled back in many countries (Lindvall & Sebring, 2005; Streeck & Hassel, 2003). Even in the traditional strongholds of corporatist institutions and top-level bargaining,

power is described to be mainly exercised though de-centralized networks and under-the-radar modes of advocacy (Svallfors, 2016, 2017). Accordingly, scholars have observed a convergence in the political strategies of firms from corporatist systems and those from pluralist systems (Bernhagen & Mitchell, 2009; Eising, 2007). Notwithstanding this typological "flattening", enduring differences prevail (Martin & Swank, 2012) and so a case selection that covers both systems is appropriate. An additional requirement is that the selected national business communities are large, which ensures relevance and opportunities for data collection. Three business communities meet these requirements – the American, the British, and the German. Germany is a typical corporatist system, while the United Kingdom and the United States are equally typical examples of pluralist systems (Coleman & Grant, 1988). The population of firms is made up of large corporations headquartered in these three countries.

What is then the actual definition of a large firm? This has, naturally, no simple answer. For example, according to the European Commission, a large firm has more than 250 employees and annual revenue of more than €50 million (Center for Strategy & Evaluation Services, 2012). It is obvious that this definition sets the bar too low for what can be called the business elite. Instead, the recommended method is to build the population of firms out of a Forbes list (Porter, 1980, pp. 372–376), specifically Forbes Global 2000, which is an annual ranking of the 2000 largest public firms in the world, published by Forbes Magazine.[13]

"Giant" – rather than "large" – is probably a more apt description for a firm that makes it onto this list. For example, the company that ranked last on the 2015 list (the Japanese holding company J. Front Retailing) has a workforce of 7,190 employees and an annual revenue of US$10.9 billion. The total amount of revenues raked by the firms on the Forbes Global 2000 list amounts to 51 percent of the world's total GDP and their combined market value is more than twice the total market capitalization of the New York Stock Exchange, by far the largest stock exchange in the world.[14] Specifically, every list between 2007 and 2014 is collected (except 2012, which could not be accessed). The justification for this time span is that seven years are a rough estimate of a full business cycle, a proper time horizon when analyzing firms (Porter, 2008, p. 29).[15] Every firm that appears on (at least) one of the annual Forbes Global 2000 rankings goes into the population (see the Appendix, Table A.1, for the final population of selected firms).

[13] The list is based on four metrics: sales, profits, assets, and market value. The first step in the method is to create a top 2000 list for each metric. To be eligible for the final list, a company needs to place on at least one of these lists. The composite score of the four metrics produces the final ranking. For more information see: http://www.forbes.com/sites/andreamurphy/2015/05/06/2015-global-2000-methodology

[14] See http://www.economywatch.com/companies/forbes-list and http://www.forbes.com/sites/forbespr/2015/05/06/forbes-13th-annual-global-2000-the-worlds-biggest-public-companies

[15] The National Bureau of Economic Research (NBER) has identified elven business cycles between 1945 and 2009. The average duration of these is 68.5 months (5.7 years). However, the last three business cycles, up to 2009, lasted longer (108 months, 128 months, and 81 months, respectively). See: http://www.nber.org/cycles.html. Unfortunately, the latest business cycle is yet to be identified so seven years is a rough estimate.

A drawback with this list is that only publicly traded firms qualify. This is a problem for two reasons. First, some scholars proclaim the coming death of the public firm and envision a future in which this corporate model will be obsolete (Davis, 2016). It is certainly true that there is a downward trend in initial public offerings and many large firms, such as Dell Inc., have chosen to delist and go private. Still, being publicly traded is the norm among largest companies. By way of illustration, the top three largest American private companies (Cargill, Koch Industries, and Dell) would only rank 11, 18, and 50 on the list of the largest US public firms.[16] A second shortcoming is that those countries with a strong tradition of private ownership will be at a disadvantage in the selection. For instance, consider that the number of German public firms in 2012 was only about half compared to Serbia, despite having an economy a hundred times larger (example from Davis, 2016, p. 15). Even in Germany nonetheless, the biggest firms are usually publicly traded. None of the top three German private firms (Edeka being the largest) would break into the list of the ten largest German firms.[17] It is possible to conclude that although the Forbes Global 2000 does not perfectly represent the corporate elite, it does so to a satisfactory degree.

3.1.2. Institutional settings

The next step in the process is to select the sites of investigation – the "institutional settings." Perhaps the ideal option would be to pick Berlin, London, and Washington D.C. and observe the American, British, and German firms in each of these cities. Instead, this study heads to Brussels, where the institutions of the European Union are located, and Washington D.C., the federal capital of the United States. What motivates the selection of these two? One answer could be that size matters; Washington D.C. and Brussels are the two largest lobbying scenes in the world and are therefore of special importance to the research on interest groups. Despite this, there is a chronic lack of comparative studies between the two (Lowery, Poppelaars, & Berkhout, 2008). Another answer would bring the availability of data to notice. From these two points of view, Berlin and London are not optimal. However, a more solid justification would need to comprise more qualitative elements pertaining to variation between the two institutional settings – after all, generalizability is a priority.

Before detailing variation between the two settings, it is critical to acknowledge that there are striking similarities. For example, Kreppel (2006) stresses that it makes more sense to compare the European Union to the United States, rather than to its member states. Weiler (2001, p. 56) is arguing along similar lines when stating that "[…] the constitutional discipline which Europe demands of its constitutional actors – the Union itself, the Member States and State organs, European citizens and others – is in most respects indistinguishable from that which you would find in advanced federal states". With an eye towards lobbying, both systems are described as "pluralistic" (Coen, 1998; Coen & Katsaitis, 2013;

[16] Revenues are compared between *America's Largest Private Companies* of 2014 (http://www.forbes.com/largest-private-companies) with the *Forbes 500* of 2014 (http://fortune.com/fortune500/2014/)
[17] Revenues are compared between the top private firms in Europe of 2013 (http://www.privco.com/europes-largest-private-companies-the-privco-25/) with the *Forbes Global 2000 list* of 2013.

Cowles, 2001). In Washington D.C. and Brussels, an ever-growing number of interest groups compete, and no organization is granted a monopoly on interest representation. So, it could be that these two sites of investigation offer less variation than what Berlin, London, and Washington D.C. would do.

Having said this, there are important contrasts, many of which are germane to unity and fracture. Some have even identified the consensus-oriented approach in the EU versus the conflict-oriented approach in the US as the main difference in how the lobbying works (Woll, 2012, pp. 200–201). In their comparative studies on lobbying in the EU and US, Mahoney (2008, pp. 46–47) and Woll (2006, 2012) try to explain why these distinct lobbying "cultures" have evolved. They underscore two important differences. One is the so-called "democratic deficit". As opposed to the American executive branch, the European Commission is not directly accountable to the public. This would obviously make it less prone to being influenced by public opinion. Second, although there is an emerging pan-European public sphere (Althaus, 2009), European citizens are still much less informed about EU politics than Americans are about Washington politics. Because of the weak public sphere and poor accountability, interest groups operating in the EU are less concerned with exercising political pressure through the public and usually opt for an inside strategy (Kollman, 1998). The success of such a strategy is very much contingent on the cultivation of trust between the lobbyist and the EU officials. Therefore, European Union lobbying is described as long-term and trust-based. As a consequence, interest groups need to be constructive, cautious, and consensus-oriented to not jeopardize their insider status. In the US, on the contrary, lobbying is more confrontational, competitive, and fixated on immediate interests (Woll, 2006, p. 463). Due to this, in the European Union interest groups try to make changes and amendments to existing proposals, whereas in the US, you try to kill a bill or you endorse it (Mahoney, 2008, pp. 66–67). Irrespective of its real preferences, the expectation is that an interest group operating in the EU expresses less extreme positions than it would do in and around Capitol Hill.

If the focal point was on corporatism/pluralism, this would not be a very well-designed study for several reasons. First, the exclusive focus on large firms is too narrow, as an inquiry into the institutional setup must encompass the government, labor unions, and trade associations. Second, there is only one instance of a business community operating in its home environment (American firms in Washington D.C). The literature on corporatism is about country-specific institutions. How a "pluralist" or "corporatist" business community – dislodged from its home environment – behaves is less clear. The most reasonable assumption is that a complete dislodgement never takes place. Marshall and Bernhagen (2016, p. 5) write that "it would be theoretically naïve to expect firms headquartered in different countries and systems of interest intermediation to make strategic choices among multiple venues independently of the wider political context and the strategic options." This view is reinforced by Reinbein (1995), who finds that in spite of strong similarities between the political strategies of foreign-owned and domestic firms, foreign ownership does matter. Given this "double embeddedness," it seems reasonable to expect that a "corporatist" business community would exhibit stronger unity than a "pluralist" business

community, regardless of institutional context. At any rate, the prime aim of case selection is not to determine whether this is true or not but to maximize the scope of generalizability regarding the factors that shape corporate political preferences. The design licenses the exploration of several questions, related to the research questions, as is shown in Table 3.1.

Table 3.1: Case selection and the questions that will be asked.

Business Community	Institutional settings
Germany (corporatist system)	European Union US federal level
United Kingdom (pluralist system)	European Union US federal level
United States of America (pluralist system)	European Union US federal level
Question 1: How does overlap of preferences vary across business communities? Question 2: Do firms from the same national business community have higher overlap than those from different ones? Question 3: How do the determinants of overlap of preferences vary/remain stable across subgroups?	Question 4: How do the determinants of overlap of preferences vary/remain stable across institutional settings?

3.2. Presentation of hypotheses

In this section, the hypotheses will be submitted, starting with the class-centric rejection of economic determinism. The operationalization is postponed until section 3.3. The immediate focus is on the conceptualizations and mechanisms associated with each hypothesis and the justification for why it has been categorized under a specific theoretical intersection.

To anticipate these justifications, it is opportune to specify the parameters that guide the categorization. Ultimately, theoretical considerations determine the categorization. Still, the operationalization itself is telling. Economic determinism versus rejection of economic of economic determinism is the dimension with the clearest border. If a hypothesis is operationalized using data on its market activities – where the market is defined as the arena in which products and services are bought and sold – then it belongs to economic determinism. Concentration is about market shares, dependency is about the transfer of goods and services between firms, and industry, generic strategy, internationalization,

and size describe what a firm sells, how much it sells, and where it sells it. Placed on the other side of the dimension, executives, directors, lobbyists, and organizational culture measure the political ideology of individuals within a firm and political ideology is, of course, not an aspect of market activities. Cohesion and political insider capture nonmarket interactions and ownership can certainly be purchased and sold but it is not part of the market that defines the activities of the firms. More ambiguous is the threat from labor, which is the degree of the unionization of the workforce, and threat from government, which is the regulatory exposure. It is true that they set the conditions for the market and the activities of the firms but, as Baron (1995) writes, they are the nonmarket forces that act on economic factors from outside the market system, not from within.

Class-centrism and firm-centrism do not present an equally clear-cut division. The least ambiguous cases of class-centric hypotheses are those that cannot be operationalized for an organization alone. Cohesion and ownership by necessity need to involve more than one firm. Even if concentration and dependence do not stipulate a direct link between two enterprises, they bring the external environment into play and can only be calculated if there is information on the market shares of other firms and the goods and services that flow between them. Regulatory exposure, unionization, and political insider can be quantified without moving outside of the boundaries of the firm. Thus, their class-centric classification is not apparent by their operationalization but must heed the proposed mechanisms. Threats and a long history of being politically active shape corporate political preferences by virtue of interactions with other firms that these properties generate. Executives, directors, lobbyists, organization culture, industry, generic strategy, internationalization, and size – in contrast – are quantifiable in isolation from other firms and their common underlying mechanism is that of a unitary firm pursuing its own interests.

3.2.1. Class-centric rejection of economic determinism

C-RE hypotheses include five: cohesion, threat from labor, threat from government, ownership, and political insider. As stated in the previous chapter, Akard's (1992) literature review – which despite its longevity remains surprisingly up-to-date – identifies the first three as main protagonists in the story on what unites or fragmentizes the business community. Waterhouse (Waterhouse, 2013, pp. 20–27) and Mizruchi (2013), in their books on how the American business community mobilized during the '60s and 70s, put external threats and cohesion at the center. Both threats and cohesion are not directly market-related and stem from the idea of the firm as a part of a larger social environment and thereby fall into the C-RE intersection.

Cohesion

This hypothesis comes out of elite studies and social class theory. As such, it rebels against the notion that the interests of an agent emerge independently from other agents. Instead, the argument goes, political preferences are cast through interaction processes between organizations with social ties to each other.

The stronger the ties are, the higher convergence of preferences. With the rise of social network analysis, researchers have been able to map relations between firms and it has been empirically demonstrated time and again that interpersonal ties between firms is a conduit for the diffusion of a common set of political ideas (Burris, 2005; Mizruchi, 1992, 2014).

H_1: The more two firms are cohesive, the higher their overlap of preferences.

So how exactly is cohesion linked to overlap of preferences? It is impossible to pin down one answer as the mechanisms are suggested, not firmly empirically established. Yet, there are two principal ones: structural equivalence and communication. Communication simply means that ties allow for information to flow freely between two actors. Sharing the same information, in turn, brings about parallel worldviews and similar preferences. Structural equivalence refers to the occupation of analogous positions in a social network. A firm makes sure to act in accordance with the norms and obligations that permeate its social network as to not jeopardize its position in the social structure. Two firms that are part of the same network should be constrained by the same norms and obligations (Mizruchi, 1992, pp. 73–75, 170–175).[18] Which one of these is most valid is not something that needs to be resolved here. Both mechanisms operate through social networks, which are not located inside the market and, obviously, span across firm boundaries. Therefore, the hypothesis is classified as C-RE.

Only direct ties between firms are looked into. It has previously been demonstrated that indirect ties matter as well, especially those that connect firms through banks and financial institutions (Mizruchi, 1992, p. 243). However, the exclusion of these ties is not very problematic. First, the ownership hypothesis (two firms being partially or wholly owned by the same company/companies), should absorb some of the effects of indirect ties. Second, the effect of direct ties is much larger than that of indirect ties on agreement overlap, as shown in earlier works (Mizruchi, 1992, p. 169). Third, financial institutions seem to have abdicated from their roles as political mediators in the business community (Mizruchi, 2013), even if the financial sector still enjoys a lot of political support from other sectors (Young & Pagliari, 2015).

In truth, there is a broader argument to be made that the explanatory power of cohesion is not what it used to be. More and more resources go into corporate political activities, both in the United

[18] As to why firms are embedded in relational networks in the first place, there are many ideas in circulation. Mizruchi (1992, p. 60) theorizes that resource interdependencies among companies lead to interlocking directorate ties. Other suggested causes for interlocks include an ambition to collude, legitimacy, career advancement, and the wish to protect social cohesion (Mizruchi, 1996, p. 271). Or, it might be that ties are historical artifacts but nonetheless build solidarity and common knowledge among firms (Dreiling & Darves, 2011, pp. 1524–1525). This last possibility is to be taken seriously. Useem convincingly argues that interlocks do not primarily serve the function of influencing other firms, but are a way to achieve, what he calls "business scan" – i.e., mustering a broad set of competences and experiences within a board (1984, pp. 34–46). The strategy of recruitment to the board may very well be devoid of any political considerations but as the board members interact they will undoubtedly influence each other and their political worldviews will converge. In other words, the political unity that takes root in the boardroom is largely accidental.

States and in the European Union, and public policy no longer is a "spectator sport" for businesses (Weidenbaum, 1980). Coupled with Suarez' (2000) insight that corporations go through a political learning process, it is not a far-fetched guess that many firms these days are more sophisticated and less prone to be steered by peer pressure from other firms when it comes to their political activities.

External threats

The German sociologist Georg Simmel (1923) said that when a group is confronted with an external threat, it tends to band together. Akard (1992), Mizruchi (2013), Useem (1984, pp. 155–165), Vogel (1989), and Waterhouse (2013) attribute the appearance of a politically monolithic business community to the strengthening of their political enemies, and explain the subsequent political fragmentation of the business community by the weakening of the same forces. They especially emphasize two threats: that from government and that from labor unions.

H_2: The more two firms are threatened by labor unions, the higher their overlap of preferences.

H_3: The more two firms are threatened by government regulations, the higher their overlap of preferences.

Unions want to improve working conditions for their members and the government sets the basic rules governing the market. These actors are neither primarily operating in the market nor are they part of the firm but constitute the membrane surrounding the market, normally referred to as the nonmarket environment (Baron, 2012). For these reasons, these hypotheses are classified as C-RE.

It is possible to turn these threats on their heads and imagine them as friends, not foes. The Chicago School asserts that government interventions often circumscribe the free market for the benefit of certain firms (Posner, 1974; Stigler, 1971). It might be the case that the regulations once upon a time were implemented to correct market imperfections but, the Chicago School economists claim, as time goes by the regulatory agencies and the firms, which they are supposed to regulate, develop stronger and stronger ties. The incumbent firms "capture" the regulatory machinery and use it to protect their positions and restrict competition. From this perspective, the idea that business is uncomfortable with government regulations per se is incorrect.

Even the characterization of the relationship between firms and unions as hostile may at times be wrong. Going back to 1977, when pending labor reforms pitted employees against employers in the United States, many firms reluctantly sided with the anti-labor wing of the business community. In fact, almost half of the firms in the Business Roundtable voted against opposing labor law reform, foremost the heavily unionized, unwilling to antagonize the unions and thereby risking worse labor-management relations (Waterhouse, 2013, pp. 128–129). Other reasons for not automatically labeling labor as an enemy is that business interests are oftentimes divided on issues normally regarded as labor-friendly (Mares, 2003;

Swenson, 2004) and that firms are eager to form political alliances with other types of interest groups in order to boost their political legitimacy (Mahoney, 2004, 2007). In other words, many times firms do not relate to labor unions and government as "enemies", but rather as potential partners.

Germany is frequently held up as an example of a system where this is the case, with its a long history of partnership and coevolution between capital and labor. If there ever was a place where the relationship between labor and business could not be termed "antagonistic", Germany would fit the bill. Defining characteristics of its model have been sectoral wage bargaining, corporatist codetermination institutions, strong and centralized business associations and trade unions, and statutory works councils. A number of scholars have recently exposed an accumulation of departures from these defining characteristics. For example, there has been a decentralization of collective bargaining (Baccaro & Howell, 2011, pp. 539–540), a shrinking coverage of work councils (Hassel, 1999), and encompassing interest organizations – not only labor organizations but also associations representing business – have "gone into a severe eclipse" (Baccaro & Howell, 2011, p. 540). It is true that the large manufacturing firms, which constitute the backbone of the German economy, still tick many of the traditional boxes (Hassel, 1999, p. 502) but divergences from the model are palpable also here, in the industrial core of large firms (Kinderman, 2005; Massa-Wirth & Seifert, 2005).

According to some, the institutional changes to the German capital-labor partnership are less a result of a direct assault and more a consequence of exemptions which have allowed employers to opt out rather than to dismantle the arrangements (Baccaro & Howell, 2011, p. 538). Others depict a more proactive business community, hellbent on liberalizing the economy and undermining labor power. Kinderman describes the German offensive as a twofold effort to attack the legitimacy of existing institutions in the political realm and to play hardball with the labor representation at the firm-level. Whatever lies closer to the truth, this German story is revealing as it testifies to a possible convergence between liberal market economies and coordinated market economies. More than that, it speaks to the generalizability of H_2. Although the rivalry between capital and labor is pronounced in some places more than others, even in a country like Germany is it not completely incorrect to hypothesize that labor interests are threats and that firms adopt various strategies to weaken them. Even if there will always be exceptions to any rule, a good approximation is that firms are united in their shared wariness of strong labor movements.

Ownership

In their works on what enables the business community to transcend their internal strife and enter politics as a collective, Domhoff (1978) and Miliband (1969) mention several facilitators. One is cohesion. Another path to political unity, they mention, goes through ownership and cross-shareholdings. Like cohesion, ownership allows for the transmission of information and/or pressure for conformity (Ozer, Alakent, & Ahsan, 2010; Useem, 1984, pp. 13–16).

H_4: The more two firms are tied together by ownership, the higher their overlap of preferences.

Although ownership is attained through the sales and purchases of stocks, it is a market that is separate to the arena where tangible products and services are bought and sold. Ownership is class-centric and a rejection of economic determinism as it ties firms together and establishes expectations and lines of communications that do not grow directly out of the market.

Political insider

Cathie Jo Martin (1995) singles out policy legacies and participation in policy groups as the strongest predictors of employer support for Bill Clinton's health care mandate. Likewise, Suarez (2000) argues that firms go through a political learning process and learn how to coordinate. The proposition is then that:

H_5: The longer two firms have engaged in political action, the higher their overlap of preferences.

Time itself is not the cause, but the political interaction process that plays out between firms in the nonmarket environment, which is conditioned by the duration of time.

3.2.2. Firm-centric rejection of economic determinism

Remaining outside the market but moving within the boundaries of the firm signifies that the hypotheses still honor nonmarket dynamics as an impetus for preference formation but view the firm in isolation. Therefore, they highlight corporate leaders, lobbyists, and the political culture within the firms – in short, the political preferences of the individuals populating the organizations. The general hypothesis is that key corporate figures – provided that they share the same political outlooks – would independently steer their firms towards shared preferences.

Individuals

A proposed route to the convergence of political preference between two firms goes through the political ideology of the people at the helm of the organization. Clark Muntean (2009) finds that corporate campaign donations tend to go to the parties and candidates the owners support, rather than to those most beneficial to the firm. Blumentritt (2003) and Miles (1987) establish that the level of resources a firm devotes to political action depends on the subjective views of top managers vis-à-vis the importance of politics. Arguably the most well-cited piece is American Business and Public Policy: The Politics of Foreign Trade by Bauer, Pool, and Dexter (1963), which is an investigation into trade preferences. Contrary to conventional wisdom, the authors demonstrate that firms struggled to get a grip on their own self-interest on trade issues and were much swayed by the information available, framing, and the attitudes of businessmen towards internationalism and globalization.

This is surprising from the perspective of the neoclassical model, but not from the perspective of the nexus of contract theory or the behavioral theory of the firm. Regardless if individuals matter as conceived by the nexus of contract theory, through their self-serving calculations, or by the behavioral theory of the firm, through their cognitive bases (and biases), both devise a correspondence between the political preferences of the firm and of the people at the pinnacle of the corporation (Chin, Hambrick, & Treviño, 2013, p. 199). Accordingly, if two firms are run by people with similar sets of political ideologies, the political behavior of these two firms should resemble each other.

> H_6: The more similar the political ideologies of two firms' executives, the higher their overlap of preferences.

> H_7: The more similar the political ideologies of two firms' directors, the higher their overlap of preferences.

The examination of individuals in the decision-making routinely zero in on top management teams and/or directors (M. A. Carpenter, Geletkanycz, & Sanders, 2004; Hambrick, 2007). The existing research leaves us very in the dark as to where in an organization the most important political decisions are being crafted. It might be at the level of the management or in the boardroom. A related albeit not empirically tested suggestion is that the real decisions are taken by the lobbyists on the ground (Garsten, Rothstein, & Svallfors, 2015; Kersh, 2000; Lowery & Marchetti, 2012; Stephenson & Jackson, 2010):

> H_8: The more similar the political ideologies of two firms' lobbyists, the higher their overlap of preferences.

Executives, directors, and lobbyists themselves are not market actors – their firms are – and they operate within the boundary of the firm. Moreover, their personal (political) values are assumed to be relatively fixed and not the products of the external environment (at least in the short-run). For these reasons, hypotheses 6-8 belong to firm-centrism and rejection of economic determinism.

If the viewpoint is that the political preferences of the firms are, by definition, the preferences of their key personnel, H_6-H_8 are tautological. However, the notion fueling the nexus of contract theory and the behavioral theory is that there is an identifiable course of action that is more rational for the organization as such but that it becomes diluted or thwarted by individuals who seek to benefit themselves, promote their privately held beliefs, or whose decision-making faculties are under the influence of biases. It is true that H_7-H_9 cannot by themselves reveal the discrepancy between organizational and individual preferences but added to a model populated by a broad selection of variables, it is possible to control for the interests at the firm-level. The residual effects reported by executives, directors, and lobbyists are interpreted as the discrepancy between the interests of individuals and the interests of the corporation.

Corporate political culture

A corporation is not just its leaders (or lobbyists). In each organization, a culture exists. Just as society has a political culture (Almond & Verba, 1963), the organization is the aggregate of the political attitudes and beliefs of its members. The corporate political culture may be visible in recruitments (Garsten et al., 2015), social responsibility programs (Levy & Egan, 2003; Levy & Kolk, 2002), the campaign contributions made by the firm (Clawson et al., 1998; Rehbein, 1995), or the overall lobbying (Healy, 2014). The political culture is hypothesized to affect corporate political preferences by virtue of how it translates values into behavior and affects a firm's strategy, structure, and control systems (Dowling, 2000). In other words, it implicitly or explicitly warps information upon which decision-makers base their decisions or even create expectations and demands coming from below with regards to how the corporation should conduct its political affairs and what it should advocate for.

Apart from being a separate hypothesis, corporate political culture serves as a control variable for $H_{7\text{-}9}$. For example, directors, managers, and lobbyists might have been recruited to fit into a preexisting culture. Measuring the effects of individuals would be incomplete in the absence of a reckoning with the political culture of the organization, here defined as the aggregate of political ideologies held by all the members of the corporation, irrespective of where in the corporate hierarchy they are located.

H_9: The more similar the political cultures of two firms, the higher their overlap of preferences.

3.2.3. Firm-centric economic determinism

The hypotheses of the next intersection – firm-centric and economic deterministic – try to assess how similar two firms are in relation to their market activities. The following causation is put forward: Kindred market players see their political preferences convergence by way of them unitarily pursuing their own material interests. The hypotheses put into action to test this are industry, internationalization, generic strategy, and size. Admittedly, there will still be blind spots. Even if all the available data on firms were included, the picture would not be complete because the hidden sources of homogeneity are many. In any event, if the assumption is that political preferences are manifestations of clear-cut differences between firms, not located inside the tiny nuts and bolts of the organizations, the absence of these "hidden heterogeneities" from the models should not be a great cause of worry.

Before proceeding with the submissions of the hypotheses, a few qualifications regarding the F-E intersection need to be aired. The categorizing of hypotheses into this intersection appears neat at a distance but it has rather porous borders, which has to do with the potential mechanisms lurking behind. There are two alternative mechanisms to the one proposing a straight line from similarity of material interest to higher overlap of political preferences. First, previous research shows that with similarity comes an inclination to mimic. Organizations are constantly in a state of uncertainty as to what action to take and

the search for behavioral cues serves as a way to navigate in this uncertainty. The most valuable cues come from similar organizations (Reger & Huff, 1993). Accordingly, two similar firms displaying the same behavior is not necessarily a phenomenon that originates in the pursuit of the same material interests but might be the outcome of strategic mimesis. A second possible mechanism is that similar firms are more likely to interact with one another and to be embedded in the same social cliques. That would introduce an indirect association between similarity and preferences. In the event that strong F-E effects are unearthed, what should one attribute this to – unitary calculations, mimicry, or communication between likeminded?

This is a topic that will resurface later when there are some empirical results to draw from. Pending those results, a couple of points can be made at the outset. First, the concern regarding communication is mitigated by the fact that so many types of variables are included in the models. This way, it is possible to isolate different mechanisms from each other. Second, even if mimicry brings in the environment, there is no interaction involved. There is only one actor imitating another as a behavioral shortcut for realizing its unitary goals. Maybe it puts a bracket with a "C" (for "class-centric") around the "F" ("firm-centric") but it does not overturn the conceptualization of the F-E intersection.

Industry

If not business at large, the industry level is where many scholars presume a unified front (for example, see Grier, Munger, & Roberts, 1991; Schlozman & Tierney, 1986). This is understandable. An industry is, by definition, a representation of similarity (either in the production processes or the output). Sure enough, shared industry membership might not be sufficient to ensure political unity but, all else being equal, should at least be conducive. Several previous studies corroborate this (Akard, 1992; Mizruchi, 1992).

H_{10}: The more industrial overlap two firms have, the higher their overlap of preferences.

Internationalization

One of the most popular areas of focus in the literature on political preference formation is that of trade policies (see, for example, Gawande et al., 2012; Hiscox, 2001; Kim, 2013; Osgood, 2012; Rogowski, 1987). It takes little to realize why – trade openness is a contentious theme and, not surprisingly, the faceoffs tend to put export-oriented firms in opposition to those that primarily deliver to the domestic market. The question is if such a cleavage in where goods and services are being sold, which is obviously key when it comes to trade, also determines preferences on a broader scale. I conjecture that it does. Being an international player requires capabilities that purely domestic actors do not possess, capabilities that go beyond the simple export of products (Kogut & Zander, 1993). This would presumably even tailor the preferences on non-trade issues.

H_{11}: The more similar two firms are with respect to internationalization, the higher their overlap of preferences.

Generic strategy

By industry and internationalization, the similitude between firms is gauged. This is not enough. Even two large international actors in the same industry might differ significantly. Take Ryanair and Lufthansa, two multinational air carriers with distinct corporate philosophies and products. Tesla Motors is another example. The company is thought of as a creation of Silicon Valley with little resemblance to the Big Three of Detroit. The key term is *differentiation*, defined by Kolter et al as "[…] the act of designing a set of meaningful differences to distinguish the company's offer from competitors' offers" (1999, p. 365). Market analysts know that differentiation poses an obstacle to collusion. When competitors try to distinguish themselves, it may be hard for them to agree on a set of rules of the game and clashes will happen frequently (Porter, 1980). That this also goes for political agreement is demonstrated by Kim (2013) and Osgood (2016) in their studies on trade policy preferences. A problem with the term "differentiation", though, is that it often refers to product differences, which can imply a multitude of more or less cosmetic modifications. A lemon soda with a unique bottle design is, in principle, differentiated from lemon sodas with "normal" bottles. It is unlikely that flimsy differences such as these would propel the political preferences of two firms away from each other. The search for a more meaningful concept leads to *strategic heterogeneity*.

Alfred Chandler (2003, p. 13), a pioneer of business strategy as an academic field, defines strategy as the "determination of the basic long-term goals and objectives of the enterprise and the adoption of courses of action and the allocation of resources necessary for carrying out these goals." This is certainly not the only definition in circulation but it includes two key building blocks: strategy as a long-term commitment and strategy as the allocation of resources. In other words, strategy captures fundamental and stable differences between firms.

In the past, there were many attempts to invent classification schemes by which firms are clustered according to their strategies. Despite objections that these classification schemes are mere analytical conveniences or/and lack theoretical and empirical rigor (Barney & Hoskisson, 1990; Hatten & Hatten, 1987), they continue to occupy an important place. These schemes, or "organizational configurations", are either context-specific (that is, applied to a single industry) or general. Because the firms in the population are active in a broad spectrum of industries, a general configuration is needed. The most used one is Michael E. Porter's generic strategies (1980), which is internally consistent (Dess & Davis, 1984; Miller, 1988) and is empirically congruent with other widely used organizational configurations, such as Miles and Snow's typology of strategies (Shortell & Zajac, 1990). A generic strategy is an "internally consistent" approach "[…] for creating […] a defendable position in the long run and outperforming competitors in an industry" (Porter, 1980, p. 34). While a firm may choose from a wide

smorgasbord of possible competitive strategies – such as specialization, brand identification, channel selection, product quality, technological leadership, relationship to home and host government – at the core of it, Porter says, a firm is presented with two strategic alternatives: cost leadership or differentiation (1980, pp. 37–38).[19]

A cost leadership strategy seeks competitive advantage by offering low prices. This requires efficient production processes and facilities, benchmarking, tight cost and overhead control and, generally, cutting down on R&D, services, sales force, and advertising, et cetera. A differentiation strategy, on the other hand, seeks competitive advantage by providing something that is perceived to be unique, although there is no standard answer to what "unique" means. It can refer to brand image, technology, features, customer service, dealer networks, and much more. Examples of firms with cost leadership strategies are McDonald's, Wal-Mart, and Ryanair. Apple, Jaguar Cars, Bang & Olufsen, and Dolce & Gabbana, to mention a few, pursue differentiation. Cost leadership and differentiation are not, however, mutually exclusive strategies (W. K. Hall, 1980; Reger & Huff, 1993, p. 116). They represent two endpoints of a continuum. Sometimes a firm chooses to position itself rather close to the middle, even if Porter (1980, pp. 42–43) warned that trying to juggle both strategies normally would make the firm "stuck in the middle" unable to specialize in anything.

Cost leadership and differentiation strategies erect competitive barriers between firms. Strategies are ultimately about resource allocation and these are the slowest and hardest competitive instruments to change (Tirole, 1988, pp. 205–206). Therefore, the mobility between generic strategies is very low. If this was not the case, generic strategies would represent little – in the medium-term (or even in the short-term) best practices will be adopted and differences will be "arbitraged" away (Hiscox, 2001). Firms with similar strategies do share basic and stable material interests, which would be conducive to high overlap of preferences:

> H_{12}: The more similar two firms are with respect to their generic strategies, the higher their overlap of preferences.

Size

Size is frequently what structures corporate political conflicts. It is worth repeating that Akard (1992), in his literature review, pointed to the many political struggles pitting larger firms in opposition to smaller ones. In another literature review, Paster (2015, pp. 12–15) points to firm size as arguably the main fault line of the "factions of capital" thesis. Concrete examples include health care reforms, where larger firms are more likely to be supportive of an expansion of government-run welfare programs due to their tendency to provide benefits to their workers and their willingness to avoid labor strife (Martin, 1995;

[19] A third generic strategy is "focus", by which a firm serves a particular buyer group, segment of the product line, or geographic market (1980, pp. 38–39). This is normally a strategy adopted by small firms, which seek to avoid competition with larger competitors.

Swenson, 2004); the efforts by the New Deal agency National Recovery Administration to develop codes aimed at encouraging fair business practices (Hawley, 2015, p. 69), which triggered a host of conflicts between large and small enterprises; education, where large firms, as opposed to smaller ones, advocate increasing skill levels and portability, as exemplified in Culpepper's (2007) study on the diverging trajectories of the Swiss and Austrian skills training; early retirement policies, which large firms are more enthusiastic about since they are more prone to make use of such policies than smaller actors are (Ebbinghaus, 2001, 2006). On the one hand, it would appear meaningless to test this hypothesis on a population solely constituted by enormous firms. On the other hand, as the next chapter shows, size varies noticeably even among some of the largest corporations on the planet. Moreover, the way in which the population is put together, number of employees and revenues – which usually is what the "factions of capital" literature refers to – are only two of several indicators that determine inclusion into the Global 2000 list. Consequently, a comprehensive take on the research problem would submit the following hypothesis:

H_{13}: The more similar two firms are with respect to size, the higher their overlap of preferences.

To place H_{13} within the intersection between firm-centrism and economic determinism is questionable. Many students, coming from a more sociological tradition of approaching the subject-matter, would point to the dense social networks and institutions that facilitate interactions between large firms (Useem, 1984). Still, most of the studies uncovering a political divide along size do, in fact, trace it to the diverging material interests of small versus large (Paster, 2015). This interpretation is bolstered by the research on management, which is filled to the brink with an endless stream of texts on how smaller and larger firms need to face up to different parameters of competition and operation (Acs & Audretsch, 1988; Ahire & Golhar, 1996; M.-J. Chen & Hambrick, 1995; Dean, Brown, & Bamford, 1998; Desai, Foley, & Hines Jr, 2006; E. W. Walker & Petty, 1978). In addition, the more "sociological" explanation would struggle to show that these networks and institutions are not merely outgrowths of matching preferences to begin with. For these reasons, I see it fit to categorize size as an F-E hypothesis.

3.2.4. Class-centric economic determinism

The last intersection to be unveiled is class-centric economic determinism. It states that corporate political preferences are forged in the cooperative interplay with other firms and this interplay is shaped by the structure of the market.

Concentration

A standard claim is that coordination is conditioned by industrial concentration, namely the number of firms and their respective market shares. High concentration promotes coordination while low concentration stands as an obstacle. The structure-conduct-performance paradigm (SCP) literature has

made the most important contributions to this line of thinking. The SCP paradigm has been mostly preoccupied with prize collusion – whereby firms work together to keep the price of a product or service elevated, with the goal of earning higher profits. Concentration affects prize collusion through two mechanisms. First, the fewer firms, the greater benefit-cost-ratio. Second, fewer firms make coordination easier to achieve (Besanko, Dranove, Shanley, & Schaefer, 2007, pp. 262–272). This logic has been taken up by interest groups scholars, perhaps most notably Mancur Olson (1965), who theorizes that large groups will face difficulties when trying to form functioning interest organizations. This, I argue, applies to my own research question. Concentration shapes political preferences through coordination, which takes the firm out of its isolation and embeds it in an external environment. That is why concentration is a C-E hypothesis.

H_{14}: The more concentrated the industries of two firms are, the higher their overlap of preferences.

Mizruchi (1992, p. 179) submits the same hypothesis. What he finds is that the convergence of political preferences between two firms in the same industry will be much stronger if their industry is highly concentrated.

Dependence

A landmark contribution to the thinking of how firms interact with each other is the resource dependence theory (Pfeffer & Salancik, 1978). The basic message is that organizational survival hinges on a firm's ability to secure critical resources from the external environment. The nature of its interactions with other firms is therefore influenced by its dependencies. Mizruchi (1992, p. 241) notes that many scholars assume that firms wish to do away with these constraints through the use of political means. This would imply a negative relationship between resource dependence and overlap of preferences. Mizruchi (1992, pp. 170–172) finds strong empirical support for the opposite effect; a firm in a position of power vis-à-vis another firm would use this position to induce political compliance, or merely the risk of retaliation would engender political obedience on the part of the dependent firm. The adoption of Mizruchi's proposition generates the following hypothesis, which is classified as C-E:

H_{15}: The more dependent two firms are on each other, the higher their overlap of preferences.

Having detailed all the hypotheses, the next step is the operationalization. Before plunging into data collections and measurements, it is opportune to briefly ponder over how the hypotheses have been formulated. Consistently, the overarching term "overlap of political preferences" is used. As was explained earlier, this poses few problems regarding agreement overlap since high overlap of preferences should show up as high agreement overlap. With activity overlap, on the other hand, comes ambiguity. Low activity overlap is not necessarily a testament to diverging preferences but might be the result of delegation or free riding, both of which "hide" overlap of political preferences (see Figure 2.2 in Chapter

2). The challenge the arises would then be to know how to interpret a negative effect on activity overlap. Unfortunately, it will not be possible to pin down delegation or free riding. On a positive note, to interpret a negative effect as a divide in the attention that firms pay to the issues on the agenda would be far-fetched. That some hypotheses will be rejected is a safe bet but their empirical and theoretical track records give us little reasons to expect that they would work the other way around – that they would depress overlap of preferences regarding which issues are important. Reformulated, the hypotheses appear in Table 3.2.

Table 3.2: Hypotheses and their possible impacts on activity overlap and agreement overlap

Class-centric rejection of economic determinism	
H_1: The more two firms are cohesive	
H_2: The more two firms are threatened by labor unions	
H_3: The more two firms are threatened by government regulations	
H_4: The more two firms are tied together by ownership	
H_5: The longer two firms have engaged in political action	
Firm-centric rejection of economic determinism	
H_6: The more similar the political ideologies of two firms' executives	
H_7: The more similar the political ideologies of two firms' directors	
H_8: The more similar the political ideologies of two firms' lobbyists	➔ the higher their agreement overlap ➔ the higher their activity overlap <u>OR</u> the lower their activity overlap due to delegation or free riding.
H_9: The more similar the political cultures of two firms	
Class-centric economic determinism	
H_{10}: The more industrial overlap two firms have	
H_{11}: The more similar two firms are with respect to internationalization	
H_{12}: The more similar two firms are with respect to their generic strategies	
H_{13}: The more similar two firms are with respect to size	
Firm-centric economic determinism	
H_{14}: The more concentrated the industries of two firms are	
H_{15}: The more dependent two firms are on each other	

3.3. Operationalization of hypotheses

In this section, the data and measurements of the hypotheses are presented. Due to lack of data, it is not possible to operationalize all hypotheses over the entire set of institutional settings and business communities. Specifically, for the European Union, political insider (H_6) and lobbyists (H_9) could not be estimated. For the German and British business communities, executives and directors are left out. What the reader should also be aware of is twofold: (1) if not otherwise stated, the final scores are the average between 2007 and 2014, (2) if needed, the score of a variable is inverted to bring about a coherent reading across the board of independent variables, so that a higher score should produce a higher overlap. If the reader is not interested in the full elaboration, he or she is advised to skip to the cheat sheet in Table 3.3, where a concise set of notes for quick reference is provided.

3.3.1. Class-centric rejection of economic determinism

Cohesion: The more two firms are cohesive, the higher their overlap of preferences.

Cohesion is the density of social ties between firms, or, more exactly, between the people sitting at the apexes of corporate structures. Because it is impossible to map each and every formal and informal interaction, the only feasible way forward goes through approximations. Davis and Greve (1997, pp. 12–13) point out that cohesion is usually quantified by means of two variables – interlocks and proximity. Board interlocks are the number of shared board members between two firms. Mizruchi (1992) demonstrate that interlocks do have a positive effect on corporate political unity. Burris (2005) comes to an identical conclusion when studying campaign contributions. He writes that "[m]ore impressive is the fact that the effects of such directorship ties on political cohesion are stronger by several magnitudes than the effects of shared characteristics, like common industry or geographic proximity, that adherents of virtually all competing theoretical perspectives agree are conducive to political cohesion" (Burris, 2005, p. 278). A final score is arrived at by counting the number of directorial interlocks between two firms and dividing this number by their total number of directors. Information on board compositions is drawn from Orbis. Another database is ISS (formerly RiskMetrics). The measure of interlocks coming out of ISS is virtually a dead ringer for that based on Orbis,[20] but the latter covers more firms.

While being a reasonable operationalization of formal social interactions, interlocks turn a blind eye to those interactions that are more informal. Spatial proximity, namely how close in space firms are located, is an attempt to quantify informal interactions. Busch and Reinhardt (2000, p. 714) attribute proximity a central role when explaining political unity and Mizruchi (1989) and Roe (1993) discover that political donations have a localized element to it, which suggests coordinated action by local elites. Even

[20] The correlation between the two variables is 0.81 (Pearson correlation).

though technology brings down barriers of communication and makes distance less important, the importance of proximity as a conduit for social interactions between firms cannot be disregarded. To operationalize it, the distance between the headquarters of two firms is calculated (Palmer, Friedland, & Singh, 1986, p. 19), using Google Maps API.

Interlocks and proximity are complemented by a less conventional measurement – years of dual existence. Stinchcombe (1965) argues, in his seminal paper, that it is harder for younger firms to garner trust from other organizations and Singh and others (1986) demonstrate how "newness" is a great obstacle to external legitimacy. Schmitter and Streeck (1999, pp. 25–29) write that the associative potential of a population of business actors is partly a function of the turnover of firms. In their words, "populations with low turnover permits reiterated efforts at finding a viable cooperative solution and entails lower transaction and discovery costs. Also, new members of a group tend to be less socialized into its values and frequently carry with themselves the interest perceptions of the group from which they came." The assumption proceeding from this is that the longer two firms have existed, the more likely it is that they have built a rapport or that there is at least a legacy of past interactions that persists.

Age is measured by the number of years that have passed since the youngest of the two firms in a dyad came into existence (year of incorporation marks the birth). The implication of this is that two old firms from different counties and industries would score higher than young firms located on the same street and active in the same industry. Undoubtedly, only by placing this variable in a comprehensive model, where an array of factors are controlled for, is it feasible to uncover a true effect of incorporation on activity overlap and agreement overlap.

Threat from labor: The more two firms are threatened by labor unions, the higher their overlap of preferences

The strength of the labor movement is regularly operationalized through union density (Bernhagen & Mitchell, 2009, p. 165; Freeman & Pelletier, 1990), which is defined as union membership in an industry as a proportion of all wage and salary earners employed within it. Each firm is assigned a union density score, based on its primary industries. Threat from labor is the product of the union density scores of the two firms. The product, rather than the sum, is more in line with the proposed mechanism considering that a threat must be recognized by all actors in a group to have a mobilizing effect.

Another consideration concerns the territorial aspect. Put differently, does the union density in the home country of a firm have an impact on its political preferences in other jurisdictions? My conjecture is that it does not. Therefore, the political unity in Washington D.C. between a British firm and a German firm, for example, would not be affected by the union densities in the United Kingdom and Germany but by that in the United States. To calculate two versions of union density – one for each

institutional setting – a host of datasets are harnessed.[21] Through the NAICS and NACE classifications of firms (see operationalization of industry), a firm is linked to its primary industries and receives two scores, one for the US institutional setting (US union density data) and one for the European Union institutional setting (average of German and British union density data). The correlation between the two is strong, which goes to show that labor unions roughly enjoy (or suffer) the same relative rates of membership across Western countries and that the deployment of two separate variables does not have great practical repercussions.[22]

> Threat from government: The more two firms are threatened by government regulations, the higher their overlap of preferences.

Determining the extent to which a firm is regulated is not easy. The first step is to acknowledge that the activities of the firm and not the firm itself are the subject of regulation. Therefore, it is foremost the membership of an industry that determines the level of regulation. To get data on regulations of industries, a classification developed by Bekaert and others (2007) is utilized, in which each industry is coded either as "regulated" or "not regulated." Their classification is a catchall and is not restricted to a specific institutional setting. Based on the principal industry operation, each firm received this dummy score (or an average if it is active in more than one primary industry). As with threat from labor, the final score for the dyad is calculated by multiplying the scores of the two firms. Again, a threat must be recognized by all actors in a group to have a mobilizing effect.[23]

This operationalization comes with obvious drawbacks. Most serious is perhaps the deviation from the notion that cross-sectoral social regulations – and cross-sectorial regulations only – mobilizes the business community. Once the general level of regulation of an industry is focused on, it is no longer clear what the interconnection is between various sectors. It is possible that regulations facing industries are too heterogeneous to have a mobilizing effect and that it is important to look at the specific regulation circumscribing a sector (Young & Pagliari, 2015). Absent data on social regulations, I had to settle for a blunt instrument. Second, the classification of Bekaert and others is an expert assessment and it is hard to evaluate its validity. Third, its universal applicability is an asset in the sense that it spares us from the

[21] Union density in the UK: https://www.gov.uk/government/publications/trade-union-membership-union-density-for-further-categories-of-standard-industrial-classification-sic. Union density in the US: https://www.bls.gov/webapps/legacy/cpslutab3.htm. Union density in Germany: The German Socio-Economic Panel (SOEP) is a longitudinal survey of approximately 11,000 private households in the Federal Republic of Germany from 1984 to 2015 (release February 2017), and eastern German länder from 1990 to 2015. The database is produced by the Deutsches Institut für Wirtschaftsforschung (DIW), Berlin. Variables include household composition, employment, occupations, earnings, health and satisfaction indicators.

[22] The correlation between the two variables is 0.57 (Pearson correlation).

[23] Regulation is operationalized by Mizruchi (1992) as a dummy, set to 1 if both firms' industries have recently been regulated, otherwise 0. The idea behind this operationalization is that only recent interferences with the free market system should lead to hostility towards the government. However, Mizruchi's measure of regulation does not seem to engender higher unity (1992, p. 169). The assumption is that regulations can make firms team up, either through their shared dislike of (old or new) regulations or their common interest in keeping the (old or new) regulations in place. Hence, I do not discriminate based on when the regulation came into existence.

hardship of juggling different datasets for different institutional settings. Nonetheless, as industries are more regulated in some jurisdictions than others, it conveys a rather distorted picture. Taken together, the implication for the subsequent analysis is that it will only be possible to say whether government interferences roughly bring about more unity or not. Hidden from view are the answers to the questions "Does the type of regulation matter?", "Does it matter when the regulation was introduced?", and "How does the regulation specific to an institutional setting matter?"

> Ownership: The more two firms are tied together by ownership, the higher their overlap of preferences.

There are two types of ownership that have bearing on the operationalization. First, shared ownership is the degree to which two firms have the same owners. This is calculated using the cosine distance metric (there is an explanation of this formula in next chapter), producing scores that range from 0 to 1, where 0 means that two firms have completely different owners and 1 that they have the same owners with the same invested stakes. Second, cross-shareholding is the total percentage of stakes held by two companies in each other. Note that direct as well as indirect ownership (when a firm owns stocks in another firm through its subsidiaries) are considered.

> Political insider: The longer the period of time two firms have engaged in political action, the higher their overlap of preferences.

There are no records of how long a firm has been politically active in Brussels. The European Union Transparency Register is a new creation and a firm's "date of registration" gives no meaningful information. As for the US, the available lobbying disclosure records go back to 1998. Of the 746 firms in the population that appear in the database, 47 percent made a disclose back in 1998. By the end of George W. Bush's first mandate, 74 percent had been to Washington D.C., a number that had increased to 90 percent by the time Barack Obama was inaugurated, in January 2009.

Political insider is set to the number of years that have passed since the last of two firms registered its first in-house activity. For example, if Anna's Motorbikes submitted its first disclosure in 2002 and John's Cars did so first in 2012, the score would be 2012. It could very well be argued that this is too simplistic. If the first political fingerprint of Anna's Motorbikes dates to 2002 but it barely (or not at all) engaged in political action after that, this does not affect the score. A better operationalization could have been to incorporate stretches of inactivity and the intensity of lobbying to heed the fact that one does not become a Washington native on account of a drive-by lobbying effort but of a permanent presence. The moderately positive correlation between political insider and lobbying intensity[24] implies

[24] The correlation between the year of a firm's first disclosure and the average number of annual lobbying activities is 0.3.

that the effect of the latter is partly built into the former. Therefore, it is not too problematic to proceed with the unweighted version of political insider.

3.3.2. Firm-centric rejection of economic determinism

> Executives: The more similar the political ideologies of two firms' executives, the higher their overlap of preferences.

The political ideology of corporate executives is gauged through the analysis of campaign donations. This method has been used previously (see for example Chin et al., 2013). The Federal Election Commission (FEC) specifies that every individual campaign contribution of more than US$200 must be disclosed. Furthermore, every disclosure must contain the name of the contributor and the name of the organization he/she works for. Campaign contributions are provided in bulk by the Center for Responsive Politics.[25] With data on executives from ISS (formerly RiskMetrics), executives are matched to campaign contributions.[26] Included are all contributions to individual candidates, party committees, and political action committees (PACs) made during the presidential and congressional election cycles of 2008, 2010, 2012 and 2014. For each executive, what is calculated is the total amount contributed to Democrats divided by the total amount contributed to both parties (Chin et al., 2013, pp. 208–209). A zero value would mean that the executive only contributes to the Republican Party and a value of 1 that the executive only gives money to the Democratic Party.

Which executives are relevant to include? Upper echelon studies make use of two methods to identify managers vested with power over general strategic decisions. One is to simply ask the CEO directly. The other method, which is more suitable here, is to look at the top management team (M. A. Carpenter et al., 2004), often defined as the C-suite (i.e., CEO, CFO, CTO, COO, CMO plus the senior vice presidents). Obviously, it would be preferable to know which executives in a firm are specifically involved in the political decision-making processes. In the absence of this information, the top management team circles a group of highly influential corporate executives. The score assigned to the dyad is the absolute distance between the two C-suite teams' average political ideologies.

One may mount a twofold challenge to this operationalization. First, perhaps conservative firms attract conservative executives and liberal firms attract liberal executives. Second, it is conceivable that individual contributions more reflect professional preferences than private preferences. The variable organizational corporate culture (see below) controls for the first possibility. As for the second, contributions made by an individual are stable over time, regardless of employer, and is a reliable measure

[25] http://www.opensecrets.org/

[26] This is done via an SQL procedure. The executives are matched to contributions by name and employer. As it is common that people disclose their contributions using short forms of their names ("Bill" instead "William", "Kate" instead of "Katherine"), the procedure makes allowance for hypocorisms.

of the personal ideology of the executives (Ansolabehere, Figueiredo, & Snyder, 2003; Chin et al., 2013, p. 210; Francia, 2003).

Unless a C-suite member of a British or German firm donates to a US campaign, there is no available instrument by which their political ideologies can be estimated. Transatlantic donations happen relatively rarely. In fact, foreign nationals are prohibited from making campaign donations. Consequently, the hypothesis will only be tested for American dyads.

> Directors: The more similar the political ideologies of two firms' directors, the higher their overlap of preferences.

Same as above, with the difference that the score assigned to the dyad is the absolute distance between the average political ideologies of the two boards of directors. Information on directors has been extracted from Orbis.

> Lobbyists: The more similar the political ideologies of two firms' lobbyists, the higher their overlap of preferences.

Same as above, with the difference that the score assigned to the dyad is the absolute distance between the average political ideologies of the two teams of in-house lobbyists.[27] Information on lobbyists has been extracted from disclosure records provided by OpenSecret.

> Corporate political culture: The more similar the political cultures of two firms, the higher their overlap of preferences.

Same as above, with the difference that the score assigned to the dyad is the absolute distance between the average political ideologies of all the employees of the two firms. Observe that corporate political culture does not require a matching procedure as their rank in the hierarchy is irrelevant. It suffices that the firm is reported as the employer of the donor.

Over two-thirds of the firms have been assigned an average partisanship for their directors and executives and almost all of them have a score on corporate political culture. The only coverage that is below 50 percent comes with lobbyists at 40 percent. What should be pointed out is that repeatedly, and irrespective of group, the average is obtained through very few observations.[28] That would be a serious

[27] In-house lobbyists in Washington D.C. need to be disclosed and this information is made available by the Center for Responsive Politics.

[28]

	Total number of matches	Firms with > 0 matches	Average matches per firm	Median matches per firm
Executives	1804	605	2.98	2
Directors	2304	613	3.76	3
Lobbyists	1402	353	3.97	2
Corporate political culture	124,372	937	132.73	43

defect if statements were to be made about single companies but less so at the macro level where certain measurement errors play less of a role as long as the instrument is valid enough.

3.3.3. Firm-centric economic determinism

Industry: The more industrial overlap two firms have, the higher their overlap of preferences.

The operationalization is based on the NAICS (North American Industry Classification System) classification. NAICS codes are constructed to denote varying levels of specificity. The two first digits designate the broadest business sector (e.g. 51 is "information"), the first three the subsector (e.g. 512 is "Motion Picture and Sound Recording Industries"), the first four the industry group (e.g. 5121 is "Motion Picture and Video Industries"), the first five the industry (e.g. 51213 is "Motion Picture and Video Exhibition). The full six-digit sequence is the national industry (e.g. 512131 is "Motion Picture Theaters (except Drive-Ins)"). It common to use a dummy variable, set to 1 if two firms belong to the same industry.

However, it is far from uncommon that firms do business in many industries. Siemens AG, for example, is in the "Telephone Apparatus Manufacturing" industry, the "Motor and Generator Manufacturing" industry, and the "Computer Systems Design Services" industry, to mention a few. Even if it is doable to designate a primary industry to Siemens, it would only cover a part of its activities and a reasonable expectation is that Siemens also shares some similarity with firms active in its secondary industries.

Therefore, a continuous scale is preferred, offered by the cosine distance metric (explained in next chapter). What goes into this calculation is CompuStat segment data on the revenues a firm has made in four-digit NAICS industries. The score ranges from 0 to 1, where 1 is full industrial overlap between two companies and 0 the complete lack thereof. Admittedly, four digits (industry group) is an arbitrary choice but tinkering with the length of the NAICS reveals that longer sequences of digits (five digits and six digits) produce almost indistinguishable results.

Internationalization: The more similar two firms are with respect to internationalization, the higher their overlap of preferences.

The degree of internationalization is most commonly measured by foreign sales as a percentage of total sales (Sullivan, 1994). The absolute difference between the two firms is subtracted from 1 so that 1 means full similarity (both firms export an equal proportion of their outputs) and 0 full dissimilarity (one firm exports 100 percent of its output, the other firm exports 0 percent of its output).

Generic strategy: The more similar two firms are with respect to their generic strategies, the higher their overlap of preferences.

According to Miller (1987), a differentiation strategy necessitates large investments in product innovation (R&D) or marketing, but usually both. Cost leadership, conversely, is about minimizing these costs and achieving efficiency, often manifested through asset parsimony and low unit costs (Hambrick, 1983). To quantify the generic strategy of a firm, researchers typically employ several indicators. The utilization of three previous operationalizations (Balsam, Fernando, & Tripathy, 2011; Banker, Mashruwala, & Tripathy, 2010; David, Hwang, Pei, & Reneau, 2002) generate the following list:

1. Ratio of selling, general and administrative expenses to net sales: A differentiation strategy normally requires large spending on marketing, product image crafting, postsales support, and overhead. This would entail a greater ratio of extra expenses to net sales.

2. Ratio of research and development to net sales: Being an innovator and early adaptor is key in a differentiation strategy.

3. Ratio of net sales to cost of goods sold: A successful differentiation strategy would allow for a firm to command higher prices. The more unique products a firm is able to offer, the higher above-margin prices it can charge.

4. Ratio of net sales to capital expenditures on property, plant, and equipment: A firm's efficiency in utilizing capital investments is central in a cost leadership strategy (David et al., 2002).

5. Ratio of net sales to net book value of plant and equipment: This is another way to measure a firm's efficiency in utilizing capital investments

6. Ratio of employees to total assets: The cost of labor in relation to assets. Yet another measure on how efficiently the firm utilizes its resources.

All the items in the list above have been shown to capture cost leadership and differentiation strategies well (Balsam et al., 2011; Banker et al., 2010; Hambrick, 1983). High scores on (4), (5), and (6) would indicate a cost leadership strategy, whereas high scores on (1), (2), and (3) would indicate a differentiation strategy. Only "Ratio of employees to total assets" is ambiguous, as it is also commonly used as a proxy for both (Balsam et al., 2011, p. 189). In the confirmatory factor analysis (CFA), it does not load onto any of the two factors. By dropping it from the CFA, with two factors with good loadings and model fit emerge.[29] The final similarity index is obtained by the Euclidian distance between the factor scores of the

[29] Comparative Fit Index (CFI): 0.996, RMSEA: 0.035. According to Hu and Bentler (1999) a CFI of 0.955 is considered "good" and above 0.90 is "acceptable" and the RMSEA should be 0.06 or less. The factor loadings are the following:

two firms. Naturally, this does not assess the intended strategy of a firm but its realized strategy (Mintzberg & Waters, 1985). Rather than evaluating plans and intentions, a firm is firm is classified along its current operations, whether this is a result of a deliberate effort or by chance.

Size: The more similar two firms are with respect to size, the higher their overlap of preferences.

Revenue, assets, market share, or the number of employees all measure size. In the next chapter, an analysis of the antecedents of corporate political action is performed on the population of firms. It turns out that revenue does the best job of predicting whether a firm is politically active or not. Besides, it is strongly correlated with the number of employees[30] and, to a less extent, assets[31]. Therefore, the difference in size is the revenue ratio between two firms.

3.3.4. Class-centric economic determinism

Concentration: The more concentrated the industries of two firms are, the higher their overlap of preferences.

The Herfindahl index varies between 0 (minimum concentration) and 1 (maximum concentration). The formula is:

$$H = \sum_{i=1}^{N} s_i^2$$

where S_i is firm i's market share by revenue (Cabral, 2000, pp. 154–155) and N is the number of firms. Similar to the US Census Bureau, the index is based on the market shares of the fifty largest firms[32] and the industry is defined at the four-digit NAICS level (industry group). Since the population includes American, British and German firms, global concentration indices are calculated. It might be argued that a global concentration score is too crude but when firms are headquartered in different countries and the institutional settings are located on two continents, it is suitable. In addition, global concentration indices

	Factor 1	Factor 2
Indicator 1	-0.04	0.70
Indicator 2	0.03	0.76
Indicator 3	0.07	0.36
Indicator 4	0.89	0.01
Indicator 5	0.82	-0.01

For something to be labeled as a factor it should usually have at least three variables but a factor with two variables is considered reliable if the variables are highly correlated with each another ($r > 0.70$) but fairly uncorrelated with other variables (Yong & Pearce, 2013, p. 80), which is the case here.

[30] Pearson correlation score: 0.64.

[31] Pearson correlation score: 0.37.

[32] https://www.census.gov/econ/concentration.html

correlate moderately to strongly with national ones.[33] The concentration score assigned to a firm is then an average concentration over all its primary industries and the dyadic score is a simple arithmetic mean of the firms' two averages.

In the statistical models, concentration features both as a stand-alone variable and in interaction with industrial overlap. To multiple concentration with industry is in line with the conventional assumption that a high market concentration primarily matters when there is at least a minimum degree of industrial overlap. In addition, the constitutive term concentration is of interest since high concentration could facilitate political unity even across industrial boundaries. That idea might be counterintuitive but one should recognize that certain policy issues affect more than one industry and if there is common ground for doing so, business interests of different industries will seek to coordinate their activities in order to strengthen their voice. One manifestation of the importance of marching together is the sprawl of temporary lobbying coalitions in Washington D.C. and Brussels (Klüver, 2013; Mahoney, 2007; Pijnenburg, 1998). Coalitions or not, a reasonable expectation is that stakeholders would find it opportune to mobilize like-minded actors and coordinate policy positions if this could boost the chance of a policy victory, even if their industrial domiciles are unrelated. Higher concentration should facilitate such efforts and increase activity overlap and agreement overlap also when industrial overlap is zero.

The operationalization of concentration has potential flaws. The first one is that the concentration score of a firm is calculated sweepingly over its primary industries. Consequently, if two firms operate in several industries but they have only one in common, this industry is not singled out but will contribute to the average concentration as much as the other industries. This introduces some distortion. The second potential flaw is the use of a dyadic average. If the association between concentration and overlap of political preferences is exponential, a product sum would have been better. Another problem with an average is that it presupposes that a firm with a high concentration score can somewhat offset a low concentration score of another firm. This assumption might not be correct either. None of these flaws put the validity of concentration into question but it is likely that they affect the estimates in the subsequent statistical models.

> Dependence: The more dependent two firms are on each other, the higher their overlap of preferences.

Burt (1980, 1983) created a seminal operationalization of resource dependence, in which the dependence between two firms is measured by the relative value of output that flows between their industries. If a large proportion of the output of industry A is sold to industry B, the firms in A and B are highly interdependent. The firms in industry A are dependent on the firms in industry B for sales and the firms in industry B on the firms in industry A for input. It seems odd that industries, not firms, are being

[33] The correlations between the global concentration indices and those calculated for Germany, the United Kingdom, and the United States are 0.59, 0.69, and 0.46, respectively (Pearson correlations).

analyzed but two firms are not by force bound to each other and are free to seek another buyer/supplier. As Pfeffer (1987, p. 44) – one of the founders of resource dependence theory – states, "resource interdependence exists and is defined primarily in terms of intersectoral, rather than interfirm, transactions."

The operationalization borrows from Burt (1983) and Casciaro and Piskorski (2005). The data on interindustry flows of goods and services comes from input-output tables prepared by the US Bureau of Economic Analysis and Eurostat. The dollar/euro value of output sold by industry *i* to industry *j* is expressed as Z_{ij} and the dollar/euro value of the output sold by industry *j* to industry *i* as Z_{ji}. The calculation of the dependence of industry *i* on industry j, $D_{j\rightarrow i}$, takes the following form:

$$D_{j\rightarrow i} = \frac{z_{ji}}{\Sigma_q^N z_{qi}} + \frac{z_{ij}}{\Sigma_q^N z_{iq}}$$

where the first term is the value of the output bought by industry *i* from industry *j*, as a proportion of all industry *i*'s purchases. The second term is the value of the output sold by industry *i* to industry *j*, as a proportion of all industry *i*'s sales. In other words, $D_{i\rightarrow j}$ is the relative dependence of industry *i* on industry *j*, in relation to all *i*'s dependencies. To this, an extra term needs to be added, concentration. If industry *j* is highly concentrated, firms in industry *i* have fewer options to switch suppliers/customers and, as a result, their constraint grows stronger. To make allowance for this, the Herfindahl index is brought into the formula:

$$D_{j\rightarrow i} = \left(\frac{z_{ji}}{\Sigma_q^N z_{qi}} + \frac{z_{ij}}{\Sigma_q^N z_{iq}}\right) * H_j$$

This is the measure of industry *i*'s dependence on industry *j*, ergo the dependence of firm A in industry *i* on firm B in industry *j*.

To account for the fact that a dyad may/may not be a combination of two firms from the same national business community, the data changes slightly depending on the composition. If two firms are based in the European Economic Area (which is true of British and German firms), the Z_{ji} and Z_{ij} values concern transactions within the European Economic Area. For two American firms, the Z_{ji} and Z_{ij} values concern transactions within the US. If one firm is based in German/United Kingdom and the other firm is based in the United States, the Z_{ji} and Z_{ij} values are imports and exports between two industries. For a homogenous dyad, H_j is the domestic concentration of an industry (the European Economic Area is treated as a single domestic zone). Otherwise, H_j is the global concentration of an industry. The total dependence between the two firms/industries is $D_{i\leftrightarrow j} = D_{i\rightarrow j} + D_{j\rightarrow i}$. Observe that this is computed over all industries of *i* and *j*, via the CompuStat segment data also used for industry, multiplied by the revenues made in each industry as a proportion of total revenues, and at last aggregated. The hypothesis, as stipulated above, says that the higher the score, the higher the overlap of preferences between two firms is.

This operationalization presupposes that it does not make a difference for activity overlap and agreement overlap if the dependence is roughly equal or if one party is dominant over the other. This is the standard assumption and there is no empirical support for discarding it (Mizruchi, 1992, p. 169). Thus, symmetry is not taken into account.

Table 3.3 is essentially a recap of this section. Despite that the independent variables are many and cover a large spectrum of mechanisms and theoretical pedigrees, it must be recognized that other factors might come into play as well, factors which do not easily fit into the analytical scheme. As such, they better serve as control variable than constituent parts of the analytical framework. The control variables are same country (dummy), associations, and policy type.

Table 3.3: Operationalization of hypotheses.

Variable	H_X	Operationalization	Data source
Cohesion: Incorporation	H_1	The number of years since the youngest of the two firms was incorporated.	Orbis
Cohesion: Interlocks	H_1	The number of shared directors between two firms, divided by their total number of directors.	Orbis
Cohesion: Proximity	H_1	The distance between two firms' headquarters. †	CompuStat and Google Maps API
Threat from labor	H_2	The American institutional context: The dyadic score is the product of the union densities of two firms. The score assigned to a firm is the average union density, as reported by US data, of all its primary industries. The European institutional context: The dyadic score is the product of the union densities of two firms. The score assigned to a firm is the average union density, as reported by British and German data, of all its primary industries.	Bureau of Labor Statistics, UK Government, German Socio-Economic Panel, CompuStat
Threat from government	H_3	The dyadic score is the product of the regulation dummies of two firms. The score assigned to a firm is the average of the regulated/not regulated dummy, as classified by Bekaert et al. (2007), of all its primary industries.	Bekaert et al. (2007)
Ownership 1: Same owners	H_4	The cosine distance metric between two firms in terms of ownership (direct as well as indirect ownership).	Orbis
Ownership 2: Cross-ownership	H_4	The total percentage of stocks the two firms hold in each other (direct as well as indirect ownership).	Orbis
Political insider	H_5	The number of years both firms have been politically active in Washington D.C.	OpenSecret
Executives	H_6	The political ideology of corporate executives is estimated through the analysis of campaign donations. For each C-suite member, the ideology is gauged by the total amount contributed to Democrats divided by the total amount contributed to both parties. The contributions are those made to candidates for president, House of Representatives, and the Senate during the 2008, 2010, 2012, and 2014 election cycles. The average ranges from 0–1, where 0 means that all contributions of an individual went to the Republican Party and 1 means that all contributions went to the Democratic Party. What is calculated is an average "executive" ideological score for each firm. Finally, the absolute difference between the two firms produces the ideological distance score. †	Orbis, OpenSecret Campaign data
Directors	H_7	As with "Executives", only that the ideological distance is that between the two firms' directors. †	ISS, OpenSecret Campaign data
Lobbyists	H_8	As with "Executives", only that the ideological distance is that between the two firms' in-house lobbyists. †	OpenSecret lobbyist data, OpenSecret

			Campaign data
Organizational culture	H_9	As with "Executives", only that the ideological distance is that between all the employees of the two firms (regardless of their positions in the corporate hierarchy). †	OpenSecret Campaign data
Industry	H_{10}	Cosine distance between two firms, in which the vectors contain dollar values of sales in four-digits NAICS segments.	CompuStat segment data
Internationalization	H_{11}	Foreign sales as a percentage of total sales for each firm (Sullivan, 1994). The absolute difference between the firms is subtracted from 1.	CompuStat segment data
Generic strategy	H_{12}	A confirmatory factor analysis (CFA) is performed on the following indicators: (1) Ratio of selling, general and administrative expenses to net sales, (2) Ratio of research and development to net sales, (3) Ratio of net sales to cost of goods sold, (4) Ratio of net sales to capital expenditures on property, plant and equipment, and (5) Ratio of net sales to net book value of plant and equipment. The final score is obtained by the Euclidean distance between two firms across the factor scores. †	CompuStat
Size	H_{13}	The ratio between two firms in terms of revenue. †	Compustat
Concentration	H_{14}	The concentration score of a firm is the average global Herfindahl index, for the fifty largest firms worldwide and at the four-digit level, over its primary industries. The dyadic score is the average between two firms.	Orbis
Concentration: Concentration* Industry	H_{14}	Concentration is multiplied by industry. The assumption is that the effect of industry on overlap of preferences is mediated by industrial overlap.	Orbis
Dependence	H_{15}	The dependence between two firms is the relative value of output that flows between their industries. The relative flows of sales and purchases are multiplied by their associated Herfindahl indices, as dependence grows stronger when there are fewer options (fewer firms) to choose from. If two firms are headquartered in the same economic zone (US/EU), the industrial concentration is of that zone and sales/purchases concern domestic transactions. Otherwise, Herfindahl is a global concentration measure and sales/purchases concern imports and exports. Segments data is used to assess the total dependence between two firms over all their industries, relative to how active they are in each one.	I/O tables provided by Eurostat and the Bureau of Economic Analysis, CompuStat

Notes: The column "H_X" shows which hypothesis the variable is an operationalization of. The last two columns – "Operationalization" and "Data source" – disclose how the variable is measured and the associated data source(s). † The variable has been inverted to bring about a coherent reading across the board of independent variables so that a higher score should produce a higher overlap.

3.4. Control variables

3.4.1. Same country (dummy)

Same country (dummy) is set to 1 if the two firms in a dyad are members of the same national business community (for example, two American firms), otherwise 0. The expectation is that firms headquartered in the same country have higher overlap of preferences, all else being equal. Although this makes sense intuitively, the mechanism(s) is not entirely easy to pin down. Does a national business community kinship bring a change in cohesion and coordination or does it primarily alter market strategical considerations? Absent a clear answer, the decision is to include it as a control variable and not to try to force it into one of the theoretical boxes.

3.4.2. Associations

The second control variable is associations. The important function of business associations in forging unity between firms has been recognized for a long time (Miliband, 1969; Mills, 1956; Schmitter & Streeck, 1999). The elite-studies scholar C.W. Mills (1956, pp. 120–121) writes that:

> The top corporations are not a set of splendidly isolated giants. They have been knit together by explicit associations, within their respective industries and regions and in supra-associations […] These associations organize a unity among the managerial elite and other members of the corporate tick. They translate narrow economic powers into industry-wide and class-wide powers; and they use these powers, first, on the economic front, for example with reference to labor and its organizations; and, second, on the political front, for example in their large role in the political sphere.

Although it is true that associations, since the days of C.W. Mills, have lost some (or a lot) of their political potency to individual firms, to turn a blind eye to them would be a mistake as they continue to occupy a key function in the business community (Culpepper, 2016, p. 455; Martin, 2005). How then to exactly take associations into consideration is a more complicated matter. How well associations to forge unity in their ranks cannot be measured independently of the dependent variables. An alternative would be to map the overlap of associational memberships between firms, presupposing that merely being members of the same associations has a positive effect on the overlap of political preferences. This is unfeasible as information on memberships is not readily available[34] but even if it were, it would be difficult to see what such a mapping would accomplish. As a proxy, associations tend to represent industries/sectors or national business communities but this is already incorporated into the regression equation via industry and the country control. However, what is important to reckon with – and this is quantifiable – is the

[34] The European Transparency Register asks of interest groups to report the associations of which they are members. This information is deeply flawed, partly because it is reported on a voluntary basis, partly because there are no guidelines and while some firms disclose virtually all their associations, some hardly disclose any.

associational activity level. This control variable appraises the overall political involvement of two firm's trade associations. The idea is that highly active trade associations allow for their member firm to concentrate less on class-wide or industry-wide concerns and target narrower policy issues, effectively lowering the activity overlap with other firms.

The operationalization of associational activity overlap is a sequence of four steps: (1) For each firm, a list of relevant trade associations is compiled.[35] (2) The total count of lobbying activities registered by its trade associations is made. 3) The score from step 2 is divided by the corresponding count for the firm. If this third step were to be omitted, the intensity of associational political involvement would be measured in absolute terms which would not be sensitive to the fact that some industries lobby more than others, largely as a function of size (Hillman, Keim, & Schuler, 2004). (4) At the dyadic level, an average is calculated. This last step is appropriate since both firms would need to, independently from each other, consider the activities of their trade associations in the calibration of their political activities. Moreover, it is not at all clear why a high score on one of the two firms should count more than a low one, or vice versa.

Observe that this control variable only applies to activity overlap. It seems unlikely that the intensity by which trade associations are politically active, relative to the firms, would influence the corporations' policy positions. An objection to this could be that it is indicative of an ability on part of the associations to produce the type of unity that would give them a strong mandate to act. This might be true for individual associations but at the group level of trade associations, which is how the control variable is operationalized, an overall strong presence in the political machinery might be a sign of great divisions which would lead to the activation of trade associations catering clashing interests. Without knowing how to adjudicate between these conflicting possibilities, it is prudent to leave associations out of the agreement overlap.

Associations are neither market actors nor located within the boundaries of the firms. Yet, the variable resides outside the analytical framework. This might appear curious, but it grows out of the uncertainty as to why the associations of some firms are more politically active than those of others. Is it because they do a good job of promoting the material interests of their firms, are merely mouthpieces of their larger members, or that they are very skilled peacemakers? Scholars frequently emphasize the forum-like function of associations. Yet, associations will remain black boxes in a quantitative model and the mechanisms linking them to preference formation are shrouded in a dense cloud of uncertainty. Out of the wish to avoid a cumbersome unraveling of how associations impact corporate preference formation,

[35] As for the EU, I utilize the information on memberships in the Transparency Register. I also remove peak associations from the measure. In the United States, there is no easily obtainable information on associational memberships. Instead, the complete set of national trade associations, which are active in Washington D.C. and act on behalf of the relevant sector (3-digit NAICS), is assigned to each firm. This data is available through the OpenSecret data repository.

the preferred way forward is to use a control variable and shine a light on variables with less ambiguous connections to the phenomena.

3.4.3. Policy type

The last of the three control variables is policy type. Beyers and others (2014, p. 161) point out that interest group scholars routinely decontextualize their treatment of actors and issues. This is something I cannot afford to do. Some types of issues are simply more prone to mobilize business interests, while other types of issues are more prone to divide. This must be heeded, or else there is an implicit assumption that firms are impacted by, and must respond to, a uniform set of policy issues – all of them uniting/fragmentizing the business to an equal extent – which is not the case.

Theodore Lowi (1964, 1972) has done much to pave the way here. He offers a classic distinction between distributive, redistributive, and regulatory policies. Distributive policies are those that, at least in the short run, distribute goods to recipients without (noticeably) compromising anyone else's current stock of goods. Because of this, "the indulged and the deprived, the loser and the recipient, need never come into direct confrontation", Lowi writes (1964, p. 690). Redistributive and regulatory policies, in contrast, pit winners against losers but their battlegrounds look radically different. Redistributive policies activate class interests as the stakes are high for both the indulged and the deprived. Consequently, redistributive policies pull the business community together. Not so for regulatory policies, which are more specific in their impact. To summarize, the types of issues that catalyze corporate unity (in descending order) are redistributive, distributive, and regulatory.

Reasonable as this may seem, how to then quantify the nature of a policy issue is very difficult (K. B. Smith, 2002). For a large-n design like this, where thousands of issues have generated the scores, using Lowi's typology is completely impractical. Fortunately, various quantitative approximations have been developed. One starts with the assumption that peak organizations are active when there is something at stake for the business community overall (M. A. Smith, 2000). In the previous chapter, a case was made for why this is not always true and that peak associations are becoming less relevant as the "voices of business." Still, the involvement of a peak organization in a policy process is a rather strong signal that the issue is a public good for the business community. Thus, if a firm has a propensity to lobby concurrently with peak associations, this means that the firm is usually drawn to policy issues where public, rather than private, stakes are at play. In other words, those issues that stimulate political activity on a large scale and increase the likelihood of business unity.

The operationalization goes through several steps. First, the relevant peak associations are identified. For the American business community, the quintessential peak organizations are the Chamber of Commerce and Business Roundtable. The analogous organizations for British, German, and European firms are the Confederation of British Industry, Federation of German Industry, Confederation of

German Employers' Associations, and BUSINESSEUROPE (Coleman & Grant, 1988, pp. 475–477). Second, all issues are assigned a dummy, set to 1 if one of these associations has been active, otherwise 0. Last, the average value (of the dummy) of each firm is calculated over all the issues it has been active on. This yields one average for the European institutional setting and one for the American institutional setting. The dyadic score is the average of the two firms.

This is no doubt an imperfect measurement. An alternative would be *salience*. Low-salience policy issues are dominated by private interest governance and bureaucratic network negotiation, thereby analogous to distributional and regulatory issues. High salience goes hand in hand with partisan contestation and grand social partner bargaining (Culpepper, 2011), that is redistributive issues. A common operationalization of salience is to count the number of actors active on an issue (Klüver, 2011), which Broscheid and Coen (2007) argue captures Lowi's typology well. In the end, arriving at policy type through either salience[36] or peak associations does not make a huge difference, as there is a moderate to high correlation between the two, as expected.[37] Having two parallel proxies at disposal, the one operationalized by way of peak associations is chosen. The main purpose of doing so is to dodge accusations related to endogeneity; two firms which are, in general, active on highly salient issues are by definition more likely to have a greater activity overlap.

3.5. Possible lines of criticism

This marks the end of the presentation of the hypotheses, their associated variables, and the control variables. In the next chapter, the operationalization of the dependent variables is detailed, along with statistics and graphs that describe them in detail. Before concluding the current chapter, however, it is appropriate to briefly discuss a concern that trails the hypotheses and the operationalization, namely the ahistorical character of this study.

The time period is 2007 to 2014. Anything that happens earlier is outside the purview. It is still possible that current overlap scores are legacies of historical political interactions, that two firms are politically united now because they have been so in the past. It is also possible – nay, certain – that what lies hidden under the variation in activity overlap and agreement overlap is a massive complex of country-specific institutional developments that go back decades, if not centuries. Martin and Swank (2012, p. 28) demonstrate how nonmarket coordination is influenced "more by the strategic scheming of their political leaders and the interplay of party politics than by employers' ideological convictions." For example, centralization of power and multiparty system with proportional representation are more likely to produce

[36] For each policy issue, a count of all active actors is made. To each firm, an average actor count is then assigned, one for the European institutional setting, one for the American institutional setting. The last step is to take the mean over two firms

[37] The correlation between policy type (salience) and policy type (peak associations) for the EU institutional 0.45 (Pearson correlation). For the American institutional setting, it is 0.60 (Pearson correlation).

nonmarket coordination. This is an outcome of rational expectations on the part of right party leaders (who side with business), who believe that business stands a higher chance of success if high levels of policy-making authority is delegated to the private associations representing employers and workers, rather than if they have to face workers and farmers in legislative battles. That corporate political preferences are the products of past patterns of interactions with labor and state is one of the great contributions of historical institutionalism (Culpepper, 2016, pp. 454–455). My research design, time horizon, and the dislodgment of business communities from their home settings are not ideal for uncovering these past patterns of interactions.

Having said that, many institutional factors are built into the equations via the class-centric parameters. Even so, the inherent difficulties in modeling historical institutional arrangements prevent a more in-depth examination of these. Turning a half-closed eye to historical institutionalism is not only a disadvantage as it permits the design of a general model for corporate preference formation, a model that segregates more universal factors from ones that are more specific to a polity or a business community. Moreover, by studying how the effects of the variables vary or remain stable over different locations and business communities, it is possible to see if the effects are being shaped by institutional contexts. Thus, even if this study does not go inside the intricate institutional machinery, the institutional dimension resides in the foreground, by means of some of the predictors, as well as in the background.

The ahistoricalism comes with another implication. The overarching argument is that the corporate preference formation has shifted and that it is more under the sway of firm-centric and economic deterministic forces today than it previously was. Obviously, this argument is about a development that I try to uncover. Yet, the research design here is static and it focuses on a rather narrow time period, namely 2007 to 2014. So, why not modify the argument or the research design?

The first approach could have been to remove the "than it previously was" from the argument. To analyze the results in isolation from the studies that have preceded mine is not only feasible but is actually what I do concretely, by and large, throughout the study. It is only when the landscape of results appears before our eyes that I pivot to a discussion about how they fit into a historical perspective. What gives me license to do so is the existing literature on preference formation. Although it is far from a monolithic field, there is a set of broad and established findings which have been submitted as hypotheses in the previous sections. Their track records are strong and have been generated under a diverse collection of methods and data. However, much of the literature saw the light decades ago and deserve a second look. The revisions that my models call for would likely reflect a true shift in the formation process and is not an outgrowth of the methodological machinery employed in this specific investigation. It is true that my thesis is a unique product in terms of data collection, population, and methodology. Yet, to make this less of an issue, it is deliberately placed closed to Mark Mizruchi's book from 1992. This strategy offers

the opportunity to draw direct comparisons to results produced more than twenty-five years ago. And we will indeed see that there have been changes.

I do not deny that with a more optimal research design, the data would have extended well back in time. That would have enabled us to study the evolving relationship between the dependent variables and independent variables. From a practical point of view, it does not seem that easy though. The sheer labor intensity of collecting data on all the independent variables is high, not to speak of the dependent variables. Usually, the data sources cover few years and it would have been necessary to incorporate other data sources, thereby compromising comparability. In the next chapter, the operationalization of the dependent variables is described. As will become clear, agreement overlap in the United States is calculated based on coded congressional hearing testimonies. Hearings have been published for many decades and if there ever was a possibility to track the evolution of preference formation, it would have been here. However, in consideration of the argument that hearings function differently today than before, it seems safer to extend the breadth of the inquiry and to be able to make time-specific generalizations rather than to focus on hearings and extend the temporal dimension.

Other concerns will be addressed as this investigation unfolds. Worth mentioning at the outset is multicollinearity and reverse causation. First, the variables in Table 3.3 do not live in quiet and remote spaces but constantly shape and reshape each other. To understand what causes high/low levels of overlap of political preferences, it is necessary to explore how the independent variables correlate with each other. Second, it is possible that the causation runs in the other direction. Stated differently, the problem is that of reverse causality. Capture theory (Posner, 1974; Stigler, 1971), for example, provokes the model by suggesting that homogenous firms and concentrated industries are united in their lobbying efforts and will have an easier time pushing for favorable regulation, which in turn will change market conditions. Both multicollinearity and reverse causation will be dealt with on a piecemeal basis, especially during Chapters 5 and 6.

Chapter 4: The anatomy of activity overlap and agreement overlap

THE TIME HAS COME to roll out the first set of results, which will mainly take the shape of descriptive statistics and graphs. Before that, it is needed to unveil the operationalization of the dependent variables. Recall from Chapter 2 that the two dimensions of overlap of preferences are activity overlap, the degree to which actors are politically active on the same issues, and agreement overlap, the degree to which actors adopt the same policy positions. Because of this scope – two institutional settings and two dependent variables – a total of four operationalizations will be hammered out. These four outcomes of interests – US activity overlap, EU activity overlap, US agreement overlap, and EU agreement overlap – are referred to as the four *configurations*.

In the subsequent section, the most basic descriptive results are presented, starting with crude data on the population, which will reveal how many firms are politically active and the intensity of their political involvement. After that, the distributional patterns of activity overlap and agreement overlap will be shown, followed by a peek into how the two outcome variables correlate. Notwithstanding a pure focus on some of the largest enterprises on the planet, many of them are politically inactive. That calls for an analysis of the antecedents of corporate political action for the population at hand. When this first set of results are disclosed, the three main takeaways are: (1) political engagement is largely determined by the revenues and where the firm has its operational base, (2) it is rare that firms target the same issues and equally rare that firms adopt opposing policy views but (3) dyads nonetheless exhibit variation in overlap of preferences. This variation is the empirical puzzle that this study ultimately aims to disentangle.

The rest of the chapter is devoted to making comparisons between the national business communities. This deviates from the main investigation, where business community affiliation is merely a control variable. However, it serves as an antecedent to what will come later. Here the focus is on two questions that appeared in the previous chapter (summarized in Table 3.1). First, how does overlap of preferences vary across business communities? Second, do firms from the same national business community have higher overlap of preferences than those from different ones?

To find answers to these questions, I start by examining average overlap scores across business communities. Simple averages are informative but to give more flesh to the analysis, industry is used as a control variable. What is being observed is that that the German "corporatist" business community indeed have higher overlap of political preferences than the American and British "pluralist" business communities. True as that may be, the differences are not that great and national business community affiliation is a rather weak explanatory variable.

4.1. Operationalization of activity overlap and agreement overlap

In this section, the operationalization of the dependent variables is reviewed, starting with an account of the data collection. In short, three types of data are used: lobbying disclosure records, congressional hearing testimonies, and European Union open consultations. A number of potential pitfalls and limitations accompany these datasets. Only when these concerns have been properly addressed is it sensible to move on to the next step, the description of the methods of analysis that will generate scores for activity overlap and agreement overlap.

4.1.1. Collection of data

Activity overlap

The US Lobbying Disclosure Act of 1995 created a detailed lobbying register with high levels of transparency. Not only does it unveil political expenditures but also information on specific lobbying activities. The act requires of the lobbyist to report "[…] a list of the specific issues upon which a lobbyist employed by the registrant engaged in lobbying activities."[38] When studying these lobbying records[39] in closer detail, though, one notices quickly that the meticulousness by which these are filled out varies greatly. In some reports, the specific issue being reported might just say "Issues related to Medicare" or "Issues relating to the tobacco industry". In other reports, the word count seems to be on par with *War and Peace*. This inconsistent reporting makes it impossible to infer if two actors have lobbied on the same specific issues or not. Fortunately, actors are required to report "to the maximum extent practicable, a list of bill numbers." For every reported bill, the actor must attach a general issue area code, a short description of what the issue is about (Office of the Clerk, 2013, pp. 15–17). These codes have been developed by the Office of the Clerk of the US House of Representatives. They are eighty-one in number and include issue descriptions such as "Immigration", "Travel/Tourism", and "Gaming/Gambling/Casino" (see the Appendix, Table A.2). Because a bill can comprise multiple aspects, it is not uncommon that an actor tags a bill with more than one issue code. This data – on reported bills and issue codes – is used to analyze activity overlap in Washington D.C.[40]

This data is accessed through the non-profit, nonpartisan Center for Responsive Politics. Its website[41] provides a user-friendly interface for tracking campaign contributions and lobbying activities.

[38] For this and other sections of the Lobbying Disclosure Act, visit: http://www.senate.gov/legislative/Lobbying/Lobby_Disclosure_Act/TOC.htm

[39] "After January 1, 2013, an organization employing in-house lobbyists is exempt from registration if its total expenses for lobbying activities does not exceed and is not expected to exceed $12,500 during a quarterly period. The $3,000 income threshold for lobbying firms remains unchanged" (Office of the Clerk, 2013, p. 2). This potentially excludes some firms that have lobbied but do not meet this threshold. Most large firms' spending on lobbying in Washington D.C. far exceeds $12,500.

[40] No distinction is made between in-house lobbying activities and those carried out by lobby firms.

[41] http://www.opensecrets.org/

The website is used frequently by the top US media outlets[42] and scholars (for example, see Ansolabehere et al., 2003; Herrnson, 2012; Mathur, Singh, Thompson, & Nejadmalayeri, 2013). Through its "Open Data Initiative," the organization also makes the complete datasets of lobbying disclosures available for downloading. Between 2007 and 2014, the time span of the investigation, 600,324 lobbying records were filed. Translated into more relevant numbers, between 2007 and 2014 the interest groups in Washington D.C. reportedly lobbied on a total of 321,071 bills and 409,705 bills and issue codes.

The reader should not be of the impression that lobbying disclosure records are a flawless source of data. Even if organizations are legally required to fill them out, it might be easy to forget to include some items and the filer is not necessarily aware of all the political activities of his/her organization. Worse still, it is possible that certain activities are deemed inappropriate and are left out of the reports. Altogether, this would mean that the data probably suffers from few false positives but many false negatives. My own validation shows that in 95 percent of the cases when a firm delivers a testimony on a legislative hearing, the firm has included that bill in one of its disclosures.[43] Perhaps this is a weak test, considering the public nature of congressional hearings, but 95 percent (based on 551 cases) is still a high number and it vindicates the use of disclosure records.

Furthermore, it turns out that the reported issue codes on bills and the Policy Agenda Project's topic assignment of bills are largely congruent. This should strengthen the trust in the accuracy of the self-reported lobbying data.[44] What is critical, in the end, is to view this data in the light of "the best option

[42] See https://www.opensecrets.org/news/inthenews.php for more information.

[43] Offering a testimony before congress is not, strictly by definition, a lobby activity since the actor is formally invited to share its opinion.

[44] This has been done in the following way. First, policy agenda topics are matched with issue area codes (topic: Agriculture and issue code: Agriculture; topic: Civil Rights, Minority Issues, and Civil Liberties and issue code: Civil Rights and Civil Liberties; topic: Defense and issue code: Defense; topic: Education and issue code: Education; topic: Environment and issue code: Environment and Superfund; topic: Government Operations and issue code: Government Issues; topic: Health and issue code: Health Issues; topic: Immigration and issue code: Immigration; topic: International Affairs and Foreign Aid and issue code: Foreign Relations; topic: Social Welfare and issue code: Welfare; topic: Transportation and issue code: Transportation). To each bill, the topic and the most reported issue area code are assigned. Because the "most reported issue code" is sometimes based on very small numbers, bills are only selected if they have been lobbied by at least ten actors. Even were it the case that most of the lobbying activities on a bill were targeted at sub-issues, which do not reflect the bill as a whole, on average we should see – if the topic assignment by The Policy Agenda Project and the issue code reporting by lobbyists are both accurate – a tight correspondence between the two. This expectation turns out to be true. Of the sixty-eight bills where the most reported issue code is Agriculture, the topic is Agriculture in forty-five cases. Of the thirty-five bills where the most reported issue code is Civil Rights and Civil Liberties, the topic is Civil Rights, Minority Issues, and Civil Liberties in twenty cases. Of the seventy-one bills where the most reported issue code is Defense, the topic is Defense in fifty-two cases. Of the 190 bills where the most reported issue code is Education, the topic is Education in 150 cases. Of the 107 bills where the most reported issue code is Environment and Superfund, the topic is Environment in seventy-five cases. Of the 123 bills where the most reported issue code is Government Issues, the topic is Government Operations in eighty cases. Of the 586 bills where the most reported issue code is Health Issues, the topic is Health in 474 cases. Of the 122 bills where the most reported issue code is Immigration, the topic is Immigration in ninety cases. Of the thirty-nine bills where the most reported issue code is Foreign Relations, the topic is International Affairs and Foreign Aid in thirty-three cases. Of the 133 bills where the most reported issue code is Transportation, the topic is Transportation in seventy-nine cases. The topic "Social welfare" has been assigned to only three bills and therefore cannot be used as a proper indicator to whether there is a congruence or not between the data.

available", and not compare it to an unattainable ideal. The tempting alternative – distributing issue-oriented surveys asking interest groups about their activities from a pre-selected list of political issues (as done by Baumgartner et al., 2009) – is not doable, given limited resources, the low number of expected survey responses, and the large population of firms. Also, the objective is not to arrive at an immaculate catalog of issues a firm has been trying to influence, but to uncover true differences in activity overlap between firms.

Lobbying transparency in the European Union lags that of the United States. The so-called European Union "Transparency Register"[45] makes public the names of the in-house lobbyists and total costs associated with EU lobbying but only scant information on issue-specific activities. What is more, the register is based on a voluntary approach and even when entries exist, the level of inaccuracy is high (Tansey & Cann, 2015). Therefore, the search for data needs to be directed elsewhere.

One rich source of data is open public consultations (also known as "open consultations" or "public consultations"), the mechanism through which interest groups (and others) can give written input on pending proposals, directives, green books, and white books. Many of these consultation rounds are made public and through this data, it is possible to track which interest groups have been active on which legislative proposals. These online consultations were first introduced in the early 2000s as an instrument to involve a broad set of stakeholders in the policy deliberation process and gain expert knowledge.

Whether the consultations actually do so is debated. Business interests dominate the consultations (Quittkat, 2011; Rasmussen & Carroll, 2014) and many European civil society associations criticize the Commission for paying mere lip-service considering views and opinions voiced in the submissions (Quittkat, 2011, p. 3). This is not so problematic as only policy positions are of relevance here, irrespective of "business bias" or the actual impact the submissions have. Unfortunately, the EU consultation submissions are notoriously poorly organized. Heike Klüver and Christine Mahoney (2015) have made their dataset on submissions available[46] and this allows one to fast-forward past the laborious process of collecting these submissions. Their dataset contains a total of 141 consultations, the vast majority of which date back to between 2007 and 2010.

Agreement overlap

Scholars utilize several sources to gather the political positions of firms. One popular method is to analyze campaign contributions (Burris, 2005; Clark Muntean, 2009). Still, it is not entirely clear why a firm donates money to a particular candidate. It might be that the candidate embraces a political agenda that is

[45] This register was created in 2011 and replaced the European Commission's Register of Interest Representatives, which was online between 2008 and 2011.
[46] https://acim.uantwerpen.be/site/layout2/en/kb/knowledge/documentprojectstructureid/0/0/5

beneficial to the firm but it might also be a way for top managers to use corporate funds to support their own personal favorites (Ansolabehere et al., 2003) or to build a rapport with a candidate who is projected to win anyway (Clawson et al., 1998). Besides, even if there was a close connection between policy preferences and campaign donations, it would be difficult to pinpoint which specific campaign pledges made the firm open its wallet, thereby offering a rather hazy idea of the political views of a firm. Last, the amount of money going into lobbying by far swamps campaign contributions (H. Chen, Parsley, & Yang, 2010). These obvious drawbacks discourage the use of campaign contributions as a proxy for agreement overlap.

Instead, the ambition is to directly access the standpoints. US congressional hearings, in which witnesses representing organizations (or only themselves) are invited to deliver testimonies before congressional committees on various topics, have been used frequently in the past for this end (for example, see Magee, 1994; Mizruchi, 1992). It is fairly easy to understand why – congressional hearings are, according to Berry (1997, p. 164), "[t]he most visible part of an interest group's effort to influence pending legislation" and described by the Congressional Research Service as "the primary information-gathering technique committees use in policy making and oversight" (Carr, 2006, p. 2). Congressional hearing transcripts are published on the website of the US Government Publishing Office.[47] All transcripts of the hearings made during the 110th, 111th, 112th, and 113th Congresses (effectively, from January 3, 2007, to January 3, 2015), a total of 11,835 hearings, were scraped. This set of downloaded hearings constitutes the empirical material of agreement overlap in the US context.

The "European version" of public congressional hearings is online public consultations. Thus, not only are consultations used to map activities but they also serve as the data source for agreement overlap in the EU. These stakeholder submissions have, in recent years, become the main vehicle by which researchers gain insight into the positions of interest groups in the European Union (see, for example, Klüver, 2011, 2013; Klüver & Mahoney, 2015; Klüver, Mahoney, & Opper, 2015).

4.1.2. Pitfalls and limitations

Admittedly, there are numerous weaknesses associated with these datasets. There are two that loom larger than others. Both arise from the fact that the data is limited and what goes on under the surface holds a different story from what is observed above. The first is low validity, due to "hidden" lobbying. The other is poor representativeness. Let us start with low validity.

It is reasonable to assume that large firms sometimes delegate or free ride, meaning that the firm sits idle and leave the execution of political activity to another actor. What motivates delegation and free riding in the first place is complex. It might simply reflect a division of labor or – as many examples show – a desire on the part of the firm to not get directly involved on certain (controversial) pieces of legislation

[47] http://www.gpo.gov/fdsys/browse/collection.action?collectionCode=CHRG

(Hacker & Pierson, 2017, pp. 229–235). In Chapter 2, a case was made for why low activity overlap can indicate both low overlap of preferences and high overlap of preferences. But what if a proposed hypothesis, everything else controlled for, produces – to an equal extent – delegation/free riding and concurrent lobbying. Then the two effects cancel each other out and create the impression that the variable plays no part in the formation of activity overlap. Later, it will be revealed that this is a minor problem. A proposed determinant, all else being equal, tends to do either/or. A positive effect on activity overlap means that the determinant makes firms more prone to be active on the same issues. A negative effect means that the determinant facilitates delegation or free riding.

A greater concern is "hidden" lobbying. The data at hand is collected through lobbying disclosure records, congressional hearings, and online consultations. Behind the stage, policymakers and lobbyists meet in fancy D.C. restaurants or Belgian pubs and top executives go for golf rounds with politicians or run into each other during charity events. These and other occasions allow for representatives of firms to exert influence beyond public scrutiny. Not only that, the policy positions communicated during these informal meetings may differ from those made publicly. For example, it has been noticed that many firms are very inconsistent in their stances on climate change. In public venues, such as the media, many express a profound distress but when directing their lobbying at governmental agencies, the same companies belittle the idea of climate change as man-made and a threat (Grifo et al., 2012, pp. 24–25). One might then rightfully ask: Do disclosure records and consultation submissions provide an accurate picture of the issues that firms set their sights on and do congressional hearings and consultations reveal the "real" desires of firms?

What has to be recognized, however, is that credibility is absolutely key in the world of lobbying (Bouwen, 2002, p. 376; D. P. Carpenter, Esterling, & Lazer, 1998; Dahm & Porteiro, 2008; Schlozman & Tierney, 1986, p. 104) and anything that might undermine it is usually avoided. This is a counterargument against the charge that "hidden" lobbying poses a validity problem. Another one is that what lies above the surface is not systematically different from what is hidden below. Even if the data does not cover the whole terrain of lobbying activities and policy positions, it seems implausible that the "measured" overlap scores would not be highly correlated with the "true" overlap scores (although perfect correlation is not likely either). Again, the aspiration is not to arrive at perfect measures but to expose real differences in political preferences between firms.

The second potential pitfall is poor representativeness. This comes in several forms. One is selection bias. Faigman, Kaye, Saks, and Sanders (2002, p. 129) define selection bias as a sample that has been "drawn in a way that makes it unrepresentative of the population to which inferences are to be made." This is not so much a problem for lobbying disclosure records, which are comprehensive and mandated by law. Hearings and consultations are not as well insulated against bias. In a nutshell, the worry

is that a non-representative subset of the population of firms testify before the Congress and submit on consultations.

Congressional hearing witnesses need to be invited to speak. On the one hand, it is well known that interest groups of all types and sizes like to share their opinions in congressional hearings and that participation is an important part of the interest's overall strategy in the legislative process. Besides, requests to testify are rarely refused (Mizruchi, 1992, p. 161). For these reasons, nearly all organizations in D.C. have testified at least once (Berry, 1997, p. 164). On the other hand, it is well documented that the invitations to congressional hearings are far from distributed in a random fashion.

There are some general principles governing this process. First, the rules stipulate that both the majority and minority parties can invite witnesses but it is not uncommon that the minority works informally with the majority in the selection. Regardless, this is usually preceded by a phase in which committee staff members identify and often interview prospective candidates (Carr, 2006, pp. 10–11). These candidates often represent organizations with an active presence in Washington D.C. – those organizations which meet regularly with politicians and their staff and have made their positions clear and have made a case for why the information (or opinion) they wish to convey is relevant or important to the proceedings. This is why, as Leyden (1995) discovers, the types of organizations most likely to appear before a congressional committee in a hearing are those that can afford to hire their own Washington-based lobbyists and supporting staff.

The importance of being an insider to the system and cultivate relationships with the members of the Congress and their staff, in order to get to testify before Congress, is illustrated by a quote by a committee staffer (Leyden, 1992, pp. 161–162):

> There are two ways people get to testify. They are either asked to testify or they ask to testify. The people who are asked (by us) to testify are the major players in a particular issue. The people who ask to testify are not always as major players […] If as a lobbyist you are doing your job right, ... for months or years before the issue comes up you have gone in to talk with the congressmen and the committee staff people—before the hearing—so they know what your position is. You have to establish relations beforehand... These are the types of interest groups that testify at hearings.

Apart from being a "major player", it is very much the purpose of the hearing that sets the parameters for the extension of invitations. As the Congressional Research Service describes (Carr, 2006, p. 10), "in some cases a committee will strive to make sure that all reasonable points of view are represented, while in other cases witnesses expressing only particular points of view will be invited." Moreover, guided by their desire to have a good relationship with the Committee or single members, it also happens that witnesses sometimes go to great lengths to modify their positions, even if there are limits on just how willing

lobbyists and their organization are to compromise (Holyoke, 2008). So, in brief, witnesses are not always invited because of their expertise but their policy positions – the dependent variable itself – and at times even adjust their position out of political expediency.

How severe are these two common traits of hearings? To start with, mitigated or exacerbated policy positions are not a great concern. The coding of policy positions, detailed further below, does not capture nuances but seek to expose the gulf that exists between those who want to protect the status quo and those who want change. While it is easy to imagine witnesses willing to adjust their positions somewhat, a complete U-turn is not realistic and would undermine the whole idea of participating in a hearing in the first place. The second issue appears more problematic as it would potentially convey a false idea of the level of conflict within the business community, although it is not clear whether it would be an exaggerated or an understated version. However, when it comes to the explanatory models, securing an invitation on the basis of the policy position would only be troublesome if the invited firms always agreed or always disagreed with each other or if they were also invited as a function of the independent variables. The former (unlikely) scenario is debunked by the basic descriptive statistics presented later in this chapter. The latter cannot as easily be brushed to the side. Surely, some specific industries and individual firms may be close to a political party and they might be systematically chosen over other firms with similar positions. Still, unless the relationship a firm or an industry has with a particular party is extraneous to its political preferences, which would seem odd, this is not a problem.

Online consultations are cleared of the same charge since everyone is free to submit. The potential hazard is of a slightly different kind, namely that submitters are those that normally struggle to get their voices heard elsewhere in the policy process. If so, the sample of participants in a consultation is small and unrepresentative vis-à-vis the full span of active organizations on a policy issue. The fact that a wide variety of actors participate in consultations and that many submissions are made by some of the most prominent business interests in the European Union indicates that submissions should not be viewed as a last resort for the organizations deprived of any other tool for reaching out to the policymakers, but an important complement in any regular lobbying effort (Quittkat, 2011).

Another type of bias pertains to the selection of policy issues. Congressional hearings are not greatly affected by this, as they embrace a broad scope and are not systematically skewed towards salient issues (Tan & Weaver, 2007). With proposals coming out of the European Commission, it is a different story. Only a subset trigger open consultations and it is most likely to happen on salient issues (Rasmussen & Carroll, 2014). At the same time, consultations are used on a large scale, across the entire Commission (Quittkat, 2011, p. 658) and the sample of consultations at disposal varies in terms of policy domains and number of submissions, which should attenuate the danger of selection bias.

Even if bills, consultations, and hearings come sufficiently close to random samples with reference to topic and policy type, the stage in the policy process is systematically non-random. Kingdon

(2010) divides the policy process into four phases: agenda setting, policy deliberation, policy enactment, and policy implementation. Congressional hearings, bills on the floor, and consultations belong to the second and the third phase. That scholars routinely exclude the agenda-setting phase is criticized by Bachrach and Baratz (1962). Equally interesting to probe, they say, is the struggle to promote or prevent an item from making it onto the public agenda in the first place. While policy deliberation and policy enactment are often surrounded by a heated debate, the agenda setting is much subtler.[48]

Two problems then emerge. First, bills, hearings, and consultations are by definition marked by (at least some) conflict, either internal or external the business community or both. Second, Miliband (1969) proposes a host of various institutions available to business as means to bridge conflicts, including associations and social networks. Before an issue appears in a hearing, on the floor of the Congress, or as an online consultation, firms might have had time to deliberate behind closed doors. Consequently, conflicts that exist during the agenda-setting might become invisible at a later stage.

A related charge is that the governance space also suffers from non-randomness. Culpepper (2011, 2016, p. 460) divides the space in which political issues are resolved, into four: social partner bargaining, partisan contestation, private interest governance, and bureaucratic network negotiation. Bills, congressional hearings, and open consultations belong to the second category, as they are either subject to party politics or are considered by policymakers to be salient enough to be launched as public consultations. The sample of issues is drawn from only one part of the policy process and the governance space. It is possible that the factors shaping activity overlap and agreement overlap are identical, irrespective of the coverage of the governance space, policy process, and time period. If so, then the extrapolation of the findings knows no bounds. This cannot be resolved. Accordingly, the corporate political preference formation refers exclusively to the visible part of politics, right here, right now.

4.1.3. Calculating the scores

Activity overlap

To reiterate, activity overlap refers to the extent to which two firms share an interest in the same policy issues. The data comes from online consultation submissions (European Union) and disclosed information on bills and area issue codes (United States). How then, specifically, is activity overlap calculated?

The simplest solution would be to sum the number of shared activities. For example, if two firms have submitted on the same three consultations, the activity overlap would be three. Similarly, if two firms have lobbied on the same ten issue codes of the same bills, the activity overlap is ten. However, this

[48] Even though this is true, the degree of fighting should not be overstated. It has been demonstrated, at least as far as Washington D.C. goes, that most issues prompt virtually no conflict at all. Only a few issues stir up lobbying bonanzas with rival fractions battling it out (Baumgartner & Leech, 2001).

measure does not properly reflect that in a population of firms, even of extremely large players, some of them engage much more in political action than others. By deriving activity overlap from a simple calculation of the number of shared activities, very active organizations will, by sheer likelihood, have higher activity overlap.

To not end up with a score that is basically a proxy for how much two firms lobby, the calculation needs to be done differently. The cosine similarity metric measures the "distance" between vectors by comparing their attributes while controlling for the sizes of the vectors. It has been widely used to measure the similarity between documents, where the documents are vectors and the words in each document are the attributes. Instead of documents, there are firms, and instead of words, there are activities. The formula is as follows:

$$\text{activity overlap}(\text{A}, \text{B}) = \frac{\sum_{i=1}^{n} A_i B_i}{\sqrt{\sum_{i=1}^{n} A_i^2} \sqrt{\sum_{i=1}^{n} B_i^2}}$$

where *A* and *B* are two firms and *i* is a political activity.

Each firm is a vector containing all its political activities during a certain time period, regardless of policy domain, salience, and so on. The formula goes through each activity in the universe of political activities and set a score of 1 if the firm has been active, otherwise 0. An activity overlap can only be computed if both firms have been active at least once (otherwise, the denominator would take on a value of zero and the activity overlap would be an infinitely high number). Each dyad is then assigned two activity overlap scores, one for bills and issue codes and one for consultation submissions. The activity overlap score varies from 0 (two firms that never lobby the same bills and issue codes/submit on the same consultations) to 1 (two firms that always lobby the same bills and issue codes/submit on the same consultations).[49]

Agreement overlap

To measure agreement overlap, policy positions are manually coded. The procedure of such coding can look different. For example, Mizruchi (1992, p. 161) divides corporate positions in joint appearances into three broad categories: agreement (if two firms share the same position), opposition (if two firms take opposite positions), and unrelated (if they address different sub-issues). An alternative would be to

[49] Because firms, just like any other interest groups, go in and out of existence, the decision is to only include the congresses in which both firms have been active. For example, suppose that firm A has been active on (at least) one bill introduced in the 111th congress and (at least) one bill proposed under the 112th congress. Furthermore, suppose that firm B has been active on (at least) one bill proposed under the 111th, 112th, and 113th congress, respectively. In this case, the vectors containing all the political activities of the firms bills span the 111th and the 112th congress, not the 113th. Observe that activity overlap for the European Union is not calculated based on a similar break-up into different years. The reason is twofold: (1) Most open consultations in the database were launched around 2008–10, a short time frame in which few firms in the population go in and out of existence. (2) In contrast to many of the firms that have filed lobbying disclosures, open consultations participants are not transient political actors and so there is no need to make allowance for extended periods of time in which the firm has not been politically active.

position testimonies along a one-dimensional scale (Klüver, 2011, 2013; Klüver & Mahoney, 2015; Klüver et al., 2015), an approach justified by the fact that policy issues mobilize two sides in American politics – those demanding change and those protecting status quo (Baumgartner et al., 2009). Yes, the actors constituting one side normally voice a multitude of opinions about the effects of a proposed policy – its feasibility, costs, and unintended consequences. Nonetheless, the underlying political conflict itself – the goals of the actors – is typically very clear. The need to build a grand coalition pulls actors together around the least common dominator, which is either "for" or "against" a proposal (Baumgartner, Berry, Hojnacki, Kimball, & Leech, 2006; Baumgartner & Jones, 2009).

To give the reader an insight into how such a unidimensional scale may look like in a congressional hearing, consider the following two excerpts from a hearing on the future of oil, in 2008 (Exploring the Skyrocketing Price of Oil, 2008):

> What we can do is work with this Congress, with the administration, with government and consumers to move towards greater energy security and a lower carbon energy future.
> – British Petroleum (pp. 5-6)

> When energy prices are high, the urge to point fingers at oil companies is strong. But undercutting the ability of American companies like Exxon Mobil to compete in a huge global marketplace only makes it harder for Americans to secure the energy they need at competitive prices
> – ExxonMobil (p. 15).

It is known that British Petroleum and ExxonMobil have different views on climate change, where the former is thought to be more "progressive" (Levy & Kolk, 2002). The aforementioned quotes expose this split and the unidimensional structure of change versus status quo, which in this case is about more government involvement versus less government involvement.

Through the analysis of hundreds of congressional hearings and open consultation submissions, I can only concur with the observation that change versus status quo fundamentally structures a lot of policy debates. Yet, not all congressional hearings and open consultations have this underlying structure of conflict. Many times, the discussion is on technical solutions or the process is at an early stage and there is no proposal in place yet to which one can react. In these circumstances, there is no change versus status quo and the statements/submissions are indeed unrelated. To analyze them would, conceptually, then be like measuring activity overlap. For this reason, a hearing/consultation is only included if most of the actors either explicitly support or disapprove of a proposal (or the current situation) or implicitly support or disapprove of a proposal (or the current situation), by overwhelmingly provide arguments in favor or against.

To define exactly what "most of the actors" means would be superfluous. Basically, either all actors take a position or address unrelated sub-issues. The in-betweens barely exist. 52 percent of the hearings is characterized as a tug-of-war between those who want change and those who want status quo. For open consultations, which are almost always preceded by a set of concrete policy suggestions coming out of the European Commission, the same number is 81 percent. Each testimony and submission offered by a firm in the population is coded. If the firm explicitly or implicitly supports status quo, it is coded with 0. If the firm supports change, it is coded with 1. In some situations, the witness thinks that a proposal goes too far or agrees that something needs to be done but contends that the proposal on the table suffers from serious defects. In the same vein, a witness might not be happy with a proposal because it does not go far enough. In these cases, the coding is premised on the question "would the witness prefer status quo over the implementation of the proposal?" This means that it does not matter if the firm truly prefers status quo; if it expresses a support for change but thinks the proposal goes much too far, it is coded with 0. A firm that thinks a proposal does not go far enough would still favor it over status quo and is thus coded with 1. The agreement overlap between two firms is obtained through the following formula:

$$\text{Agreement overlap (A, B)} = 1 - \frac{\sum_i^{a \cap b} |a_{w,i} - b_{w,i}|}{a \cap b}$$

where *a* and *b* are two firms in the population of firms and $Y_{a,b}$ is the agreement overlap between *a* and *b*. The agreement overlap between the two is the sum of the absolute differences in scores {0, 1} over all the intersected hearings (or submissions), divided by the number of shared hearings (or submissions). The subtraction of the score from 1 brings about an interpretation like that of activity overlap so that 0 is no agreement overlap and 1 is full agreement overlap.

4.2. Describing activity overlap and agreement overlap

4.2.1. Basic descriptives

It is now time to shift gears. Henceforth, the empirical results will be at the center of attention. In Chapters 5 and 6, the effects of the independent variables on the dependent variables are explored. In advance of this, let us start at the shallow end and familiarize ourselves with the population of firms and activity overlap and agreement overlap.

As previously mentioned, the population encompasses the American, British, and German firms that have appeared on the Forbes Global 2000 ranking any time between 2007 and 2014. More than 75 percent of the 1088 firms in the population are American. It might be surprising that only seventy-two are based in Germany but recall the earlier discussion on the weak tradition of public ownership in Germany. For a complete list of the firms, see the Appendix, Table A.1. Many household names appear on this list,

including Adidas, Barclays, Facebook, British Airways, General Motors, and Siemens. Lesser known firms, albeit huge global actors – such as Taylor Wimpey, Altana, and Amvescap – also show up.

In Table 4.1, the dominance of American firms in Washington D.C. comes out clearly. Over 65 percent of the American Forbes Global 2000 firms have lobbied on at least one bill between 2007 and 2014, whereas the same numbers for the British and the German are 21.3 percent and 30.6 percent, respectively.[50] Among the firms in D.C., the American also lobby more on average. The same patterns emerge for hearings.[51] In the collection of 11,834 hearings, the selected firms appeared 1 864 times. Of the 1088 firms, 416 have made at least one appearance and the average number of testimonies before Congress is 4.5. 37 percent of the 416 firms have appeared before Congress only once. Nearly half of the American portion of the population have testified and 12 percent and 18 percent of the British and German firms. At the top of the table, there are Moody's (forty-eight hearings), IBM (thirty-five hearings), Microsoft (thirty-five hearings), JPMorgan Chase (thirty-three hearings), and Google (thirty-two hearings). That Washington D.C. is primarily a playground for homegrown actors should, of course, not come as a big surprise. Still, on the list of the most active ones are British-based and German-based firms, for example, GlaxoSmithKline (339 bills), Bayer Group (609 bills), and British Petroleum (twenty-four hearings).

Table 4.1: Overview of national business communities and their activities

	Germany	United Kingdom	United States	Total
Total number of firms	72	174	842	1,088
		Congressional bills		
Percentage of firms having registered at least one activity	30.6%	21.3%	65.2%	55.9%
Total number of registered activities	1,484	2,452	54,658	58,594
Average number of activities	67.5	66.3	99.6	96.4
		Congressional hearings		
Percentage of firms having registered at least one activity	18.1%	12.1%	45.4%	38.2%
Total number of registered activities	46	73	1745	1864

[50] Some firms have, at some point between 2007 and 2014, relocated their headquarters to another country. For example, AON moved from Chicago to London in 2012 and Ensco moved from Dallas to London in 2009. The country assigned to firms is the one in which firm was headquartered most years between 2007 and 2014. This would mean that AON is assigned to the American business community and Ensco to the British. Overall, the cases of relocation are extremely few.

[51] The Pearson correlation coefficient between number of bills lobbied and number of testimonies is 0.379.

Average number of activities	3.5	3.5	4.6	4.5
		Open consultation submissions		
Percentage of firms having registered at least one activity	36.1%	23%	6.4%	11%
Total number of registered activities	57	86	100	243
Average number of activities	2.2	2.2	1.9	2

In Brussels, the proportions go up for British and German firms. Simultaneously, relatively few American have a presence there, which explains why only 11 percent of the firms have submitted to at least one consultation. The firms that have submitted the most are Aviva (British insurance company) (nine submissions), Allianz (German financial service company) (eight submissions), GlaxoSmithKline (British pharmaceutical) (seven submissions), State Street (American worldwide financial services holding company) (six submissions), Johnson & Johnson (American medical devices, pharmaceutical and consumer packaged goods manufacturer) (five submissions), and Siemens (German conglomerate company) (five submissions).

Apart from the shortfall of American firms, is the 11 percent rate partly attributable to the fact that online consultations constitute only a small corner in the European Union lobbying scene? Judged by the EU Transparency Register, in which interest groups are asked to register, it does not entirely seem so. Of the 234 firms in our population that have registered, ninety-eight of them belong to the group of 120 firms with at least one consultation submission.

Table 4.2: The number of observations over each dyadic subsample and the average and standard deviation of each dependent variable.

Dyadic subsample	US activity	EU activity	US agreement	EU agreement
American firm and American firm	142,724	1,431	262	111
British firm and British firm	600	780	1	188
German firm and German firm	215	325	0	58
American firm and British firm	18,843	2,160	33	231
American firm and German firm	11,261	1,404	11	101
British firm and German firm	735	1,040	0	130
Total number of observations	174,378	7,140	307	819
Average	0.03	0.08	0.71	0.76
Standard deviation	0.05	0.20	0.35	0.29

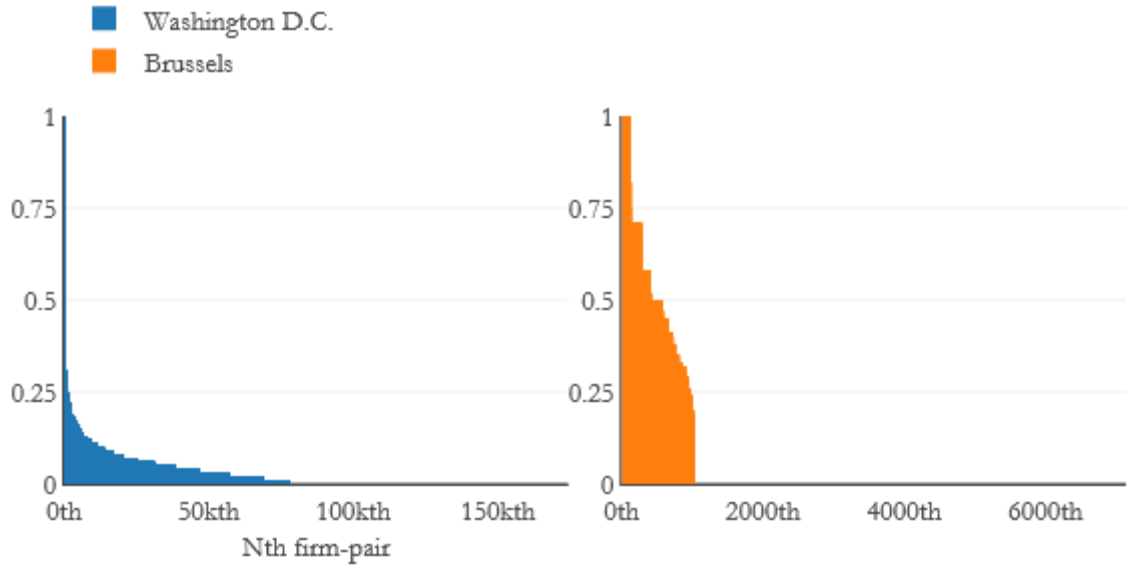
Table 4.2 presents averages, standard deviations, and number of observations over each dependent variable and each possible dyadic subsample. Starting with the averages, they evince that while firms tend to target different policy issues, agreement is usually high. This goes for both institutional settings. Something else that be easily spotted is the large mismatch between potential observations and actual observations. The number of unique dyads in the population amounts to 539,241 ((1039 * 1039-1)/2). The only dependent variable that comes relatively close to this is activity overlap in the United States. In contrast, hardly ever do two firms submit on open public consultations or appear in the same congressional hearings. It is also true that the American institutional setting is dominated by American dyads of firms; over 80 percent of the observations, for activity overlap as well as agreement overlap, are all American. The "EU" column exhibits much more symmetry across dyadic subsample.

In Figures 4.1 and 4.2, the distributions of activity overlap and agreement overlap scores are on display. The vertical axes represent overlap, ranging from 0 to 1. The dyads are lined up on the horizontal axis lines, sorted from high to low values. In Brussels and Washington D.C., similar distributions are uncovered. First, the majority of the dyads have an activity overlap of zero or close to it. In other words, two randomly selected firms rarely lobby the same issues. Second, agreement overlap is generally very high. Overall, this echoes what was observed by Mizruchi (1992), twenty-five years ago, that large firms seldom oppose each other when testifying before Congress. This is as true in congressional hearings as in open public consultations. Their distributions and averages are almost identical despite the fact that their methods for stakeholder input differ markedly. Third, and most importantly, behind these general tendencies there is a great variation between dyads. That is, a low activity overlap and a high agreement overlap between two firms is not an iron law, which the relatively high standard deviations in Table 4.2 vouch for. It is true that the number of consultations and hearings, by which the overlap scores between two firms are calculated, is many times very low. That is why the smooth curve of the US activity overlap is not reproduced and why one should not read too much into individual dyads as the scores are merely rough indicators. Still, what needs to be explained is the variation – why some firms clash, some firms agree, some firms are almost always active on the same policy issues, and why some firms rarely or never are.

How sensible is it to split overlap of preferences into two dimensions? This hinges foremost on the belief that activity overlap and agreement overlap fundamentally shine a light on two different phenomena. In practical terms, if the two outcome variables are strongly correlated, treating them separately does not fill any empirical purpose. Table 4.3 contains the correlation scores. They are all weak and only one proves significant – that between US activity overlap and EU agreement overlap. This justifies the decision to explore overlap of preferences using two separate dimensions, a topic we will come back to later.

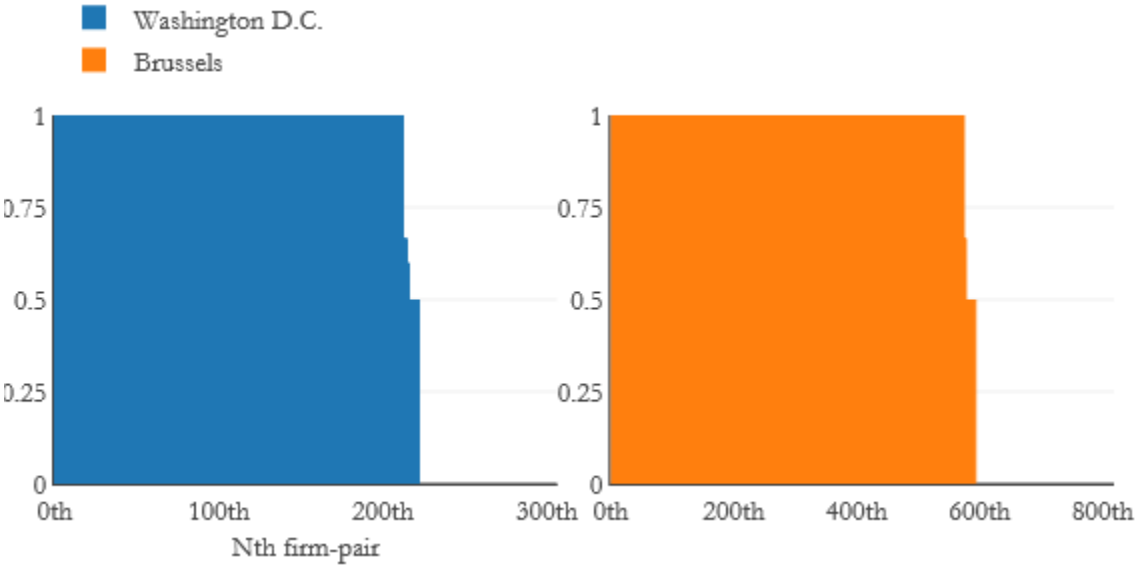
In addition, what Table 4.3 shows is that by moving from one institutional setting to the next, there is a correspondence in activity overlap. Even if it is rather weak, what this means is that if two firms tend to engage in the same activities in Brussels, they are also likely to do so in Washington D.C. The same does not hold true of agreement overlap, which seems strange. By considering the very few dyads for which there are values on both agreement overlap measures, the puzzle largely vanishes. Twenty-one observations make correlation scores close to meaningless.

Figure 4.1: Distributions of activity overlap in Washington (left) and Brussels (right) across all dyads.



Note: Y-axis = activity overlap, X-axis = dyad (X^{th}). Dyads sorted from high to low.

Figure 4.2: Distributions of agreement overlap in Washington (left) and Brussels (right) across all dyads.



Note: Y-axis = agreement overlap, X-axis = dyad (X^{th}). Dyads sorted from high to low.

Table 4.3: Correlations between overlap scores.

		European Union		United States	
		Activity overlap	Agreement overlap	Activity overlap	Agreement overlap
European Union	Activity overlap	X	-0.02	0.26***	0.05
	Agreement overlap	-0.02	X	0.18***	0.1
United States	Activity overlap	0.26***	0.18***	X	0.08
	Agreement overlap	0.05	0.1	0.08	X

4.2.2. The antecedents of lobbying

The gap between potential observations and actual observations revives the question of how representative the subset of firms with overlap scores is in relation to the population at large. The worry is that a non-representative group of dyads have values on activity overlap and agreement overlap. In the Appendix, in Table A.4, there is an analysis of the metrics upon which the composite ranking of the Forbes Global 2000 list is based. What comes out of this analysis is that firms with scores on the dependent variables are bigger than those without, irrespective of metric. Overall, there is a clear bias towards larger firms. This is a minor predicament. This work is about the corporate elite, to begin with, and so making the elite a bit more elitist only accentuates that scope.

That said, understanding why some companies gravitate towards politics, while others are missing in action, does not only help us to pinpoint the sources of selection bias but will also be of use in a later phase, when the generalizability of the results is assessed. The literature on the antecedents of corporate political activity posits a variety of possible explanations, with size as the most popular one. Whether measured by revenue, assets, market share, or the number of employees, larger firms are much more likely to frequent the corridors of power (Hillman et al., 2004, p. 839; Lawton, McGuire, & Rajwani, 2013).

To test the hypothesis that size is an equally decisive factor even when the scope is restricted to the largest publicly owned enterprises in the world, a dataset was devised in which the individual firms are the observations and in which there are three outcome variables: (1) the number of bills lobbied between 2007 and 2014, (2) the number of hearings attended between 2007 and 2014, and (3) the number of submissions on public consultations between 2007 and 2014. Size is measured using three indicators: (1) revenue, (2) assets, and (3) the number of employees. Two other common explanatory variables were added to the equations: (1) regulatory exposure, which is a regulated/not regulated dummy, using the classification by Bekaert et al. (2007), over the primary industries of a firm, and (2) national headquarters, set to 1 if the location of the headquarters is within the United States, 0 if the location of the headquarters is in the United Kingdom or Germany. Of these two, the former is an established antecedent of corporate

political activity (Hillman et al., 2004, p. 840). The latter is less conventional but as Table 4.1 makes evident, economic actors primarily lobby the regulators of their home markets.

Table 4.4 details the correlation coefficients between the variables. From it, one can draw several insights. First, the rather strong association between bills and hearings means that the two activities go hand in hand, which is not surprising. Their connection with submissions on consultations is less strong but nonetheless positive. Among the antecedents, revenue can be singled out as the most potent. Its correlation coefficients vary between 0.3 and 0.45. Less powerful are regulatory exposure and number of employees. The coefficients of assets and national headquarters fluctuate but do come close to – or even surpass – revenue when it comes to open consultations.

Table 4.5 is an effort to dig even deeper into this. It is an analysis of the determinants of various activity measurements. The regression results confirm that the number of employees and regulatory exposure are not very good predictors. In fact, having many people on the payroll – once revenue, assets, regulatory exposure, and national headquarters are controlled for – is associated with less, not more, activity. Considering the emergence of sectors with high political stakes but with relatively few hired men and women, such as those in high-tech, it seems indeed plausible that the explanatory power of the number of employees has diminished. That regulatory exposure has limited predicted value – except for bills – is more surprising. A weak operationalization and the fact that non-regulated industries seek – if nothing else – to stave off regulations are two likely reasons. Revenue and nationality, on the other hand, are the only regressors to be significant at the 0.01 level across all models (3, 6, and 9). What is more, the parsimonious models, with only revenue and nationality included, demonstrate that adding other covariates does little in terms of R^2. The conclusion is that volume of revenue and location of headquarters provide, by and large, crucial pieces of information needed to make sense of the variation in the level of corporate political activity.

Table 4.4: Pearson correlation coefficients between lobbying intensity measures and antecedents.

	Bills	Hearings	Consultations
Bills	1	0.4782	0.1748
Hearings	0.4782	1	0.2137
Consultations	0.1748	0.2137	1
Regulatory exposure	0.1510	0.0164	0.0751
Employees	0.1451	0.1672	0.1422
Revenue	0.4476	0.3749	0.3071
Assets	0.1767	0.3140	0.3371
National HQs	0.1855	0.1484	-0.2512

Table 4.5: OLS regressions analysis of the intensity of corporate political action.

	Dependent variable:								
	Bills			Hearings			Consultations		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Revenue	0.000***	0.000***	0.000***	0.000***	0.000***	0.000***	0.000***	0.000***	0.000***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Assets			0.000**			0.000***			0.000***
			(0.000)			(0.000)			(0.000)
Employees			-0.000***			-0.000			-0.000
			(0.000)			(0.000)			(0.000)
Regulatory exposure			39.716***			-0.193			0.078
			(7.064)			(0.298)			(0.055)
National HQs		58.19***	59.76***		1.903***	2.143***		-0.49***	-0.46***
		(7.516)	(7.562)		(0.321)	(0.319)		(0.059)	(0.059)
Constant	33.56***	-12.84*	-27.98***	1.01***	-0.506*	-0.740**	0.117***	0.510***	0.428***
	(3.508)	(6.897)	(7.571)	(0.148)	(0.294)	(0.319)	(0.028)	(0.054)	(0.059)
Observations	1,016	1,016	984	1,016	1,016	984	1,016	1,016	984
R^2	0.200	0.245	0.282	0.141	0.169	0.224	0.094	0.152	0.220
Adjusted R^2	0.200	0.244	0.278	0.140	0.168	0.221	0.093	0.151	0.216

Notes: *p<0.1; **p<0.05; ***p<0.01

4.3. Activity overlap and agreement overlap across business communities

Previously, via the literature on corporatism, we learned that some political systems are more consensus-oriented than others. The selection of American, British, and German firms is made in the interest of including firms from both corporatist and pluralist countries. As was explained, the design of this study effectively precludes any attempt to say anything profound about corporatist and pluralist systems. It is the whole ecosystem of associations, unions, and government institutions inside the country that matters, not the political behavior of large firms abroad. Despite these caveats, charting the role of business community affiliation would bring new insight into this topic and tell us something about unity and fracture of preferences, before the formation of those preferences becomes the key question as of the next chapter.

What I expect to find are two things. First, a dyad composed of two firms headquartered in the same country will generally have higher overlap of preferences than those which are not. The second expectation is that German dyads, by virtue of Germany's strong corporatist traditions, will have higher

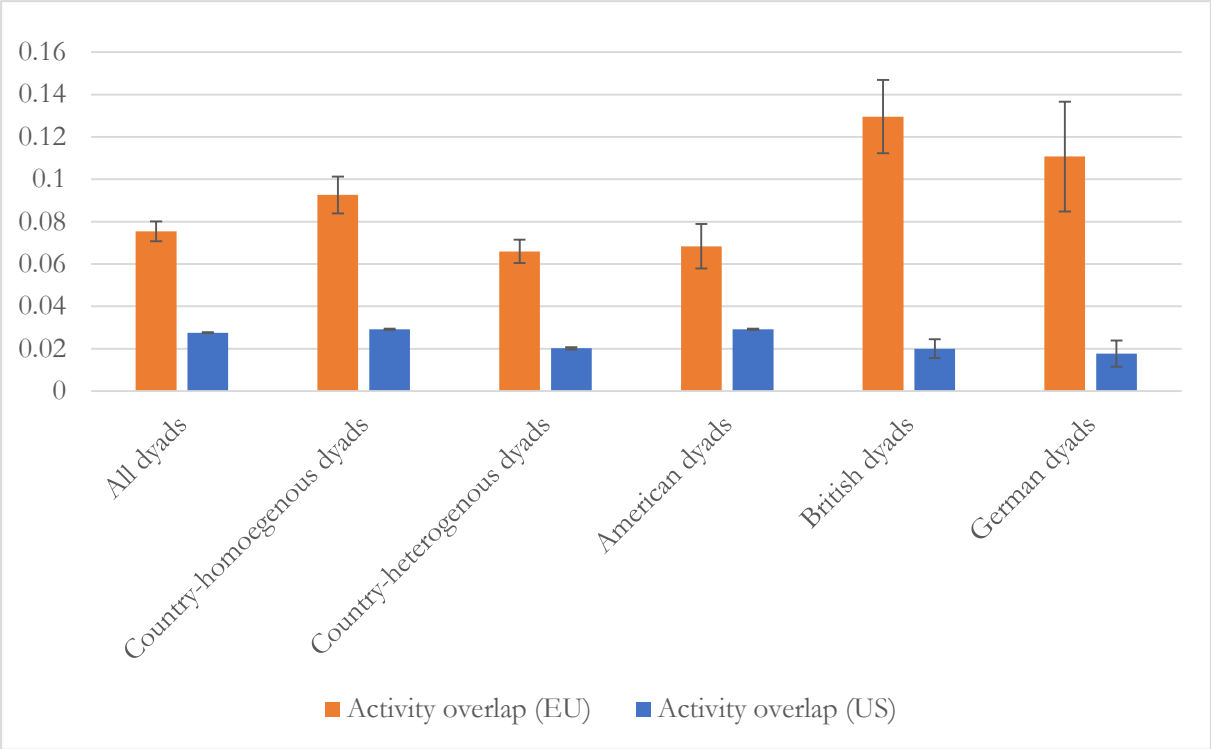
overlap of preferences than American and British ones. To test this, two steps follow. First, simple averages are presented. To strengthen the results further, regression models with industry as a control variable are run.

In Figures 4.3 and 4.4, the average overlap scores are wheeled out. Apart from American dyads (dyads composed of two American firms), British dyads (dyads composed of two British firms), and German dyads (dyads composed of two German firms), there are three other dyadic subsamples: (1) all dyads (all dyads in the population), (2) country-homogenous (dyads composed of two firms with the same national business affiliation, regardless of which affiliation), and (3) country-heterogenous (dyads composed of two firms from two different national business communities). First a word of caution: It might be tempting to start comparing the absolute heights of the bars across institutional settings. It is vital to keep in mind, then, that the datasets that lay the groundwork for the overlap scores are too diverse to authorize direct comparisons across institutional settings. What the data does warrant, however, is comparisons across dyadic compositions and in the two figures below, it is indeed possible to detect variation.

Two revelations come into view. First, dyads of firms from the same business communities, as a rule, have significantly higher overlaps than heterogenous dyads, with the exception of US agreement overlap (which is not statistically significant). Second, as for the national business communities, there is no crystal clear systematic variation. On activity overlap in the United States, American dyads have the highest average and German dyads the lowest. On activity overlap in the EU, the situation is almost reversed with the American business community tallying significantly lower.

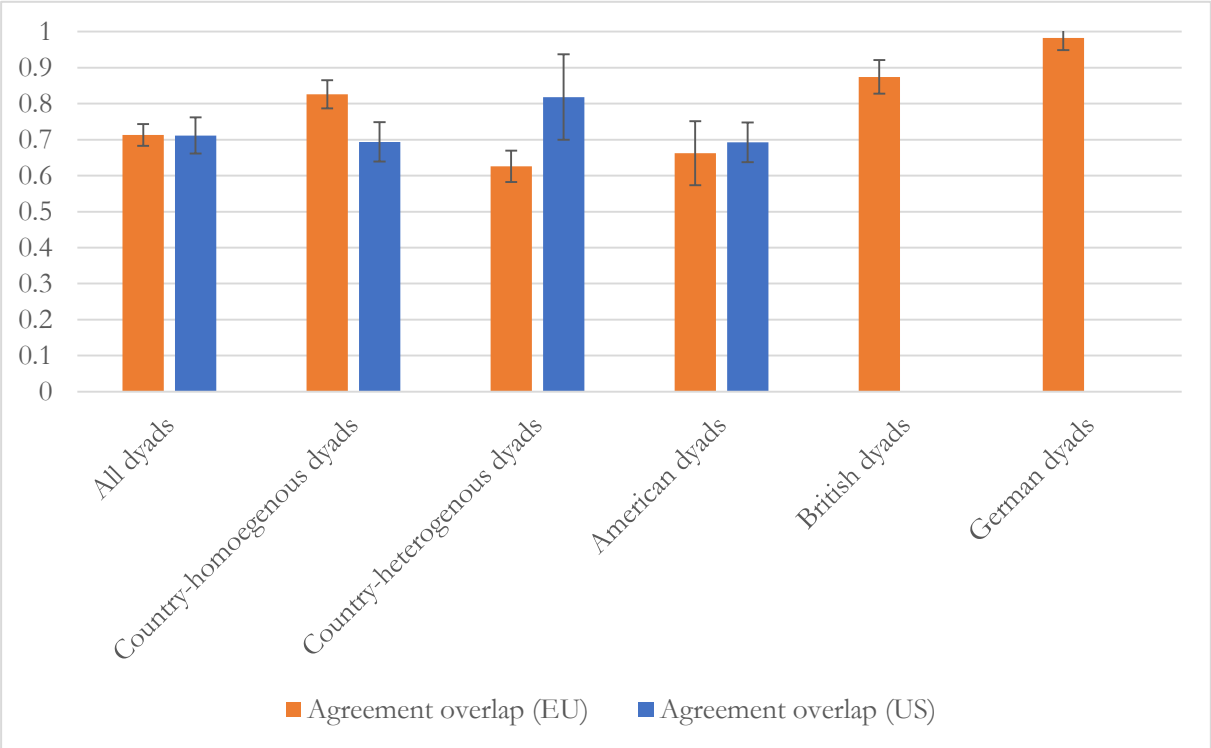
A similar pattern emerges for EU agreement overlap, with American dyads behind those of British and German nationality (because of a lack of observations of British and German dyads, the same comparisons for US agreement overlap could not be made). Yet again, it must be stressed that because of delegation and free riding, it is risky to make too much out of these activity overlap averages. With agreement overlap, it is easier to do so, and here the German business community meets expectations. Thus, at face value, the takeaways are that shared membership in the same national business community engenders higher overlap of political preferences and that agreement overlap confirms the expectation that the German business community is more united.

Figure 4.3: Average activity overlap scores over various dyadic subsamples.



Notes: 95% confidence intervals.

Figure 4.4: Average agreement overlap scores over various dyadic subsamples.



Notes: 95% confidence intervals.

Case closed? Not quite. First of all, corporatist systems are historically characterized by relatively low levels of individual lobbying and strong business associations (Grant, 1993, pp. 171–172). What would plausibly follow is that the German business community has lower activity overlap averages than the British community, in both institutional settings, because its firms are politically dormant and only engage in lobbying when their individual preferences deviate from the rest of the community. This proposition is undercut by Table 1, which demonstrates that the politically active German firms have the same intensity of political involvement as British firms. The notion that the results in Figures 4.3 and 4.4 are driven by a tendency on the part of the German firms to remain politically idle seems to be unsupported.

Another suspicion is that at the bottom of it all it is the policy issues that produce these averages, not the firms themselves. The control variable policy type, which will be added to later regression equations, make allowance for this. To anticipate this somewhat, a series of tests are made. First, an activity overlap score on each issue area code is assigned to every dyad. The dyad also receives an average, computed across these issue-specific activity overlaps. The correlation between this average and the dyad's regular activity overlap is strong.[52] This suggests that the variation in US activity overlap is stable across types of issues. To lend extra support to this claim, the dyads are ranked on every issue code to see if the rankings correlate. The answer is a resounding yes.[53] In other words, a dyad with a high activity overlap on one issue code normally ranks high on other issue codes as well. The conclusion is that activity overlap is not an artifact of the types of issues on which two firms lobby.

Last, before turning the page on average overlaps, the industrial compositions of the business communities must be reckoned with. Since industry is only one of many independent variables, it might appear strange to single it out as a control variable. What justifies this is that industrial affiliation is considered by many to be the main seismic wave that splits firms into different political divisions. On the question what explains political cleavages within the business community, Isabella Mares (2003, pp. 230–231) writes that "[o]ne set of studies has identified the existence of strong cross-national variation in employers' policy preferences […] Other studies have argued that the most significant variables explaining the variation in the policy preferences of firms are located at the sectoral level." Industrial versus national differences is therefore at the core of the research on preference formation.

Tables 4.6 and 4.7 contain four regression models, one for each configuration of overlap. At the onset, note these are not OLS regressions. The structure of the data violates a basic condition for linear regressions, namely that the observations must be independent of each other because the unit is the dyad

[52] The correlation between activity overlap and average activity overlap across issue codes is 0.563 (significant at the 0.01 level) for firm pairs that have activity overlap scores on at least three issue codes. For those firm pairs with activity overlap scores on at least five issue codes, the correlation is 0.617 (significant at the 0.01 level). Finally, for those firm pairs with activity overlap scores on at least ten issue codes, the correlation is 0.828 (significant at the 0.01 level).

[53] In the Appendix, Table 3, the Spearman correlation coefficients are presented. Over 50 percent of the correlations are significant and close to 90 percent of the statistically significant correlations are positive.

and every firm appears in *number of other firms - 1* observations. An alternative, developed by social networks scientists, is the quadratic assignment procedure (Krackhardt, 1987, 1988). It is implemented in Ucinet (Borgatti, Everett, & Freeman, 2002) as the Double Dekker QAP (Dekker, Krackhardt, & Snijders, 2007). QAP regressions are run with activity overlap and agreement overlap as the dependent variables, the *national business community affiliation* as the independent variable, and industry – an overlap measure that spans from 0 to 1 – as the control variable.

More specifically, national business community affiliation refers to five distinct dummies: (1) country-heterogenous dyads (set to 1 if the two firms in a dyad are based in different countries), (2) country-homogenous dyads (set to 1 if the two firms are based in the same country), (3) German dyads (set to 1 if the two firms are based in Germany), (4) American dyads (set to 1 if the two firms are based in the United States), and (5) British dyads (set to 1 if the two firms are based in the United Kingdom). For each type of overlap, these dummies are tested. US agreement overlap is the only departure from this, where the lack of observations for British and German dyads precludes these dummies from being tested.

The introduction of industry changes the picture. For US activity overlap, it is still true that a dyad composed of two American firms, or firms from the same country, is significantly more likely to have a higher overlap. What is different is that the British business community has a significant negative coefficient, while the German has a positive (albeit not significant) one. As for activity overlap in the European Union, the effects of country-homogeneous dyads and country-heterogenous dyads are in line with expectations but are not significant. Interestingly, the German dummy registers a much higher effect than the British dummy, while the American business community is prone to score lower on EU activity overlap.

With EU agreement overlap, the story is similar and the German business community is associated with the greatest increase in overlap. The British business community also reports a significant positive effect. The coefficient of American dyads is positive but not significant. The only combination that brings forth a negative effect are pairs where the firms are headquartered in different countries. What is observed with respect to US agreement overlap must be taken with a massive grain of salt since almost all dyads are all-American. In conclusion, then, with the inclusion of industry in the models, a new picture comes into the light, which by and large confirms the initial expectations that country-homogenous dyads and the German business community have higher overlaps of political preferences.

Despite this, the analyses reveal that industry is a much more important determinant than business community affiliation. By way of illustration, a complete industrial overlap generates an increase in US activity overlap that is between 17–44 times larger than the effects registered by the dummies. For EU activity overlap the difference is between 9 and 44 times larger, except for the German business community where the difference is roughly twice as large. The ratio of 1:2 is also the general pattern in

Table 4.7. With the later additions of more independent variables, these ratios are subject to change, but industry will remain far ahead of business community affiliation in prominence.

Table 4.6: The effect of business community affiliation on activity overlap.

	Dependent variable: Activity overlap (US)					Dependent variable: Activity overlap (EU)				
Variable	Model 1	Model 2	Model 3	Model 4	Model 5	Model 1	Model 2	Model 3	Model 4	Model 5
Country-heterogenous dyads	-0.00708***					-0.00765				
Country-homogenous dyads		0.00708***					0.00765			
German dyads			0.00280					0.15364***		
American dyads				0.00706***					-0.01179*	
British dyads					-0.00554*					0.03802**
Industry	0.12357***	0.12357***	0.12347***	0.12357***	0.12347***	0.34619***	0.34619***	0.34639***	0.34806***	0.34720***
Constant	0.02710***	0.02001***	0.02628***	0.02005***	0.02629***	0.06708***	0.05943***	0.06029***	0.06728***	0.06063***
Observations	141275	141275	141275	141275	141275	3240	3240	3240	3240	3240
Adjusted R^2	0.10605	0.10605	0.10412	0.10606	0.10414	0.09523	0.09523	0.10403	0.09565	0.09675

Table 4.7: The effect of business community affiliation subsamples on agreement overlap.

	Dependent variable: Agreement overlap (US)				Dependent variable: Agreement overlap (EU)			
Variable	Model 1	Model 2	Model 3	Model 1	Model 2	Model 3	Model 4	Model 5
Country-heterogenous dyads	0.08361			-0.19413***				
Country-homogenous dyads		-0.08361			0.19413***			
German dyads						0.41682***		
American dyads			-0.08361				0.03654	
British dyads								0.16307**
Industry	0.19953***	0.19953***	0.19953***	0.38802***	0.38802***	0.43655***	0.40095***	0.41317***
Constant	0.65702***	0.74063***	0.74063***	0.66580***	0.47167***	0.52018***	0.54454***	0.53609***
Observations	269	269	269	372	372	372	372	372
Adjusted R^2	0.02528	0.02528	0.02528	0.12503	0.12503	0.13193	0.08554	0.09488

Note: Significance: *p<0.1; **p<0.05; ***p<0.01.

4.4. Conclusions

This chapter has brought us to Washington D.C. and Brussels, with the aim of exposing the structure of the two dependent variables and how they vary across business communities. To start with, the results corroborate the claim that activity overlap and agreement overlap should be treated separately. Exhibit A is the low correlations between the overlaps. Exhibit B is their distributions bear little resemblance to each other. This is hardly surprising but what nonetheless comes out strongly is how dissimilarly the scores on activity overlap and agreement overlap are spread. Both in the US and in the European Union, firms hardly ever encounter each other in politics, illustrated by the low activity overlap. This makes sense in the light of what Baumgartner and Leech (2001, p. 1192) have argued:

> An interest group that is active on an issue involving hundreds of other organized interests may find it difficult to have a noticeable impact. On the other hand, an interest group that finds a quiet policy corner in which to request the insertion of a few lines of legislative language may find that its influence is quite substantial.

What firms lack in activity overlap they make up for in agreement overlap. As rare as it is for two firms to take an interest in the same policy issues, equally common is it that they express similar policy positions. This is expected, as it has been demonstrated that interest groups of the same breed usually line up on the same side in political battles (Baumgartner et al., 2006; Hojnacki et al., 2015).

The next step in the empirical exposition zeroed in on the variation across national business communities and returned to the two questions submitted in Table 3.1 in Chapter 3. The first is: How does overlap of preferences vary across business communities? The second is: Do firms from the same national business community have higher overlap of preferences than those from different communities? Starting with the second one, the answer is 'yes'. All types of overlap report significantly higher scores for country-homogenous dyads vis-à-vis two firms from different national business communities. The only hiccup in this otherwise coherent is US agreement overlap, which nonetheless contains too few observations, other than all-American, to be of much value.

As for the first question, averages yield results that are rather inconsistent. This inconsistency dissolves to a large extent when one stops peering at crude averages and recognizes that the industrial composition of business communities must be brought into the equation, something that speaks to the long-standing debate over the relative importance of business community affiliation versus industrial affiliation in corporate political preference formation. Once the industry is considered, a more expected story comes to the fore, where the German dyads have higher overlap of preferences than American and

British dyads. Be that as it may, the explanatory power of the national business community affiliation should not be overstated. In almost all models, industry is a much stronger predictor.

For what follows, the most important discovery made in this chapter is that agreement overlap and activity overlap, after all, vary across dyads. The investigation into how national business community affiliation and industry may shape this variation is only the first stab at this. In the next two chapters, the other hypotheses will make their debut.

Chapter 5: Explaining activity overlap

IN THE LAST CHAPTER, it was discovered that firms are rarely active on the same policy issues. What materialized in the figures presented were exponential curves with long tails of zeros. Now it is time to make sense of why some dyads are located at the peak, some at the slope, and some (many) in the valley. To return to one of the two research questions advanced in the first chapter: What explains the varying degrees of activity overlap between large firms?

Activity overlap in the United States (US activity overlap) is the subject of the first section and the task here is to map out the effects of the individual independent variables. The exploration starts with a survey of the results where all dyads go into the regression analysis. After that, the results are unfolded across various dyadic subsamples. This allows us to see if corporate political preference formation is determined by the same factors across business communities or if there are important cross-national differences. Due to their low numbers of observations, the British and German business communities could not be tested. The four types of subsamples are then: (1) all dyads (all dyads in the population), (2) American dyads (dyads composed of two American firms), (3) country-homogenous (dyads composed of two firms with the same national business affiliation, regardless of which affiliation), and (4) country-heterogenous (dyads composed of two firms from two different national business communities). The subsequent section shifts the attention to activity overlap in the European Union (EU activity overlap) and follows the identical structure as the prior one.

Identifying universal and particular variables is a key enterprise in these two sections. To do so, the regressions are inspected for evidence of generalizable results across dyadic subsamples and institutional settings. Note that although both US activity overlap and EU activity overlap vary from 0 to 1, their operationalizations are quite different. While an enormous amount of lobbying activities go into the calculation of US activity overlap, the EU activity overlap is obtained via a rather small pool of open consultations. The small-n generates overlap scores that are either zero or very high, as Table 4.1 in Chapter 4 makes evident. This limits the ability to directly compare estimates across settings and the focus will be on the signs of the estimates, their significance levels, and their relative explanatory powers within a model.

5.1. US activity overlap

The explanatory journey begins with US activity overlap and the analysis of all dyads. Table 5.1 presents five models. Model I tests the variables of the class-centric rejection of economic determinism (C-RE), Model II the variables of the firm-centric rejection of economic determinism (F-RE), Model III the

variables of the class-centric economic determinism (C-E), and Model IV the variables of the firm-centric economic determinism (F-E). In Model V all variables are included. This model shows what happens when theoretical and disciplinary confinements are removed and all the hypotheses are tested against each other. By structuring the results in this fashion, rather than going straight to Model V, it is possible to track how a hypothesis fare when tested in a narrow model vis-à-vis the full model.

Before examination of the results, two remarks are in order. First, conspicuously absent are three variables belonging to the F-RE intersection: executives, lobbyists, and directors. These are the predictors testing the association between political ideology of functional teams within a firm and the political preferences at the firm level. The reason for their exclusion is that they could not be calculated for British and German firms. As was noted already in Chapter 3, the data is drawn from US campaign donation disclosures and executives, directors, and in-house lobbyists of German and British firms rarely make contributions to American political campaigns. By including them, the scope essentially shrinks to American dyads only. Thus, the incorporation of these three variables must be suspended until later. Second, as the reader will notice, the two tables that report the results for all dyads include an extra panel at the bottom. This contains R^2 scores of regression models not presented but run in order to compare the overall explanatory power of the theoretical constructs. Only at the end of this chapter are these scores discussed.

Having said this, let us delve into US activity overlap. This the dependent variable with the highest number of observations and it cover a wide terrain of policy issues. Table 5.1 shows that only four predictors (out of nineteen) in the final model are not significant and that thirteen are significant and in line with expectations. Of these, industry stands out regarding the magnitude of its effect. With every increase of one standard deviation in the industrial overlap between two companies, a dyad's activity overlap rises by 0.3654 standard deviations. It is quite straightforward to make a substantiated interpretation since industry also ranges from 0 to 1. If industry increases from 0 to 1, all else being equal, the activity overlap goes from 0 to almost 0.15. This may not sound noteworthy but it would bring a dyad up from the tail of zeros to the top 3 percent of all dyads. However, because industry is also interacting with concentration, these effects only hold when concentration is zero, which is not a very likely scenario. To make a more solid interpretation, Figure A.1 in the Appendix displays the marginal effects of industry and concentration on activity overlap. Up to a concentration of around 0.2, industry has a positive impact on activity overlap. It then becomes negative due to the negative effect of concentration on activity overlap.

Same owners scores high as well. With every increase of one standard deviation in same owners, a dyad's activity overlap increases by 0.09 standard deviations. In other words, if two firms have exactly their same owners, all else being equal, their activity overlap would go from 0 to 0.02, a feat accomplished by only 30 percent of all dyads. There are quite a few elements in the model that rival same owners in

explanatory power, but none that plays a role as crucial as industry in explaining activity overlap in Washington D.C.

In view of the dominance of the significant results in Table 5.1, it might be more interesting to take note of the three insignificant items: incorporation, interlocks, proximity, and concentration. To recap, incorporation is the hypothesis that the likelihood of two companies being connected through social networks increases with age, interlocks is the hypothesis that directors sitting on several boards tie these organizations together, proximity is hypothesis that social networks are denser among firms that are located close to each other, and concentration is the hypothesis that high industrial concentration (few firms) facilitate communication and organization. So, they are all kindred in that the story is about the diffusion of shared ideas and worldviews across organizations.

The latter is significant – and report a high explanatory effect – when multiplied by industry. In Figure A.2 in the Appendix, it is shown that the marginal effect of concentration is negative regardless of industry but as the industrial overlap between two firms expands, activity overlap is depressed even more. When companies operate the exact same industries, the marginal effect of concentration is close to minus 0.7. The cohesion variables, in contrast, have no noticeable impact on US activity overlap. This should raise some eyebrows, considering how much interlocks and proximity have featured in previous works. Interestingly, while incorporation and interlocks are at least significant within their theoretical intersection, proximity does not register one statistically significant result anywhere, even without same country (dummy) as a control variable.[54]

Same country (dummy) – set to 1 if the firms are located in the same country – is positive and significant and so are the other two control variables. In fact, of the three control variables, same country (dummy) has the weakest standardized coefficient and it remains comparatively low even when compared to the other independent variables. If the two firms in a dyad are headquartered in the same country, the US activity overlap gets a boost of only 0.0067. This corroborates the conclusion reached in the last chapter, namely that a shared national business community affiliation is not irrelevant but hardly a centerpiece. In contrast, the betas reported by associations and policy type are strong. As for associations, this means that if the trade associations of two firms are in relative terms highly politically active, the two firms have a lower activity overlap, presumably because the two firms have their backs covered by their trade associations and can spend more energy targeting niche issues. Policy type scores high as well. This control is operationalized by means of peak associational involvement, under the assumption that it signals that a policy issue is of interest to the business sphere at large. Apparently, the types of policy issues on which two firms have been politically active matters for activity overlap.

[54] The Pearson correlation coefficient between proximity and same country (dummy) is 0.81032.

Table 5.1: QAP regression analysis of US activity overlap (all dyads).

	Class-centric rejection of economic determinism			Firm-centric rejection of economic determinism			Class-centric economic determinism			Firm-centric economic determinism			Final model		
Variable	B	SE	β	B	SE	β	B	SE	β	B	SE	β	B	SE	β
Cohesion 1: Incorporation	0	0.0000	-0.0076***										0	0	0.0002
Cohesion 2: Interlocks	0.4143	0.0396	0.0278***										-0.0362	0.0416	-0.0025
Cohesion 3: Proximity	0	0.0000	-0.6778										0	0	-0.0654
Threat from labor	0.0001	0.0000	0.1498***										0	0	0.0725***
Threat from government	0.0094	0.0009	0.0642***										0.0077	0.0011	0.0456***
Ownership 1: Same owners	0.0204	0.0015	0.0932***										0.0205	0.0019	0.0906***
Ownership 2: Cross-ownership	0.0105	0.001	0.0485***										0.0063	0.0016	0.0271***
Political insider	0.0009	0.0001	0.0728***										0.0007	0.0001	0.0556***
Organizational culture				0.0257	0.0016	0.0839***							0.0162	0.0017	0.051***
Dependence							0.4527	0.0158	0.102***				0.3196	0.0183	0.0639***
Concentration							-0.0342	0.0082	-0.0348***				-0.0077	0.0069	-0.0079
Concentration*industry							1.1795	0.0237	0.1535***				-0.6683	0.0326	-0.0891***
Generic strategy										0.0022	0.0004	0.0402***	0.0027	0.0003	0.0497***
Industry										0.1404	0.0015	0.3452***	0.1495	0.0021	0.3654***
Internationalization										0.0082	0.0011	0.036***	0.0052	0.0011	0.0223***
Size										0	0	0.0042	-0.0001	0	-0.0251***
Control: Associations													0.0001	0	0.1438***
Control: Policy type													0.06	0.0027	0.1804***
Control: Same country (dummy)													0.0067	0.0018	0.0419***
Observations	144,592			172,312			137,659			109,587			94,789		
R^2	0.0554 (0.1393)			0.007 (0.1107)			0.0438 (0.1066)			0.1257			0.218		
Adjusted R^2	0.0554 (0.1392)			0.007 (0.1106)			0.0438 (0.1065)			0.1257			0.2179		
Theoretical category	Class-centrism			Firm-centrism			Economic determinism			Rejection of economic determinism					
R^2	0.0998 (0.1414)			0.1313			0.1342			0.0628 (0.1456)					
Adjusted R^2	0.0997 (0.1413)			0.1312			0.1342			0.0628 (0.1455)					

Notes: B = unstandardized coefficient, β = standardized coefficient, SE = standard error. Significance levels: *p<0.1; **p<0.05; ***p<0.01. The last three rows (in the color of blue) report the R^2 and adjusted R^2 scores of the broader theoretical categories. The R^2 and adjusted R^2 scores within parentheses are of those models in which "industry" is added.

How stable are these results? By disaggregating the universe of dyads into separate dyadic subsamples, it is possible to sift through this. Table 5.2 contains three replicas of Model V from Table 5.1, with the difference that American dyads, country-homogenous dyads, and country-heterogenous dyads are analyzed. Because American firms make up the vast majority of dyads in the country-homogeneous subsample and in "all dyads", there should not be a far cry between these two regression results and that of American dyads.

Indeed, there is not. Only three mismatches can be spotted: With American dyads and country-homogenous dyads, incorporation becomes significantly negative, interlocks becomes significantly positive, and concentration becomes significantly negative. So, on the face of it, cohesion does matter, at least when firms' headquarters are located within the same country. With country-heterogenous dyads, more changes come to light. Apart from the loss of significances for cross-ownership, concentration*industry, internationalization, and size, both concentration measures become positively associated with activity overlap. Still, there is a rather high consistency between all dyads and the other dyadic subsamples, as made evident by the number of predictors with matching signs, coefficient scores, and significance levels.

As we have just seen, not all coefficients are positive. This brings us back the discussion on delegation and free riding. High overlap of political preferences does not necessarily manifest itself in mobilization but also in firms piggybacking on the lobbying efforts of other firms. Earlier, a distinction was made between three forms of high overlap of political preferences as applied to activity overlap: (1) high activity overlap, (2) low activity overlap through free riding, and (3) low activity overlap through delegation. One reading could be that the determinants inflicting a negative effect on activity overlap are actually reducing the overlap of preferences regarding which items on the agenda are relevant. That would completely go against conventional wisdom since the hypotheses tested stand on solid theoretical and empirical ground and it would be hard to conceive how they could push the attention of firms towards different policy issues.

To know if delegation or free riding is the underlying cause is more difficult. In a sense, delegation would fit the class-centric emphasis on communication and coordination and a prerequisite for free riding is shared interests, which are gauged via firm-centrism. Nevertheless, communication could also make it easier to know when to free ride and similarities between firms are presumably a conduit for communication and coordination. This makes it precarious to try to identify the specific mechanisms at play.

Table 5.2: QAP regression analysis of US activity overlap (across various dyadic subsamples).

	American dyads			Country-heterogenous dyads			Country-homogenous dyads		
Variable	B	SE	β	B	SE	β	B	SE	β
Cohesion 1: Incorporation	0	0	-0.0101***	0.0001	0	0.0592	0	0	-0.0096***
Cohesion 2: Interlocks	0.0367	0.0438	0.0027***	-0.0019	0.001	-0.0001	0.1792	0.0425	0.013***
Cohesion 3: Proximity	0	0	0.039	0	0	-0.0022	0	0	0.0458
Threat from labor	0	0	0.076***	0	0	0.0448***	0	0	0.0764***
Threat from government	0.0077	0.0011	0.0447***	0.008	0.0019	0.0575***	0.0077	0.0012	0.0443***
Ownership 1: Same owners	0.02		0.0864***	0.0236	0.0041	0.0976***	0.02	0.0019	0.0866***
Ownership 2: Cross-ownership	0.0054	0.0015	0.0238***	0.0028	0.004	0.0071	0.0062	0.0016	0.0274***
Political insider	0.0007	0.0001	0.0575***	0.0006	0.0002	0.0465***	0.0007	0.0001	0.0571***
Organizational culture	0.0165	0.0008	0.0512***	0.0123	0.0035	0.0447***	0.0164	0.0018	0.0507***
Dependence	0.3041	0.0188	0.0635***	0.0333	0.0049	0.0015**	0.3032	0.0183	0.0633***
Concentration	-0.0103	0.0073	-0.0108*	0.0303	0.0129	0.0268**	-0.01	0.0075	-0.0105*
Concentration*industry	-0.7339	0.0333	-0.098***	0.1468	0.1056	0.0198	-0.7349	0.0346	-0.098***
Generic strategy	0.0027	0.0003	0.0507***	0.0034	0.0006	0.0566***	0.0027	0.0004	0.0507***
Industry	0.1563	0.0023	0.3676***	0.1031	0.0049	0.3255***	0.1564	0.0023	0.3681***
Internationalization	0.0058	0.0012	0.0229***	0.0015	0.0023	0.0083	0.0058	0.0012	0.0226***
Size	-0.0001	0	-0.0282***	0	0	-0.005	-0.0001	0	-0.0281***
Control: Associations	0.0001	0	0.1419***	0.0001	0	0.1239***	0.0001	0	0.1415***
Control: Policy type	0.0635	0.0028	0.1859***	0.0322	0.0043	0.1175***	0.0634	0.0029	0.1858***
Observations		82,499			12,061			82,728	
R^2		0.2226			0.1879			0.2228	
Adjusted R^2		0.2224			0.1866			0.2226	

Notes: B = unstandardized coefficient, β = standardized coefficient, SE = standard error. Significance levels: *p<0.1; **p<0.05; ***p<0.01.

Table 5.3: QAP regressions analysis of US activity overlap (American dyads).

	American dyads		
Variable	B	SE	β
…	…	…	…
…	…	…	…
Directors	-0.0021	0.0019	-0.0088
Executives	-0.0011	0.0014	-0.0054
Lobbyists	0.0086	0.0016	0.041***
Organizational culture	0.0204	0.0031	0.058***
Observations		24,685	
R^2		0.3436	
Adjusted R^2		0.3431	

Notes: The table only discloses the coefficients of F-RE variables, even if all the other variables were included in the regression equation. B = unstandardized coefficient, β = standardized coefficient, SE = standard error. Significance levels: *p<0.1; **p<0.05; ***p<0.01.

Heterogenous dyads have no significant negative estimates, American dyads and country-homogenous dyads have four: incorporation, concentration, concentration*industry, and size. Of these, only size belongs to the firm-centric category and its explanatory power is comparatively low and none of the other firm-centric variables are negative. In Washington D.C., it seems as if similarity, all else being equal, does not spur delegation or free riding. In contrast, class-centrism is associated with several negative effects. The conundrum is then this: Why do only some class-centric variables bring about delegation/free riding, while others increase activity overlap? This is not entirely easy to give an answer to but to see that concentration – in interaction with industry – has by far the strongest negative coefficient, is in tune with past research. Concentration is considered to be the most important factor of all for market coordination (Besanko, Dranove, Shanley, & Schaefer, 2007, pp. 256–277).

This interpretation of negative coefficient holds if two concerns can be dispelled. First, if a variable spawns delegation/free riding and concurrent lobbying – to an equal extent – then the two effects would statistically cancel out each other and it would look as if it plays no part in the formation of activity overlap. The first concern has to do with curvilinear effects, where both low and high values on the independent variable produce the same level of activity overlap, but for different reasons. In a graph, this would take the shape of a U-curve. For example, it is easy to imagine how very high industrial overlap customarily leads to free riding and thus low activity overlap and that very low industrial overlap leads to dissimilar interests and low activity overlap. Alas, curvilinear relationships cannot be handled by the Double Dekker QAP Procedure. To resolve this issue, scatterplot diagrams are shown (see the Appendix, Figure A.1-A.3).

For the sake of parsimony, the scatterplots only cover incorporation, concentration, the interaction between concentration and industry, and size – the four significant negative factors. As was hinted in the F-E model in Table 5.1, the scatterplots show that size – when not being controlled for – is positively correlated with activity overlap. Anyhow, none of the variables exhibit a curvilinear relationship with US activity overlap. Actually, curvilinearity does not pose a serious problem for any independent variable. The second concern is that one score on the independent variable may bring about multiple outcomes. For example, high concentration might, in some cases, help firms to mobilize and, in other cases, allow them to pursue delegation or free riding. In a graph, this would take the shape of a flat line. My defense is that what is of overriding importance is to unearth general patterns. With the multitude of significant results that have emerged, this is what has been achieved.

In the regression analyses, hitherto, the same variables are tested. Consequently, directors, executives, and lobbyists are nowhere to be seen in order not to reduce the observations to American dyads. Table 5.3 shows how all the F-RE variables play out when included in the analysis. Despite their inclusion, the other predictors retain their signs and significance levels, compared to American dyads in Table 5.2. This means that bringing individual political preferences into the picture does not substantially change previous results but only adds an extra facet, which the increase in the R^2 coefficients vouches for.

Because of this, only the results of the newly added variables, plus organizational culture, are presented. The four variables correlate positively,[55] a testament to the fact that many organizations are permeated by a dominant ideology. However, the correlations are not particularly strong but considering how noisy the data is – with many false positives and many more false negatives – this is expected. In the end, it turns out that lobbyists and organizational culture are significantly positive and that directors and executives are neither positive nor significant. Accordingly, the hypotheses that similar political ideologies among lobbyists and the workforces overall will pull two firms closer together, politically, cannot be rejected. Being tested next to an eclectic assortment of other variables, which are supposed capture the material preferences at the firm level, the significant effects of corporate culture and lobbyists are interpreted as the discrepancy between the interests of the firms and the interests of the lobbyists and of the employees of the organization overall, operationalized via their partisanships as revealed by campaign donations.

Elucidating the mechanisms as to why two firms with similar organizational political cultures are more prone to target the same policy issues is not an easy task. Unfortunately, it is only possible to

[55] Pearson correlation scores between F-RE variables.

	Directors	Executives	Lobbyists	Organizational culture
Directors	X	0.20927	0.10128	0.15812
Executives	0.20927	X	0.12534	0.25561
Lobbyists	0.10128	0.12534	X	0.1587
Organizational culture	0.15812	0.25561	0.1587	X

reiterate what was said before, namely that a culture affects the information reaching the decision-makers and create expectations, and even explicit demands, from below. This means that two workforces, positioned at a close distance from each other on the political spectrum, somehow push and shape the political affairs of their firms in a similar direction.

The literature does a better job of providing insight into why activity overlap is higher when the lobbyists of two firms have the same political preferences, which is about information asymmetry and duties. In their work on policy professionals, Garsten, Rothstein, and Svallfors (2015, pp. 228–229) find that lobbyists and other policy experts' room for maneuver can be small when it comes to the policy positions of the organizations they represent. In contrast, they have great discretion over which issues to lobby on. Since thousands of proposals go through the Congress each year, only full-time professionals are conceivably capable of keeping track of the massive smorgasbord of items. In fact, monitoring what the government and other interest groups are up to is the most time-consuming task for lobbyists (Heinz et al., 1993; Kersh, 2002, 2007). Consequently, the influence that the lobbyists have on activity overlap is expected.

5.2. EU activity overlap

In Table 5.4, the regression analysis of EU activity overlap across all dyads is presented. Of the eighteen predictors, eight are significantly positive, four are insignificantly positive, three are insignificantly negative, and three are significantly negative. Again, the one regressor that towers above the rest in terms of magnitude is industry. When concentration is zero, Model V shows that an increase of one standard deviation pushes activity overlap up by more than 0.4 standard deviations. In absolute terms, if industry goes from 0 to 1, all else being equal and the industry is populated by a huge number of very small firms, the activity overlap jumps from 0 to almost 0.38. This would bring a dyad up to the top 10 percent of all dyads. Three other independent variables register rather high standardized beta coefficients: threat from labor, threat from government, and generic strategy. Accordingly, firms that have adopted the same market strategies and operate in regulated and highly unionized industries are more likely to be active on the same open consultations.

The insignificant predictors, excluding the controls, are five in total: incorporation, proximity, concentration, same owners, cross-ownership. The first three suffer the same fate as with US activity overlap of all dyads and this leads us to conclude that their impact on activity overlap is limited. The weakness of same owners and cross-ownership is more peculiar. The expectation was that ownership ties between firms would increase the likelihood of political mobilization. They do exhibit significance in Model I but, as opposed to Table 5.1, their beta values are decimated once the other variables are brought in. Clues to why this is can be gleaned by flipping through correlation scores, an operation that at any rate yields very few leads. The only variables that are correlated, above 0.1, with the two ownership measures

are proximity and same country (dummy). The impression is that ownership does not carry much weight for EU activity overlap. Later, with various corrections of the estimates, the discrepancy between the two configurations diminishes and effects of ownership on EU activity overlap are almost on par with US activity overlap.

Table 5.4: QAP regression analysis of EU activity overlap (all dyads).

	Class-centric rejection of economic determinism			Firm-centric rejection of economic determinism			Class-centric economic determinism			Firm-centric economic determinism			Final model		
Variable	B	SE	β	B	SE	β	B	SE	β	B	SE	β	B	SE	β
Cohesion 1: Incorporation	-0.0004	0.0001	-0.0626***										-0.0002	0.0003	-0.0288
Cohesion 2: Interlocks	0.0001	0.0000	0***										-0.001	0.0006	0***
Cohesion 3: Proximity	0	0.0000	0.0842										0	0	-0.0322
Threat from labor	0	0.0000	0.0203										0.0002	0.0001	0.0835**
Threat from government	0.0383	0.0082	0.0762***										0.0628	0.0231	0.1046***
Ownership 1: Same owners	0.0611	0.0132	0.0781***										0.031	0.0266	0.0397
Ownership 2: Cross-ownership	0.0356	0.0094	0.0671***										0.0084	0.0183	0.0159
Organizational culture				0.0144	0.0164	0.0133							0.0751	0.0408	0.0623**
Dependence							3.0786	0.3498	0.1661***				0.01	0.001	0.0005***
Concentration							0.0984	0.0946	0.0229				0.1045	0.1598	0.0257
Concentration*industry							4.2562	0.4657	0.1754***				0.0146	0.0006	0.0006***
Generic strategy										0.0401	0.0071	0.1078***	0.06	0.0147	0.1521***
Industry										0.3228	0.0224	0.2922***	0.383	0.0454	0.4153***
Internationalization										-0.0142	0.0225	-0.012	-0.0531	0.0371	-0.0444*
Size										-0.0001	0.0003	-0.0057	-0.001	0.0004	-0.0709**
Control: Associations													-0.0014	0.0016	-0.0293
Control: Policy type													0.0243	0.024	0.0304
Control: Same country (dummy)													0.0357	0.0217	0.0828**
Observations	5,297			5,886			3,160			2,556			965		
R^2	0.0341 (0.1288)			0.0002 (0.0977)			0.0821 (0.1108)			0.1049			0.2772		
Adjusted R^2	0.0328 (0.1259)			0.0000 (0.0972)			0.0813 (0.1097)			0.1035			0.2634		
Theoretical category	Class-centrism			Firm-centrism			Economic determinism			Rejection of economic determinism					
R^2	0.1293 (0.1524)			0.108			0.1129			0.0346 (0.1296)					
Adjusted R^2	0.1256 (0.1485)			0.1062			0.1105			0.0329 (0.1264)					

Notes: B = unstandardized coefficient, β = standardized coefficient, SE = standard error. Significance levels: *p<0.1; **p<0.05; ***p<0.01. The last three rows (in the color of blue) report the R^2 and adjusted R^2 scores of the broader theoretical categories. The R^2 and adjusted R^2 scores within parentheses are of those models in which "industry" is added.

Among the control variables, two out of three are insignificant. This also deviates from US activity overlap, where all of them were positive and significant. The exception in Table 5.4 is the same country dummy. Its coefficient is relatively high but that does not coerce an abrogation of the statement that shared business community affiliation is not the main pillar in the story on what shapes activity overlap. Why the other two are so impotent is subject to speculation. The operationalization of associations is questionable, considering the sloppiness and irregularities that mark the disclosures of memberships in the EU Transparency Register. As for policy type, even though the proposals being subject to consultations span across different policy domains and vary in salience, most of the open consultations are about major pieces of regulation and are quite salient. Nevertheless, the effect of policy types goes in the expected direction, namely that two organizations active on broader, more salient issues, have a higher activity overlap.

The next step is to break up the observations into dyadic subgroups. The results of this operation are displayed in Table 5.5. Starting with the left panel, the American subgroup brings about some noticeable changes compared to Table 5.4: threat from labor and organizational cultures go from significantly positive to insignificantly negative and size goes from significantly negative to insignificantly positive. As for country-homogenous dyads, there is also a big drop in the explanatory power of organizational culture and size becomes insignificant and positive. That the significant positive effect of organizational culture and the significant negative effect of size in Table 5.5 are largely carried by country-heterogenous dyads is curious, especially since this runs largely contrary to US activity overlap – the only dyadic subsample not to be associated with a significant negative effect of size was the one constituted of firms from different countries. Country-homogenous dyads differ from all dyads in two other important regards: interlocks and internationalization lose their significances. However, the strengths of the coefficients remain largely the same. In summary, there are some discrepancies between all dyads, and American dyads, and country-homogenous dyads but very few of them are worth emphasizing and they are difficult to make sense of in any case.

Country-heterogenous dyads bring a host of changes. Interlocks, threat from labor, the interaction between concentration and industry, and dependence become insignificant. Conversely, cross-ownership and concentration become significant. These alterations did not happen for US activity overlap but they nonetheless contribute to a resemblance between the two institutional settings in that country-heterogenous dyads report weak effects of interlocks, threat from labor, and dependence and in that concentration is significant and positive for country-heterogenous dyads.

Table 5.5: QAP regression analysis of EU activity overlap (across various dyadic subsamples).

	American dyads			Country-heterogenous dyads			Country-homogenous dyads		
Variable	B	SE	β	B	SE	β	B	SE	β
Cohesion 1: Incorporation	0.0006	0.0005	0.0582	-0.0003	0.0003	-0.0396	0	0.0005	-0.004
Cohesion 2: Interlocks	-0.0027	0.0013	-0.0001***	0	0.0002	0	-0.0022	0.0012	-0.0001
Cohesion 3: Proximity	0	0	0.0006	0	0	-0.0631	0	0	0.026
Threat from labor	-0.0001	0.0003	-0.022	0.0001	0.0001	0.0365	0.0003	0.0002	0.1212**
Threat from government	0.0905	0.0519	0.1064**	0.0754	0.0251	0.1476***	0.061	0.044	0.0819*
Ownership 1: Same owners	0.0238	0.0384	0.0349	0.0345	0.0426	0.0347	0.0364	0.0395	0.0501
Ownership 2: Cross-ownership	-0.0114	0.026	-0.0253	0.0418	0.0248	0.0727**	-0.006	0.0307	-0.0121
Organizational culture	-0.0066	0.0797	-0.0041	0.071	0.0455	0.0683*	0.0406	0.0766	0.0275
Dependence	0.0189	0.0021	0.0013***	0.0038	0.0014	0.0001	0.0172	0.0017	0.0011***
Concentration	0.1176	0.2292	0.0329	0.2612	0.2023	0.0596*	0.0904	0.2648	0.0233
Concentration*industry	0.0243	0.0009	0.0013***	0.01	0.0009	0.0004	0.0221	0.0007	0.0011***
Generic strategy	0.0381	0.022	0.0847**	0.0761	0.019	0.2174***	0.0344	0.0232	0.0767*
Industry	0.4523	0.0591	0.4845***	0.3307	0.0465	0.3727***	0.4469	0.0578	0.4694***
Internationalization	-0.1108	0.0711	-0.0717*	-0.0622	0.0471	-0.0583*	-0.0496	0.0631	-0.035
Size	0.0003	0.0006	0.0265	-0.0035	0.0007	-0.2213***	0.0005	0.0006	0.0342
Control: Associations	0.0013	0.0066	0.011	-0.002	0.0019	-0.0554	0	0.0041	-0.0005
Control: Policy type	0.0347	0.0326	0.0432	-0.0076	0.0366	-0.0108	0.0408	0.0476	0.0512
Observations		391			517			448	
R^2		0.379			0.2981			0.3143	
Adjusted R^2		0.3507			0.2742			0.2872	

Notes: B = unstandardized coefficient, β = standardized coefficient, SE = standard error. Significance levels: *p<0.1; **p<0.05; ***p<0.01.

Of all changes, some are difficult to unravel. A mystery seemingly easy to make sense of is why threat from labor turns insignificant for country-heterogenous dyads and American dyads. The hypothesis is that firms with highly unionized workforces would come together and jointly devise a political action plan to combat this threat. It is my conjecture that union density rates shape the political behavior of a firm only in settings where its employees are located, hence the fragile connection between threat from labor and EU activity overlap for American dyads. Also, it is not a big surprise that union density fails to have an impact on dyads composed of firms from different countries. It is difficult to imagine that firms from different national business communities, with workforces largely located in different countries, would be confronted by symmetric labor interests, especially since many of these dyads are composed of one American firm. We will return later to some of the results reported here but not elaborated on. For the time being, note that it is relatively rare to see that a predictor undergoes a transformation when the complete set of dyads are being separated into subcategories and that country-heterogenous dyads are associated with more of these transformations.

Three regressors are significantly negative for EU activity overlap – interlocks, internationalization, and size – but size is the only one that with a fair degree of consistency is significantly negative across the two institutional settings. As was discussed earlier, the business community is very much divided between large and small and the two sides often find themselves on opposing sides in policy conflicts. Sure enough, all the firms in my population are behemoths but their revenues (and number of employees) vary extensively. On that account, material interests determined by size should have a role to play here and the results seem to indicate that free riding/delegation is facilitated by similar size. A hunch is that this is mainly driven by the smaller of the very large firms. Because they tend to lobby less, free riding or delegation should be more common among them. In Chapter 6, this idea is partly confirmed but with size, that is not the case. In other words, size parity broadly engenders delegation/free riding.

Why concentration is negative in Washington D.C. and positive in Brussels is a conundrum. To explain this, there are a few clues at one's disposal: (1) two out of three significant negative items in Table 5.4 are classified as F-E and (2) country-homogenous dyads do not report one single significant negative score on EU activity overlap. What proceeds from this is the conjecture that similar entities headquartered in the same countries seek to mobilize, whereas similar entities from distinct business communities free ride on each other's' efforts.

There are other interpretations to draw from in order to make sense of the negative effects on EU activity overlap. For example, why is internationalization – the hypothesis that firms whose shares of exports are close to each other have more similar material interests – negative for EU activity overlap and positive for US activity overlap? The first thing that comes to mind is that this grows out of the policy issues themselves. If trade-related issues are numerous, export-oriented firms might be tempted to engage in a division of labor. The problem with this is twofold. First, few open consultations are purely trade

related, contrary to many bills in Congress. Second, internationalization is positively correlated with activity overlap on the issue area codes "trade" and "tariffs".[56] Another explanation would ask us to go back in time. Key in the development of the European Union into a trade bloc was a group of multinationals, an inner core of large export-oriented firms from various countries with a shared political agenda (Cowles, 2001, 2002). Given that the admission into this club was size and export, it is conceivable that their history of political coordination would lead to delegation, reflected in the significant negative effect of internationalization and size. This story has two weaknesses. First, the group covered a relatively small portion of the firms active in Brussels today. Second, submitting on an open consultation does not require much work, preparing a submission does. Therefore, it is not uncommon to see several signatories of one and the same document. It is difficult to see why firms with the same interests, close ties, and a history of coordination would not jointly sign a submission if it could lend more weight to it (even if one party is more responsible for the content than the others). The best guess is that the negative coefficients are caused by free riding. In summary, it is my claim that the interpretation given in the previous paragraph is the most credible.

In the end, the interpretation of negative estimates – as expressions of delegation and free riding – is based on theoretical reasoning. Not being able to validate this by means of a qualitative probe, are there any quantitative options available? A potential corollary of delegation and free riding is that organizations stay inactive and thus lobby less. If delegation and free riding instead primarily allow for firms to redirect their political action to other policy issues, the proposed association between this and lower lobbying intensity would be non-existent. However, unless firms in advance decide on a quantity of policy issues to target – akin to a planned economy of lobbying activities – the correlation should be negative.

To recap, in Washington D.C. four variables significantly reduced activity overlap: incorporation, concentration, concentration*industry, and size. In Brussels, they were three: interlocks, internationalization, and size. Interlocks, internationalization, and size do not characterize a firm per se but the dyadic relationship between two actors and consequently they cannot be used as predictors in a model aimed at explaining lobbying intensity at a firm-level. Left are concentration and incorporation and if the hypothesis advanced in the previous paragraph is correct, a lower lobbying intensity would be observed in the United States – but not in the European Union – among firms that are older and operate in concentrated industries.

Table 5.6 builds on the OLS regression analysis of lobbying intensity presented in Chapter 4. The two predictors invariably significant in Table 4.5 – revenue and location of headquarters – are kept and the concentration of a firm's industry and the number of years that have passed since it was incorporated are added to the equations. With the inclusion of concentration and incorporation, the estimates of

[56] The Pearson correlation coefficient between internationalization and activity overlap on issue codes tagged with "tariffs" is 0.10. The Pearson correlation coefficient between internationalization and activity overlap on issue codes tagged with "trade" is 0.076.

revenue and location are barely modified. More to the point, concentration decreases lobbying intensity in both institutional settings but its effect is significant in Washington D.C. and almost triple that of Brussels. This is in line with expectation and it empirically supports the abovementioned interpretation of the negative impact concentration has on US activity overlap. In terms of incorporation, there is a big difference between Model 2 and Model 4 but an older age is not associated with less lobbying but more. I deem this to be rather inconsequential since its negative imprint on US activity overlap is relatively small and should derive from the particular relationship between two companies. High concentration, in contrast, is a feature of an industry or a sector and therefore should influence coordination and lobbying behavior beyond the specific dyadic partnership. In summary, this exercise has largely vindicated the interpretation of negative effects on activity overlap but it is a topic we will come back to later.

Table 5.6: OLS regressions analysis of the intensity of corporate political action.

	Dependent variable:			
	Bills		Consultations	
	(1)	(2)	(3)	(4)
Revenue	0.00000***	0.00000***	0.000***	0.000***
	(0.00000)	(0.00000)	(0.000)	(0.000)
National HQs	58.192***	60.449***	-0.494***	-0.509***
	(7.516)	(7.559)	(0.059)	(0.060)
Incorporation		0.169**		0.001**
		(0.075)		(0.001)
Concentration		-95.832**		-0.335
		(46.396)		(0.367)
Constant	-12.843*	-21.125**	0.510***	0.452***
	(6.897)	(8.930)	(0.054)	(0.071)
Observations	1,016	961	1,016	961
R^2	0.245	0.267	0.152	0.170
Adjusted R^2	0.244	0.264	0.151	0.167

Notes: *p<0.1; **p<0.05; ***p<0.01

After these examinations of US activity overlap and EU activity overlap, to what extent are the results consistent? Juxtaposing the complete models of the regressions analyses across all dyads, it can be argued that what is striking is not the differences but the similarities. Of the fifteen independent variables, excluding the controls, eleven maintain identical signs across settings and eight maintain sign and significance. The exceptions are (1) incorporation, which is positive for Washington D.C. and negative for Brussels, (2 & 3) concentration, by itself and also in interaction with industry, is negative for US activity overlap and positive for EU activity overlap, and (4) internationalization, associated with higher activity

overlap in the United States and lower activity overlap in Europe. This means that three of four differences are in the class-centric category.

In some of these passages, what is highlighted is the discrepancy between the nature of congressional bills and open consultations as the possible source of these disparities. In the attempt to unpack this further, the regression analysis in Table 5.1 is replicated but on salient issues only. This would hypothetically put the operationalizations closer on par with each other, as open consultations, on average, see a higher number of hopefuls trying to influence the political process than what is the case with bills. In the new version of US activity overlap, the set of issues that goes into the calculation is restricted to those with a minimum of fifteen registered actors. This number derives from the discovery that in Washington D.C., the top 5 percent of all issues account for more than 45 percent of the lobbying (Baumgartner & Leech, 2001). For an issue to surpass the 5 percent threshold, the number of lobbying organizations must be fifteen.

So, does US activity overlap on salient issues bring the findings closer to those of EU activity overlap? The answer is "no" (see the Appendix, Table A.5). Compared to Table 5.1, incorporation, interlocks, and concentration becomes significant. This is exactly what was observed with respect to American dyads and country-homogenous dyads and the explanation for this is that all these three models are dominated by American firms. Overall, hardly anything changes with the new analysis, which goes to show that salience is not responsible for the disparities between Washington D.C. and Brussels.

Up until now, it has been rather easy to track changes. Once American dyads, country-homogenous dyads, and country-heterogenous dyads are compared across the two institutional settings, variations crop up frequently. Of course, it depends on what is meant by "change." If any alteration is appraised, the list becomes long. If the bar is set higher, to those occasions when the change is significant (that is when a predictor is significantly positive in one setting and significantly negative in the other), there are only four in total:

1. American dyads: Interlocks (C-RE) is significantly positive for Washington D.C. and significantly negative for Brussels.

2. American dyads: Concentration*industry (C-E) is significantly negative for Washington D.C. and significantly positive for Brussels.

3. American dyads: Internationalization (F-E) is significantly positive for Washington D.C. and significantly negative for Brussels.

4. Country-homogenous dyads: Concentration*industry (C-E) is significantly negative for Washington D.C. and significantly positive for Brussels.

What has been already noted is the tendency that incongruities can be largely traced to the class-centric category. If the itemization of incongruities is allowed to expand into how the results of country-homogenous dyads differ from country-heterogenous dyads within the same institutional setting, only one significant change is observed: For US activity overlap, concentration is significantly negative over dyads composed of firms from the same country but significantly positive over those composed of firms from different countries.

More than digging up inconsistencies and dissimilarities, the prime ambition is to unearth universal determinants of overlap of preference formation. In Table 5.7, the predictors that are significant in both locations are listed, broken down by dyadic composition. Three variables appear everywhere and they all go in the direction stipulated by their associated hypotheses: threat from government, industry, and generic strategy. Non-technically speaking, if two firms operate in the same industries, pursue the same market strategies, and are regulated, this is the general recipe for high activity overlap. Industry and generic strategy capture material similarities and their global effects make sense from the view that material interests are stable and unaffected by institutional circumstances.

T**able 5.7:** Consistent results across institutional settings.

	Theoretical intersection	All dyads	American dyads	Country-homogeneous dyads	Country-heterogenous dyads
Threat from labor	C-RE	X		X	
Threat from government	C-RE	X	X	X	X
Organizational culture	F-RE	X			X
Concentration	C-E				X
Dependence	C-E	X	X	X	
Industry	F-E	X	X	X	X
Generic strategy	F-E	X	X	X	X
Size	F-E	X			

Note: A tick signifies that the variable is significantly negative or significantly positive in both the US and the EU.

What to make out of threat from government is more ambiguous and requires some elaboration. The hypothesis is that corporations operating in regulated industries would collectively call to arms to fight back. An alternative explanation would be that regulated firms are coincidently affected by certain domains of regulations. It might be that one firm wants to fight these regulations and another seeks to

uphold them, but that their material interests make them gravitate towards the same policy issues. To adjudicate between these two possibilities calls for an insight into how threat from government impacts agreement overlap, which will be provided in the next chapter. Only then will it be known if the path from regulations to activity overlap originates from pure self-interest to either attack or protect regulations or from a business-wide desire to deregulate.

Variables that come close to being significantly positive across the board are dependence, threat from labor, and organizational culture. This is in accordance with the discoveries, made by other scholars, that high union density and material dependencies between firms mobilize them. More of a novel insight is that the political culture of a firm, all else being equal, has a direct effect on the policy issues a firm chooses to lobby on.

Or, is it the other way around? Needless to say, corporate political unity/fracture itself has ramifications, presumably both on the external environment and on the firm. The relationship between the independent variables and overlap, as a one-way street, can be called into question. In Chapter 3, reverse causation was briefly touched on and it returns here to haunt the interpretations of the results made thus far.

Not all explanatory variables are candidates for reverse causation. Two things set political action apart from many of the proposed determinants: (1) it is not an end in itself and (2) it can be changed rapidly, at will, by the firm itself. By this token, two of the three most important predictors – industry and generic strategy – are not, by any stretch of the imagination, determined by the political behavior of firms. You would never hear anyone inside the main office of a company say: "Right, let us change the industry and the market strategy so they fit our political activities."

Threat from government is slightly more complicated. It is well-established that corporate political unity was an integral part of the story on how the American business community succeeded in rolling back much of the regulation during the '70s and '80s (Mizruchi, 2013; Waterhouse, 2013). Yet, the way threat from government is operationalized in this study – a dummy that measures the long-term regulatory exposure of an industry – makes it safe to treat it as an independent variable. Moreover, the 2007–14 window was not even open by the time the regulatory levels were assessed (Bekaert et al., 2007).

Size and dependence are also "disqualified", on obvious grounds. The first is obvious, the second based on the fact that general flows of sales and purchases are stable. That political quarrels could, at least in the short run, prompt a firm to stop selling its output to an entire industry, or search for a substitute input to use in its own production, is unrealistic. Of the remaining variables in Table 5.7, threat from labor, organizational culture, concentration remain. Together with the variables on individuals (executives,

directors, and lobbyists), these are tested for reverse causation.[57] Unfortunately, reverse causation can only be examined through US activity overlap, the only overlap to muster a satisfactory number of observations over a longer period.

To kick off the probe, line diagrams are produced (see the Appendix, Figures A.5–A.13). They display the trends of the selected independent variables and US activity overlap (plus US agreement overlap). EU overlaps are not covered since most observations are concentrated around the period 2008–2010. The trends indicate that activity overlap and agreement overlap fluctuate but not by much. On the one hand, apart from the 111th Congress, the average US activity overlap centers around 0.025 and none of the averages of US agreement overlap are significantly distinct from each other. On the other hand, the coefficients of variations are higher than those of the independent variables. In summary, the relatively high fluctuations of the dependent variables suggest that activity overlap and agreement are determined by some degree of short-term conditions and the comparatively high stability of the independent variables supports the notion that they are, at least in the short-run, inattentive to the twists and turns of the outcome variables.

To arrive at a more conclusive diagnosis of reverse causation, distributed lag models are used in which the 112th Congress (January 3, 2011, to January 3, 2013) activity overlap is the response variable. In each model, in addition to all the regular independent variables, different versions of the explanatory variable of interest are included: time *t* (2011–12), *t*+1, *t*-1, and *t*-2. If the causation runs in the expected direction, the effects of *t*-1 and *t*-2 should be greater than that of *t*+1. The results are given in Table 5.8, where the standardized beta coefficients and significance levels are reported for the relevant regressors. Those with keen eyes see that concentration only has three time periods. The reason for this is that concentration is not measured for each year but only for 2008, 2011, and 2013.[58]

Perhaps more apparent is that threat from labor is missing in action, owing to the very strong correlations between its versions (0.95 and 0.97). Naturally, union density rates tend to be stable over time. Levels of multicollinearity this high lead to unreliable coefficient estimates with large variances and standard errors. This is exactly what happens in the lag model of threat from labor. In the other models, the effects fit the expectations. Nowhere is *t*+1 significant and its beta score is almost always lower than that of others. Admittedly, for directors and executives, the largest effects are recorded at time *t* and, consequently, inferring that the political preferences of the corporation determine the campaign donations of directors and managers is not outside the realms of possibility. However, the direction of causation as proposed by the hypotheses has been established elsewhere (Chin et al., 2013). Also, as for the F-RE variables that were significantly associated with higher activity overlap – lobbyists and organizational culture – the largest effects are those preceding time t. This is another argument in favor of why H_7-H_{10}

[57] Interlocks is excluded on grounds explicated by Mizruchi (1992); board members are replaced only rarely and so the causation would reasonably only go in one direction.
[58] The computation of concentration is very demanding. Therefore, three versions were opted for, rather than one for each year.

are not tautological and why the interests of lobbyists and the workforces are not by definition the same as those of the corporations. In summary, what the distributed lag operation reveals is that the issue of reverse causation is, for all intents and purposes, closed.

Table 5.8: QAP regression time-lagged analysis of US activity overlap.

Year	Standardized beta coefficient
	Concentration
2008 (t-1)	0.06498**
2011 (t)	-0.12371**
2013 (t+1)	0.02774
	Concentration*industry
2008 (t-1)	0.09215***
2011 (t)	0.03952
2013 (t+1)	-0.01092
	Directors
2008 (t-2)	-0.00594
2010 (t-1)	-0.01553
2012 (t)	0.03344***
2014 (t+1)	-0.00353
	Executives
2008 (t-2)	-0.00070
2010 (t-1)	0.00204
2012 (t)	-0.01760*
2014 (t+1)	-0.0062
	Lobbyists
2008 (t-2)	0.05287***
2010 (t-1)	0.01239
2012 (t)	0.02854**
2014 (t+1)	-0.01526
	Organizational culture
2008 (t-2)	0.06709***
2010 (t-1)	0.04417***
2012 (t)	0.03388***

2014 (t+1)	-0.00700

Notes: Dependent variable is US activity overlap for the 112th Congress (January 3, 2011, to January 3, 2013). β = standardized coefficient. Significance levels only reported for β; *p<0.1; **p<0.05; ***p<0.01. The table only discloses the coefficients of selected time lagged variables, even if all the other variables were included in the regression equation

5.3. Theoretical intersections

The hypotheses individually put pieces together to solve the puzzle that is corporate political preference formation. The analytical framework introduced in Chapter 2 seeks to go beyond a disjointed set of insights and speak to the fundamental, broad-brush mechanisms that govern preference formation. Despite countless references to the categories of the analytical framework in the previous pages, it is time now to embark on a more systematic treatment. This is done by returning to Table 5.1 and 5.4 and inspect the coefficients of determination (R^2) reported for the various categories and intersections. Apart from the four intersections – class-centric rejection of economic determinism (C-RE), firm-centric rejection of economic determinism (F-RE), class-centric economic determinism (C-E), and firm-centric economic determinism (F-E) – R^2 scores have also been extracted from regressions which extends over a larger set of variables, namely class-centrism, firm-centrism, rejection of economic determinism, and economic determinism. Furthermore, the analysis should take into account that industry has a paramount effect on activity overlap. Therefore, each regression which does not include industry is re-run with industry added to the equation. These scores are reported in parentheses.

Needless to say, the two-dimensional framework is not a flawless edifice. The borders of the intersections are porous in that the hypotheses do not always gently slide perfectly into one of the intersections and that there are interactions across the borders. The literature proposes several strong associations, including that between cohesion and dependence (Pfeffer & Salancik, 1978) and generic strategy and incorporation (Ferguson, Deephouse, & Ferguson, 2000), to mention a few. Despite strong theoretical expectations, empirical investigations often fail to corroborate these links (Burt, 1983; Schmalensee, 1989), as did my own correlation analysis. There are only three cross-border correlations over 0.2 (or below -0.2). First, proximity and internationalization have a correlation score of 0.23. That is, as proximity increases, the similarity in rates of export increases. This is because the European firms in the population are more multinational than the American, which creates the mirage that there is a causal link between geographical distance and similarity in internationalization. Second, dependence and industry have a correlation of 0.41, which is attributable to high intra-industrial/intra-sectorial trade. Third, 0.66 is the correlation between dependence and concentration multiplied industry. In short, the cross-intersectoral correlations are few.

Starting with Table 5.1, due to a large number of observations, the differences between R^2 and adjusted R^2 is small. Of the theoretical intersections, F-E reports the highest R^2 value, at 0.1257. C-RE follows at 0.0554 and C-E at 0.0438. As it contains one lone variable – organizational culture – F-RE falls far behind at 0.007. At the level of the theoretical categories, there is basically a dead heat between firm-centrism and economic determinism with adjusted R^2 scores of 0.1312 and 0.1342, respectively. Class-centrism follows with 0.0997 and rejection of economic determinism registers a mere 0.0628. From this, it would be easy to conclude that firm-centric and economic deterministic forces are more central to the story of what shapes activity overlap than other forces. On the face of it, this has been verified. However, knowing how important industry is, it could be the case that virtually any statistical model with industry included would have a high coefficient of determination. When industry is added to the other models, the R^2 scores become very similar and C-RE is marginally higher than all the other intersections, followed by its polar opposite – F-E. Among the theoretical categories, the previously weak rejection of economic determinism gets a strong boost from industry and comes out on top, even if the differences are truly marginal.

Turning to Table 5.4, also here is F-E the theoretical intersection with the best fit. Its adjusted R^2 is 0.1035. Close behind is C-E at 0.0813. The worse fit is accounted for by C-RE with 0.0341 and – again – F-RE, which basically describes zero proportion of variance. With industry added to the C-RE, F-RE, and C-E models, yet again does C-RE report the highest adjusted coefficient of determination (0.1259). F-RE, C-E, and F-E all have R^2 at around 0.1. With regards to the theoretical categories, class-centrism provides the best fit, even without industry included in the model. Rejection of economic determinism falls behind but, as with US activity overlap, climbs once industry is included.

What conclusions can be drawn from this? First, variables that are classified as firm-centric economic deterministic are centerpieces, in both settings but especially in the American. Accordingly, the view of the firm as a unitary actor, primarily guided by material interests, is a good approximation of the activity overlap formation process. Second, while the theoretical intersections display variation, the theoretical categories do less so, even if the rejection of economic determinism is a model that describes the proportion of variance relatively poor. Third, that industry has a superior explanatory power is corroborated. The normal models diverge markedly from each other on fit. With industry attached to all of them, the coefficients of determination become comparable to a great extent. What this means is that it is not necessarily F-E that explains activity overlap but, more specifically, industrial affiliations.

5.4. Conclusions

The scholarly attention to corporate political preferences and business lobbying has predominantly focused on the positions of firms. This stands to reason. Only through their stances on issues can the question "What do firms want?" find an answer. However, each year thousands of policies are debated on

the floor of the Congress and proposed, implemented, and upheld by the European Commission. Seemingly, the decision about which issues to be politically active on presents the firms with an intricate task and this chapter on activity overlap was an attempt to unriddle this dimension of corporate political preference formation.

By and large, the regression tables that populate this chapter display expected results. Moreover, many explanatory variables show a high degree of consistency over the institutional settings and dyadic subsamples. The variables that best fit this description belong to the F-E intersection, primarily generic strategy and industry, as well as threat from government. What cannot then be rejected are the hypotheses that high industrial overlap and similar strategies push firms towards the same policy issues due to their unitary pursuit of joint interests. Threat from government has a more class-centric streak as it argues that regulations organically sows discontent that makes the regulated firms mobilize to collectively fight back.

The tale also has its fair share of erratic results and cryptic patterns, which erupt when the dyads are disaggregated into various sub-groups and comparisons are made across the two settings. Recall that the challenge of making sense of this is exacerbated by the operationalization of the dependent variables. Whenever the results of EU activity overlap and US activity overlap do not rhyme, it is hard to know if to attribute the disaccord to the nature of the institutional arrangements or the political activities. In the effort to resolve this problem, US activity overlap on salient issues was modeled to see if the results would be unlike those of the regular US activity overlap. They were not, and it gives me more confidence in ascribing differences to institutions. A further complication is that the dyads are not distributed symmetrically across the business communities and much less so in Washington D.C. This entails that "all dyads" and the country-homogenous and country-heterogenous subsamples differ a great deal across US activity overlap and EU activity overlap. This certainly introduces inconsistencies.

When the dust has settled, three variables are significantly positive across the board: industry, generic strategy, and threat from government. A group of predictors – dependence, threat from labor, and organizational culture – fall short of this accomplishment. On that account, the general formula for high activity overlap is the following: to operate in the same industries, to use the same basic market strategies, to be interdependent, to have the same organizational political cultures, to be regulated, and to have a large share of the employees unionized.

Then there are those independent variables that tend have negative coefficients. The variables associated with negative coefficients are incorporation, concentration, concentration*industry, interlocks, internationalization, and size. To spell it out, this means that delegation/free riding is engendered by interactions made possible by having been around for a longer period, by being connected by shared board members, by operating in industries with a few large members, and by the size and export parity between firms. Only the last one is significant and negative in both institutional settings whereas the first three have negative effects solely on US activity overlap and the subsequent two have negative effects on

EU activity overlap. These differences were explained by the activity itself. Consultation submissions often require substantial preparation and it is common that one document has more than one signatory. These signatories are all coded as active participants even if only one was responsible for the drafting since it is impossible to know which one it was. The high cost of preparation but the low marginal cost of adding additional signatories – thereby increasing the weight of the submission – makes it rational for firms with the same interests, close ties, and a history of coordination to have a high activity overlap. For similar but unconnected firms, free riding seems more rational.

In an attempt to somewhat corroborate that delegation and free riding are the causal effects, I performed an analysis of how concentration affects the lobbying intensity of a firm. The underlying idea was that "outsourcing" allows for a firm to stay more often on the political sideline. Concentration indeed comes out as negatively associated with lobbying intensity, which is regarded as an argument in favor of the interpretation of the link between concentration and activity overlap in the United States.

By testing the theoretical categories against each other, a broader view emerges. In it, firm-centric economic determinism is the theoretical intersection that does the better job of explaining activity overlap, something that is true of both locations but is extra visible for Washington D.C. Still, when industry is allowed to travel across theoretical borders, the differences in explanatory power between the theoretical intersections is erased. Two conclusions can be drawn from this. First, industry is the most important predictor. Second, there is no theoretical category that is redundant. All theoretical categories, albeit with different strengths, speak to corporate political preference formation.

Of course, high activity overlap is not the corollary of high political unity between firms. It is perfectly realistic to imagine two firms with the dual tendency to target identical policy issues and to oppose each other in policy battles. To get a holistic picture of overlap of political preferences, agreement overlap needs to be scrutinized. This is the topic of the next chapter.

Chapter 6: Explaining agreement overlap

THIS CHAPTER IS DEDICATED to agreement overlap and the objective is to explain the variation therein. In so doing, it returns to the second of the thesis' two research questions: What explains the varying degrees of agreement overlap between large firms?

In terms of disposition, the current chapter resembles the last one. The first stop is Washington D.C. and then Brussels. Unfortunately, problems arise here. Agreement overlap has many fewer observations than activity overlap. This compromises the models. It also prevents an extensive systematic examination of dyadic subgroups across institutional settings, as the numbers of observations for several of these subgroups are simply too small. This goes especially for US agreement overlap. On a more positive note, as opposed to activity overlap, US agreement overlap and EU agreement overlap are similarly operationalized in both places. Hence, it is possible to directly weight their effects against each other. The third section transcends the focus on singular independent variables and compares the coefficients of determination (adjusted R^2) of the theoretical constructs.

Whereas the previous one had a section on reverse causation, agreement overlap provides insufficient observations to make such an analysis useful. Instead, there will be two sections that bring activity overlap and agreement overlap together. In the first one, the results of activity overlap and agreement overlap are contrasted to see if the two dimensions of overlap are shaped by a uniform/nonuniform set of factors. We will also see what happens when the dependent variables are inserted as independent variables, thus answering the question: Does activity overlap explains agreement overlap and vice versa? The second addition is an analysis of selection bias and an attempt to correct for this. This will be done by making use of the Heckman selection model, which not only measures the severity of selection bias but also corrects the coefficients. In conjunction with this, I will also seize the opportunity to run new activity overlap regression models. This serves the purpose of discovering if the preference formation changes or remains the same over different subsamples pertaining to size and lobbying intensity.

6.1. US agreement overlap

85 percent of the dyads with a score on US agreement overlap is composed of two American firms. Moreover, of those 197 observations for which there is data covering the dependent variable and the independent variables, 90 percent are all-American. To run two separate regression models is not very meaningful when they only differ on merely twenty-one observations. For that reason, Table 6.1 presents results for US firm-pairs. It has five models: Model I tests the variables of the class-centric rejection of

economic determinism (C-RE) intersection, Model II the variables of the firm-centric rejection of economic determinism (F-RE) intersection, Model III the variables of the class-centric economic determinism (C-E) intersection, and Model IV the variables of the firm-centric economic determinism (F-E) intersection. In Model V, all the predictors and the controls are brought together.

At a glance, the absence of significant results, relative to US activity overlap, is striking. In the final model, just four of sixteen hypotheses cannot be rejected and only one of these manages to reach a significance level of five percent, a fallout largely attributable to the enormous cut in observations. Of those four variables, three of them are located at the intersection between firm centrism and economic determinism: generic strategy, industry, and internationalization. Incorporation is the fourth significant variable. The hypothesis of incorporation stipulates that older organizations have, through a deliberate effort or sheer accident, a history of interactions which would enable them to find agreement easier. The hypotheses of generic strategy, industry, and internationalization are similar in that they stipulate a positive association between operational resemblance and common political preferences due to their shared material interests. Operating in the same industries, pursuing the same strategies, and being equally reliant on domestic/international consumption presumably would make material interests converge. Whereas the results of incorporation, industry, and internationalization are in line with the hypotheses, generic strategy is negative. All else being equal, firms with the same overall market strategies are less likely to agree. This is something that we will soon come back to.

That incorporation has a positive effect on agreement overlap connect with its impact on US activity overlap over American dyads, which was significantly negative. This bolsters the interpretation that this negative effect is a result of delegation. By contrast, the other three significant negative estimates for US activity overlap across American dyads – concentration, concentration*industry, and size – are, in Table 6.1, insignificantly negative. Does this call for a reassessment of the notion that delegation or free riding breed these negative values? The answer is no. First of all, concentration, concentration*industry, and size do not have significant negative effects on US agreement overlap, so one should be careful about reading too much into these results. Second, even if free riding or delegation might be a common practice among firms in concentrated industries and with similar sizes, they could simultaneously be more prone to be active on the same issues precisely when their opinions diverge. Third, if the bulk of the past literature is of any value, it would be extremely difficult to see how high concentration and comparable size would lead to something other than mobilization, delegation, or free riding.

Table 6.1: QAP regression analysis of US agreement overlap (American dyads).

	Class-centric rejection of economic determinism			Firm-centric rejection of economic determinism			Class-centric economic determinism			Firm-centric economic determinism			Final model		
Variable	B	SE	β	B	SE	β	B	SE	β	B	SE	β	B	SE	β
Cohesion 1: Incorporation	0.0014	0.001	0.1059*										0.0019	0.0013	0.137*
Cohesion 2: Interlocks	-0.0012	0.001	0										-0.0162	0.019	-0.0002
Cohesion 3: Proximity	0	0.0000	0.0405										0	0	0.0188
Threat from labor	-0.0006	0.0003	-0.1745**										-0.0004	0.0004	-0.123
Threat from government	0.3953	0.1122	0.2935***										0.135	0.1461	0.0935
Ownership 1: Same owners	0.0277	0.1441	0.0139										0.1091	0.174	0.0534
Ownership 2: Cross-ownership	-0.1822	0.1336	-0.0963										-0.2221	0.1655	-0.106
Political insider	0.0039	0.0087	0.0324										0.0122	0.013	0.0896
Organizational culture				0.4393	0.2073	0.1364**							0.2406	0.2815	0.0732
Dependence							-0.5997	0.917	-0.0506				-1.0782	0.4486	-0.0817
Concentration							-1.2747	0.5659	-0.1787**				-0.6773	0.6481	-0.0944
Concentration*industry							3.1031	1.2373	0.1878***				-0.2006	0.091	-0.0122
Generic strategy										-0.0978	0.0612	-0.1168**	-0.0829	0.07	-0.1026*
Industry										0.2568	0.0909	0.215***	0.2501	0.1587	0.2151*
Internationalization										0.2305	0.1733	0.0949*	0.3478	0.1989	0.1415**
Size										-0.0066	0.0034	-0.1379**	-0.0049	0.0044	-0.0901
Control: Policy type													-0.1832	0.1138	-0.1355**
Observations	226			262			242			194			176		
R^2	0.0958 (0.108)			0.0186 (0.0428)			0.0506 (0.0528)			0.08222			0.1974		
Adjusted R^2	0.0624 (0.0683)			0.0148 (0.0348)			0.0386 (0.0368)			0.0628			0.111		
Theoretical category	Class-centrism			Firm-centrism			Economic determinism			Rejection of economic determinism					
R^2	0.1251 (0.1254)			0.08951			0.1116			0.1067 (0.1146)					
Adjusted R^2	0.077 (0.0727)			0.0653			0.07817			0.0695 (0.0705)					

Notes: B = unstandardized coefficient, β = standardized coefficient, SE = standard error. Significance levels: *p<0.1; **p<0.05; ***p<0.01. The last three rows (in the color of blue) report the R^2 and adjusted R^2 scores of the broader theoretical categories. The R^2 and adjusted R^2 scores within parentheses are of those models in which "industry" is added.

Turning to the control variables, the reader notices that the variable *associations* is excluded. It is not obvious how the intensity of the political involvement of two firms' associations is relevant to the formation of corporate policy positions. Besides that, policy type has been re-operationalized to better fit agreement overlap. The predicament with the standard operationalization is that very rarely do peak associations testify before Congress or submit on open consultations. As a replacement, policy type for agreement overlap is an average count of the number of actors that have participated in the congressional hearings/open public consultation on which the two firms have been active on. This is a common operationalization of salience (Klüver, 2011) and according to Broscheid and Coen (2007), it captures the nature of the policy issue well. Intriguingly, policy type is negative, meaning that the more salient the issues are, the less probable it is that two firms agree with each other. This does not match up with the finding that the business community is more united on salient issues (M. A. Smith, 2000). Nonetheless, its validity might be questioned considering that the number of actors invited to a congressional hearing is far from always a good indication of how heavily the issue features in the public discourse. A verdict needs to be put off until the exposé of EU agreement overlap, for which the actor-count as a measure of salience is more sensible.

6.2. EU agreement overlap

In Brussels, significance returns with a vengeance. In Model V of Table 6.2, ten out of seventeen regressors, controls excluded, are significant and eight out of these are positive. The two significant negative coefficients are generic strategy and policy type – the same two observed in US agreement overlap. With a fair degree of certainty, what has been uncovered is that firms pursuing the same basic strategies and being politically active on salient issues are more prone to clash politically, which is surprising.

On further reflection, a decrease in distance between generic strategies means that two firms compete for the same customers. For example, BMW, Mercedes, Škoda, and Peugeot all want to attract auto customers. However, whereas BMW and Mercedes target people with thick wallets and on the lookout for a status symbol, Škoda and Peugeot lure buyers with weaker financial muscles (or thrifty spending habits). A direct competitor to BMW is not Škoda but Mercedes. The same logic applies to cases of competition between firms from different but related industries, for example when their products are substitutes. In fact, the negative effect of generic strategy on agreement holds no matter how large or small the industrial overlap of two firms is[59], which demonstrates that both logics are valid. It does not mean that two firms from unrelated industries would clash were they to pursue the same market strategy.

[59] An interaction effect between generic strategy and industry could not be created because the correlation between such an interaction variable and industry is too strong. Instead, separate models are run; one where the dyads have industrial overlap of zero and one where it is greater than zero. This was done for EU agreement overlap and US agreement overlap. Generic strategy is associated with lower agreement overlap in all models.

By being active on the same policy issue, some degree of relatedness is already guaranteed. This spillover of market rivalry into the political domain is a natural extension of the merger of market and nonmarket strategies.

Why policy type is significantly negative is more of a puzzle. Is it possible that there has been a break with the past and that corporate political unity has now less chance of being marshaled for salient issues? The argument that Mark Mizruchi (2013) makes in *The Fracturing of the American Corporate Elite* is that unlike in the past, the American business elite is now unwilling to tackle the big challenges together. This is exemplified by their complete lack of a unison voice during government shutdowns, health care debates, and tax reform. Instead, corporations are going increasingly narrow, towards tranquil parts of the policy landscape, where they can maximize the direct benefit for themselves (Mizruchi, 2016). If it is easier to reach agreement in these secluded corners, a significant negative effect of policy issues should show up.

The next step is to break the dyads up into constellations. On the one hand, EU agreement overlap is endowed with a much larger portion of country-heterogenous firm-pairs than US agreement overlap. On the other hand, the various dyadic branches are still rather bare. American dyads are too few to provide a meaningful test and are excluded from the investigation. Country-heterogenous dyads and country-homogeneous dyads also suffer from small quantities of observations. It suffices to look at "observations" in Table 6.3 to realize this. The scarcity makes it precarious to read too much into the results and imperative to focus on clear differences between the models in Table 6.2 and 6.3.

Here, no regressor goes from significant positive to significant negative, or vice versa. By casting the net wider, to cover a simultaneous change in sign (from positive to negative or vice versa) and in significance (from insignificant to significant or vice versa), three variations crop up: (1) same owners goes from significantly positive to insignificantly negative for country-heterogenous dyads, (2) cross-ownership goes from significantly positive to insignificantly negative for country-homogenous dyads, (3) and internationalization goes from insignificantly positive to significantly negative for country-homogenous dyads.

Why ownership plays out so differently across the two dyadic compositions is perplexing. A dissection of ownership goes a long way to clear up the mystery. Being tied together by virtue of shared owners is a phenomenon that is significantly more common among firms that are members of the same national business community. Analogously, cross-ownership is more common for firms that are headquartered in different countries.[60] This shift from positive to negative on cross-ownership for country-homogenous dyads echoes EU activity overlap. From this, it would be possible to infer that

[60] The 95 percent confidence interval for Ownership 1: Same Owners among country-heterogenous dyads is 0.324-0.398 (mean: 0.361). Among country-homogenous dyads, the interval is 0.498-0.613 (mean: 0.555). The 95 percent confidence interval for Ownership 2: Cross-ownership among country-heterogenous dyads is -0.00117-0.19 (0.0945). Among country-homogenous dyads, the interval is -0.00424-0.146 (0.0708). Observe that these scores are only calculated on the basis of those 101 and 96 dyads that constitute the results presented in Table 6.3.

ownership has an effect but that it is contingent on the prevalent type of ownership that binds firms together.

Table 6.2: QAP regression analysis of EU agreement overlap (all dyads).

	Class-centric rejection of economic determinism			Firm-centric rejection of economic determinism			Class-centric economic determinism			Firm-centric economic determinism			Final model		
Variable	B	SE	β	B	SE	β	B	SE	β	B	SE	β	B	SE	β
Cohesion 1: Incorporation	0.0005	0.0008	0.0287										0.0008	0.0015	0.0384
Cohesion 2: Interlocks	-0.0003	0.0005	0										-0.0041	0.0077	0
Cohesion 3: Proximity	0	0.0000	0.1811										0	0	-0.0077
Threat from labor	0.0005	0.0002	0.1037**										0.0006	0.0003	0.1541***
Threat from government	0.2012	0.0579	0.1903***										0.0456	0.1028	0.0419
Ownership 1: Same owners	-0.1217	0.0865	-0.0645*										0.2219	0.1485	0.122**
Ownership 2: Cross-ownership	0.0538	0.0417	0.0653*										0.1955	0.0806	0.1797***
Organizational culture				0.0409	0.1191	0.0163							0.0067	0.2203	0.0022
Dependence							2.1108	1.5174	0.083*				0.0127	0.0395	0.0005***
Concentration							-0.5715	0.5144	-0.0707				1.2432	0.7519	0.1433**
Concentration*industry							5.1774	1.7778	0.1817***				0.0515	0.0237	0.002***
Generic strategy										-0.0884	0.0755	-0.0715	-0.1742	0.0855	-0.1458***
Industry										0.4091	0.0888	0.3116***	0.4884	0.1186	0.4079***
Internationalization										0.0711	0.1553	0.0263	0.0936	0.199	0.0333
Size										0.0096	0.0021	0.2774***	0.0084	0.0023	0.2616***
Control: Policy type													-0.4221	0.1688	-0.2532***
Control: Same country (dummy)													0.0895	0.1052	0.0955
Observations	603			677			356			267			197		
R^2	0.1203 (0.195)			0.0003 (0.0998)			0.0607 (0.092)			0.1966			0.3968		
Adjusted R^2	0.1099 (0.1715)			-0.0012 (0.0947)			0.0527 (0.0817)			0.1844			0.3395		
Theoretical category	Class-centrism			Firm-centrism			Economic determinism			Rejection of economic determinism					
R^2	0.1822 (0.208)			0.2124			0.2089			0.1125 (0.202)					
Adjusted R^2	0.1504 (0.1739)			0.1966			0.1875			0.0985 (0.1756)					

Notes: B = unstandardized coefficient, β = standardized coefficient, SE = standard error. Significance levels: *p<0.1; **p<0.05; ***p<0.01. The last three rows (in the color of blue) report the R^2 and adjusted R^2 scores of the broader theoretical categories. The R^2 and adjusted R^2 scores within parentheses are of those models in which "industry" is added.

Table 6.3: QAP regressions of EU agreement overlap (across various dyadic subsamples).

	Country-heterogenous dyads			Country-homogenous dyads		
Variable	B	SE	β	B	SE	β
Cohesion 1: Incorporation	0.0024	0.0025	0.0964	0.0007	0.002	0.0372
Cohesion 2: Interlocks	-0.0015	0.0024	0	0.0049	0.0073	0.0001
Cohesion 3: Proximity	0	0	-0.032	0	0	0.054
Threat from labor	0.0006	0.0005	0.1428*	0.0006	0.0005	0.1846*
Threat from government	0.0236	0.1548	0.0205	-0.0822	0.1683	-0.0851
Ownership 1: Same owners	-0.1026	0.2698	-0.0388	0.1279	0.1862	0.0878
Ownership 2: Cross-ownership	0.23	0.1013	0.2255***	-0.0014	0.1318	-0.0012
Organizational culture	0.1145	0.299	0.0376	0.1132	0.3467	0.0415
Dependence	0.0188	0.0186	0.0004	0.0288	0.0227	0.0016
Concentration	1.0363	1.0286	0.1064	0.152	1.0648	0.021
Concentration*industry	0.0379	0.0174	0.0011***	0.0239	0.0131	0.0013
Generic strategy	-0.227	0.1281	-0.1878**	-0.0301	0.1232	-0.0273
Industry	0.764	0.1966	0.6051***	0.3727	0.1797	0.3525***
Internationalization	0.5692	0.2913	0.2072**	-0.4777	0.3719	-0.1507*
Size	0.0079	0.0034	0.2565***	0.0089	0.0038	0.2641***
Control: Policy type	-0.1561	0.2122	-0.1298	-0.1934	0.1939	-0.1594
Observations		101			96	
R^2		0.4625			0.2644	
Adjusted R^2		0.3602			0.1154	

Notes: B = unstandardized coefficient, β = standardized coefficient, SE = standard error. Significance levels: *p<0.1; **p<0.05; ***p<0.01.

That internationalization is significantly negative among country-homogenous dyads is a hard nut to crack. The expectation is that similar export levels would promote political unity but seemingly it has the opposite effect in the European Union among dyads whose firms are headquartered in the same country. In some respects, this is in accordance with the results of EU activity overlap, where country-homogenous dyads were the only dyadic subsample that did not report a significant and negative effect of internationalization on activity overlap. Consequently, firms headquartered in the same country are less prone to delegate (or free ride) and to find common ground on policy issues if their levels of export are similar, as opposed to those headquartered in different countries – at least in the European Union. On a closer inspection, the significant negative score is driven by American dyads. Consequently, that firms fight in the European Union as a result of being similarly internationalized goes for American corporations, not for British or German enterprises. Of course, the group of "Yankee" corporations that have descended upon the Brussels lobbying scene is all multinationals with an interest in open trade. The negative coefficient on internationalization that they produce should then be interpreted with great caution.

Juxtaposing US agreement overlap with EU agreement overlap permits two comparisons, one between Table 6.1 and 6.2 and one between Table 6.1 and the country-homogenous section of Table 6.3. Once in these two comparisons is there a move from significantly positive to significantly negative, namely for internationalization, which is significantly positive for US agreement overlap but significantly negative for EU agreement overlap over county-homogenous dyads. However, in the preceding paragraph, I sought to explain why the negative coefficient of internationalization in Table 6.3 should not be overstated. Setting the bar lower, to where there is a change in sign (from positive to negative or vice versa) and significance (from insignificant to significant or vice versa), generates the following list:

1. Threat from labor (C-RE) is significantly positive for EU agreement overlap (among both all dyads and country-homogenous dyads) and insignificantly negative for US agreement overlap.
2. Ownership 2: Cross-ownership (C-RE) is significantly positive for EU agreement overlap (among all dyads) and insignificantly negative for US agreement overlap.
3. Concentration (C-E) is significantly positive for EU agreement overlap (among all dyads) and insignificantly negative for US agreement overlap.
4. Concentration*industry (C-E) is significantly positive for EU agreement overlap (among all dyads) and insignificantly negative for US agreement overlap.
5. Dependence (C-E) is significantly positive for EU agreement overlap (among all dyads) and insignificantly negative for US agreement overlap.
6. Size (F-E) is significantly positive for EU agreement overlap (among both all dyads and country-homogenous dyads) and insignificantly negative for US agreement overlap (over American dyads only).

Because none of them represent a statistically significant gulf between the two sites of investigation, there is a risk of overplaying and overexplaining something that is not really there. Nonetheless, the overall picture has two features to it. First, the dissimilarities have their origin mostly in the class-centric theoretical category. Second, almost every change goes from significantly positive for Brussels to insignificantly negative in Washington D.C. In fact, the significant coefficients in Table 6.1 are almost exclusively located in the F-E intersection, whereas many class-centric variables exhibit significance in Table 6.2 and 6.3.

Making sense of the two faces of class-centrism – one for Washington D.C. and one for Brussels – can take us in various directions. To emphasize the difference between open consultations and congressional hearings is one option. As for open public consultations in the European Union, anyone is usually free to submit. To testify in a congressional hearing, a witness must be invited by the committee. Before an official invitation is extended, committee staff identify, and often interview, prospective candidates (Sachs, 2003, p. 14). The system of inviting witnesses presumably would make environmental considerations less important, since the external sphere shrinks substantially when there are just a few other invitees to coordinate with. But it would be equally easy to make the opposite argument: Their ties would become extra important in a situation like this.

The other explanation is that EU agreement overlap is indeed more governed by the environment. Three arguments speak in favor of this interpretation. The first is that a couple of class-centric hypotheses are significant in the US setting, so claiming that congressional hearings are insulated from what is going on outside the organization is incorrect. The second reconnects to the insight, made in the last chapter, that the class-centric category does a slightly better job of explaining EU activity overlap than it does explaining US activity overlap. Third, the study closest to mine, by Mizruchi (1992), finds support for several of the hypotheses that I have classified as class-centric – but which I fail to corroborate – even if the format of Congressional hearings has not changed. A finding that runs counter to the proposition that the environment has a larger impact in Brussels is disclosed in the next section, where we see that the class-centric category is weaker for EU agreement overlap than for US agreement overlap. In fact, by perusing the regressors, what is revealed is that the effects of many class-centric estimates are stronger on US agreement overlap than they are on EU agreement overlap, and vice versa regarding class-centric factors. The conclusion is that the environment hardly plays a more important role in Brussels than it does in Washington D.C.

When all is said and done, the explanatory variable significant from all vantage points is industry. This cements the accepted notion that corporate political preferences are highly determined by industrial affiliation. No other predictor gives industry a run for its money, although generic strategy comes close to being significantly positive everywhere. To summarize, firms are most likely to agree when they operate in the same industry and do not pursue the same market strategies.

6.3. Theoretical intersections

As with activity overlap, the models covering the entire set of dyads report coefficients of determination for the various theoretical categories and intersections (Table 6.1 and 6.2). Again, apart from the four intersections – class-centric rejection of economic determinism (C-RE), firm-centric rejection of economic determinism (F-RE), class-centric economic determinism (C-E), and firm-centric economic determinism (F-E) – R^2 scores for class-centrism, firm-centrism, rejection of economic determinism, and economic determinism are also reported. To make these comparisons more robust, within parentheses are the R^2 scores with industry included in the equations.

Similar to what was seen in the previous chapter, the theoretical intersections differ markedly in their ability to explain the proportion of the variance in US agreement overlap. In Table 6.1, F-E has the highest adjusted R^2 with 0.0628. C-RE follows closely with 0.0624. F-RE and C-R trail behind. As for the theoretical categories, economic determinism has the highest adjusted R^2 but overall, there is a close call between the theoretical categories. In other words, it would not be correct to state that the external environment is irrelevant and that dynamics inside the firm is everything when it comes to the formation of US agreement overlap. Indeed, class-centrism fares comparatively better on US agreement overlap than on EU agreement overlap. On industry, activity overlap and agreement overlap do go separate ways. The inclusion of industry makes a huge difference in the case of US activity overlap, here it only has a marginal impact. It seems safe to argue that industry has less of a weight on US agreement overlap than it has on US activity overlap.

As opposed to US agreement overlap, the insertion of industry into the class-centric/rejection of economic deterministic models does have a big impact on EU agreement overlap. F-E has the best fit and C-RE comes second, regardless. Still, industry has a noticeable effect on the absolute R^2 scores. This attests to the central role that industrial affiliation plays in the formation of preferences on policy outcomes in the European Union. Even though its effect on US agreement overlap is significantly positive, its beta coefficients are much larger in the models pertaining to EU agreement overlap. If this is due to a comparatively weaker industrial organization in the United States is an open question. Another takeaway from the exercise of comparing coefficients of determination is that all theoretical categories contribute to the understanding of corporate political preference formation and that none of them should be branded irrelevant. Yet, the theoretical intersection – regardless if industry is included in the other models or not – is where firm-centrism meets economic-determinism. Just like the idea of the firm as primarily guided by unitary economic considerations would predict.

6.4. Agreement overlap versus activity overlap

In the effort to bring this and the previous chapter together, the complete set of analyses using all dyads are put side by side and examined in the search for patterns. Arguably, most conspicuous is industry, the single variable to be constantly significantly positive, not only in these models but throughout the study. On top of that, its beta coefficients are very strong, so much so that they sometimes overshadow the other predictors. Only one other variable is significant everywhere – generic strategy, which is positive for activity overlap and negative for agreement overlap. With these results, a blanket statement would go like this: Corporate political preferences are shaped by industry and basic strategy.

Four variables are each one model away from securing the quadruple: threat from labor (insignificantly negative for US agreement overlap, otherwise significantly positive), concentration*industry (insignificantly negative for US agreement overlap, otherwise significant), dependence (insignificantly negative for US agreement overlap, otherwise significantly positive), and size (insignificantly negative for US agreement overlap, otherwise significant). The majority of these four plus the two mentioned in the previous paragraph are concentrated in the economic deterministic category.

With this information, unresolved questions left hanging from the exploration of activity overlap can be attended to. First, the assumption is that what lies beneath a negative effect on activity overlap is free riding or delegation. In other words, a negative outcome would be the corollary of a greater overlap of political preferences. In Table 6.4, the variables that are significant in both final models of all dyads on activity overlap are listed. Here we see that in two out of four cases, a significant negative effect on activity overlap has a positively associated agreement overlap score. Does this debilitate the assumption that any recorded negative effect on activity overlap should be interpreted as delegation or free riding, not separation? No. One reason is that the literature would not lend much credibility to an argument stating that high concentration and similar size and internationalization would cause firms' policy agenda preferences to go separate ways. Second, none of two corresponding negative effects are significant.

Instead, what should be seriously questioned is the initial assumption that a negative effect on activity overlap would have a corresponding positive effect on agreement overlap. Firms that delegate and free ride could be more prone to target the same issues exactly when they disagree. In the same vein, a positive effect on activity overlap can either be thought of as "firms are active on the same issues to fight together" or "firms are active on the same issues to fight each other." The only factor that pushes firms towards the same territory to skirmish is generic strategy and no other item with a significant positive effect on activity overlap has a corresponding effect on agreement overlap that is significantly negative. So by and large, most predictors that produce higher activity overlap do likewise for agreement overlap.

T**able 6.4:** Outcomes of variables significant across both settings on activity overlap (all dyads).

	Theoretical intersection	Activity overlap		Agreement overlap	
		US	EU	US†	EU
Threat from labor	C-RE				
Threat from government	C-RE				
Organizational culture	F-RE				
Concentration*industry	C-E				
Dependence	C-E				
Industry	F-E				
Internationalization	F-E				
Generic strategy	F-E				
Size	F-E				

Notes: † US agreement overlap is tested for American dyads. Color codes: (1) dark green: significantly positive, (2) light green: insignificantly positive, (3) red: the significantly negative, (4) orange: insignificantly negative. Significance = $p<0.1$.

That there is a positive link between activity overlap and agreement overlap suffered a blow already in chapter 4, where Table 4.3 showed a very weak link between the two properties. A further elaboration of this would be to add the dependent variables to the regression equation so that US activity overlap would be added to the equation with US agreement overlap as the dependent variable, and vice versa, and the same with EU activity overlap and EU agreement overlap. Tables A.6-A.9 in the Appendix detail the output of this exercise. Observe that due to the huge drop in the number of observations over the activity overlap models, caused by the insertion of agreement overlap, only a total of six models are tested.[61] Interestingly, in all but one regression is the overlap covariate insignificantly negative and the beta coefficients are generally at the very low end of the spectrum. The exception is EU agreement overlap over country-heterogenous dyads, where EU activity overlap is significantly negative but only at the 90 percent level and in a model that merely musters 101 observations. The conclusion is that it is impossible to predict whether corporations will agree or clash on policy solely endowed with information on their tendency to target the same issues, and vice versa.

Tables A.6-A.9 do also contain some riveting differences in comparison to previous models. Most of them crop up in the recast versions of activity overlap. At this junction, these differences are hardly worth spelling out but they do beg the question: Should these new estimates be attributed to agreement overlap or to the almost complete overhaul of observations? To test this, I have rerun the models of Table A.6-A.7 on the same dyads but without agreement overlap as a dependent variable. What comes out is

[61] US activity overlap over American dyads, EU activity overlap over all dyads, US agreement overlap over American dyads, and EU agreement overlap over all dyads, country-homogenous dyads, and country-heterogenous dyads.

virtually identical to before. In other words, the alternations that cropped up with agreement overlap as control variable have nothing to do with agreement overlap itself but the subsamples of data points that came with it. Accordingly, the association between activity overlap and agreement overlap is completely absent, at least generally speaking.

Worth paying attention to as well are non-results, which is especially important in a piece of research such as this, where the hypotheses under scrutiny are more or less established by earlier works. To then learn that very few of the variables are uniformly insignificant is not surprising. In *all dyads* models, only one repeatedly fail to surpass the 90 percent significance threshold, namely proximity. In the past, researchers have uncovered a positive association between closely located headquarters and political preferences, a phenomenon argued to emanate from the dense social networks that proximity allows. That proximity is so weak, even without the inclusion of same country (dummy), is a vindication of the thesis that with the advent of globalization, corporations have lost much of their connection to local communities and are no longer embedded in local social networks to the same extent as they used to be (von Neumann Whitman, 1999). Proximity is also the only variable that is not significant in any model whatsoever.

Tallying the number of times each predictor reaches significance over the final models (in Tables 5.1, 5.2, 5.4, 5.5, 6.1, 6.2, 6.3) would not be very meaningful according to those who see significance testing as a false goal of social research. In normal circumstances, I would be more sympathetic to this opinion. The problem faced here is that although the hypotheses are well-established as general determinants of corporate political preference formation, they are tested over a host of configurations, some of which have barely featured in earlier studies. In addition, many models suffer from few observations and the data is sometimes rather noisy. Taken together, it is my contention that the stargazing that runs through the entire dissertation is not misguided but a sober and conservative approach given the circumstances, as it helps us to separate the wheat from the chaff in the effort to identify the factors that have a universal impact on the corporate political preferences.

Regardless if one simply counts the number of significant coefficients or implements a weighted arithmetic mean to account for the fact that some configurations have more models (for example, US activity overlap is tested across all dyads, country-homogeneous dyads, country-heterogenous dyads, and American dyads, whereas US agreement overlap is only tested over American dyads), three variables are more prone than others to be significant: industry, generic strategy, and internationalization. They are all located at the intersection between firm-centrism and economic determinism and derive from the overarching hypothesis that the overlap of corporate political preferences is primarily determined by material interest. Material interests converge when firms produce similar products and services, are guided by the same strategic considerations, and ship comparable proportions of the output abroad. However, due to the fierce competition between kindred enterprises, similarity has a flipside, namely a dog-eat-dog

mentality that travels from the market sphere right into the political world. That the unitary pursuit of material goals can lead to both higher and lower agreement overlap has been discovered here.

Behind these three predictors, concentration*industry and size line up, both belonging to economic determinism and the latter located where it intersects with firm-centrism. At the bottom of this ranking, one finds incorporation, proximity, interlocks, political insider, and same owners – five out of the eight C-RE variables. Consequently, four out of four hypotheses residing in the F-E nexus are among the regressors most likely to display significance and, conversely, five out of eight C-RE covariates are least likely to do so.

Having established the predictive power of the F-E intersection, the issue of mimicry and communication made in an earlier chapter deserves to be mentioned again. These two alternative mechanisms offered the possibility the effect F-E factors have on overlap of preferences goes via communication and/or imitation of similar others. What the dual attention to agreement overlap and activity overlap permits is a confrontation with this issue. There are a couple of relevant results to draw from. First, the negative effect of generic strategy on agreement overlap goes counter to these alternative mechanisms. Second, the rather weak C-RE construct undercuts the belief that interfirm networks and communication are key in the preference formation. The picture of the firm that emerges is of a calculating actor, not one blindly following kindred corporations.

6.5. Exploring selection bias

In Chapter 4, discrepancies were exposed between the population of 1088 firms and the subset for which overlap could be measured. What came out of this analysis is that firms with values on the dependent variables are bigger than those without, irrespective of metric. That is no surprise whatsoever. That same chapter demonstrated that revenue, along with the location of headquarters, is a strong antecedent of corporate political action among firms featured in the Forbes Global 2000 list. I closed the brief inquiry of selection bias in Chapter 4 by stating that "this work is about the corporate elite, to begin with, and so making the elite a bit more elitist only accentuates that scope ."

While this statement has some merit to it, a more robust analysis of selection bias would not only enhance the generalizability of the findings but also make the results across the different configurations more comparable. Table 6.5 builds on a ranking in which all 1088 raw scores on revenue are converted into percentiles. What is revealed is that the average firm for which there is a score on US activity overlap is in the 59th percentile. As for EU agreement overlap, it is in the 91st percentile. The discrepancy is even greater over the median. Provided that corporate political behavior is influenced by size – and the inquiry into the antecedents of lobbying would suggest that it is – Table 6.5 would raise objections to the carefree

comparisons of results that have set the tone so far and call for an investigation into selection bias and the possible correction of it.

Table 6.5: Revenue (over percentiles) across configurations.

	Revenue	
	Median	Mean
US activity overlap	0.60	0.59
US agreement overlap	0.78	0.70
EU activity overlap	0.91	0.82
EU agreement overlap	0.91	0.81

The Heckman selection (Heckman, 1976, 1979), sometimes referred to as Heckit, is a method for estimating regression models which suffer from sample selection bias. With his seminal paper, Richard A. Berk (1983) introduced the method to the social sciences and it has since then become a standard tool for scientists confronting selection bias.

How does the Heckit model work? Essentially, it treats selection bias as an omitted variable problem and it consists of two stages. In the first stage, the researcher devises a selection equation, that is a model of factors associated with missing data on the dependent variable. Stated briefly, this is a probit model with a binary outcome, set to 1 if there is a value on the dependent variable, otherwise 0. From this selection model, a so-called Inverse Mills Ratio (IMR) is derived, which is a proxy variable for the probability of non-missing data. In the second stage, the IMR variable is inserted into the regression equation of interest. The output contains two factors can be evaluated to determine whether there is a significant bias in the initial model (Sales, Plomondon, Magid, Spertus, & Rumsfeld, 2004, p. 52). First, a significant IMR variable suggests significant bias. Second, one needs to study changes in the parameter estimates of the initial predictor variables. As a rule of thumb, if an estimate changes by more than 10 percent, this may indicate a biased estimate due to missing data (Sales et al., 2004, p. 52).

The Heckman model is not a silver bullet. In fact, misuses are common (Bushway, Johnson, & Slocum, 2007, p. 153). In the case of my data, one problem looms large – the structure of the data. Heckman was developed to be used with OLS models but stripping the dyadic nature of the cases does not allow for regression testing of the QAP variety. Val Burris' (2005) study on corporate campaign donations is the lone example (Bond & Harrigan, 2011, p. 201) of an effort to correct for selection bias in a QAP regression model using the Heckman selection model. Apart from addressing the issue of the dyadic data structure, Burris offers a theoretical argument for why the Heckman model is not optimal. He writes that "any population can always be reconceptualized as a nonrandom sample of an even larger

population" and he rightly points out that any application of Heckit must rest on a robust theory of what factors determine the selection process (Burris, 2005, p. 267).

Fortunately, the antecedents of corporate political action are well-established. Size is the most important factor (Hillman et al., 2004, p. 839; Lawton et al., 2013). To heed this, Val Burris (2005, pp. 266–267) adds size to his selection equation. Table 4.5 showed that revenue was the best size predictor. Furthermore, the location of the headquarters proved to be a key antecedent – American firms are more likely to lobby policymakers in Washington D.C. than non-American firms and the same goes for British and German firms vis-à-vis EU lobbying. Consequently, the two variables used in my Heckman selection equation are revenue and location of HQs. Since it is enough that one of the two firms in a dyad is politically inactive to generate a missing overlap score, revenue is set to the lowest of the two. Location of HQs is a dummy, positive if both companies are based within the relevant jurisdiction (for US activity overlap and US agreement overlap, both firms would need to be headquartered in the United States. For EU activity overlap and EU agreement overlap, the headquarters of the two corporations are located in either Germany or in the United Kingdom).[62] This use of the Heckman selection model views the overlap of political preferences as a joint outcome of (1) the decision on whether or not to be politically active, which is determined by size and location and (2) among those who are active, the decision on which issue to target or policy position to adopt.

The parsimonious selection model ensures that collinearity between the Heckman selection equation and the initial regression model is low. High collinearity has been identified as the main culprit behind defective Heckman models (Bushway et al., 2007, p. 153) and there is ample evidence of inflated standard errors due to collinearity between the correction term and the included regressors (Moffitt, 1999; Stolzenberg & Relles, 1990).

It has been argued that a better alternative to the two-step method of Heckman is a maximum likelihood estimation (Puhani, 2000, p. 53). Consequently, I make use of three selection bias correction methods: (1) the Heckman model with the Inverse Mills Ratio inserted into a subsequent QAP regression, (2) the Heckman model used with OLS, and (3) maximum likelihood estimation. The output of the first method is compared with the initial QAP regression models without IMR, that is the models presented in the current and in last chapter. The second and the third are compared with OLS versions of the initial equations. This might appear as a particularly serious violation of the dyadic structure of the data. However, QAP and OLS often report identical results – especially when there are plenty of observations – and since the Heckman is meant to be applied on OLS, it is prudent to complement the first method with other ones to make the selection correction more robust.

[62] Because the analysis of US agreement overlap is done exclusively over American dyads, the selection equation for this only includes revenue.

It should be noted that even with relatively few dyads, OLS is not necessarily completely off the mark. The reason for that is that the observations over US agreement overlap and EU agreement overlap are, as it turns out in Table 6.6, rather independent of each other. Whereas virtually all firms pair up with one another on activity overlap, this is not true for agreement overlap. The reason is plain and simple. For activity overlap to be calculated, it suffices that two firms have engaged in political action. Agreement overlap, in contrast, requires that two firms have submitted on the same open public consultation or have testified before the same congressional hearing. The ratio of dyads in the final models to the potential number of dyads (based on the number of unique firms appearing in each final model) is much higher for activity overlap than for agreement overlap. Put differently, the number of unique firms featured in the final models of agreement overlap are 124 and 52, which means that the average company appears in less than three dyads on US agreement overlap (176*2/124) and in about 7.5 dyads on EU agreement overlap. This lessens the troubling cocktail of few and dependent observations and somewhat authorizes the use of OLS regressions.

The two-step method of Heckman is performed on each configuration of overlap over all dyads. This exercise indeed reveals that selection bias plagues some of the initial specifications. IMR is negative and statistically significant for US activity overlap and EU agreement overlap. In other words, (unobserved) factors that make corporate political action more likely tend to be associated with lower overlap on US activity and EU agreement. As for US agreement overlap and EU activity overlap, the positive and insignificant IMRs indicate that these two models do not suffer from selection bias.

Table 6.6: The realization of potential dyads in the final models of the configurations**.**

	Dyads in the final model	Unique firms	Potential dyads, given the number of unique firms	The ratio of dyads in final models to potential dyads
US activity overlap	94,789	457	104,196	0.91
EU activity overlap	965	45	990	0.97
US agreement overlap	176	124	7,626	0.02
EU agreement overlap	197	52	1,326	0.15

Because of bias, the coefficients of many predictors change substantially in the re-estimated models. Despite this, in the vast majority of cases do the signs and significance levels of the regressors remain intact. This is true regardless if the Inverse Mills Ratio is inserted into a QAP or an OLS regression or if a maximum likelihood estimation is used. In fact, the different methods employed report virtually identical results. Hence, only the corrected models run with the QAP variety are detailed, put on display in Table A.10 in the Appendix.

When it comes to activity overlap, there are not many considerable modifications of previous uncorrected effects. In the United States, incorporation and same country go from positive to significantly negative. Seemingly, the recovered true effects suggest that older firms and those headquartered within the same country are more likely to engage in delegation and/or free riding. Another change is that concentration becomes significant. With a correction of EU activity overlap, interlocks, industry*concentration, and dependence lose their significances and same owners becomes significant. However, none of their signs change and the coefficients only undergo marginal adjustments. Turning to US agreement overlap, political insider becomes significant, organizational culture changes sign and becomes positive, and policy type loses its significance. With EU agreement overlap, threat from labor, same owners, and concentration*industry become insignificant and dependence transforms into significantly negative. In the face of these modifications, the main takeaways from the preceding uncorrected analyses hold up.

The theoretical intersection least affected by the Heckman correction is firm-centric economic determinism. Some of its coefficients are slightly altered but by and large the corrected versions are almost carbon copies of the uncorrected ones. Dependence is a rare example of a predictor that comes out of the correction transfigured. Its newly acquired significant negative effect on EU agreement overlap, along with its insignificantly negative effect on US agreement overlap, conveys the impression that interdependent firms are more likely to clash in politics. This goes against the hypothesis that interdependence makes it imperative for a firm to appease the organizations on which it depends for the procurement of input or the sales of output. That threat from labor is no longer significantly positive for EU agreement overlap, but insignificantly negative, means that threat from labor and threat from government do not ostensibly influence the preferences on policy outcomes, neither in Washington D.C. nor in Brussels. In the previous chapter, it was shown that threat from labor and government increase activity overlap. Hence, unionization and regulation make it more likely that firms target the same policy issues they say little about agreement. This would lead to a rejection of the hypotheses that labor union power and regulations pose the kind of threats that would glue the capitalistic class together in a collective effort to curtail these dangers. In the end, despite these corrections, the uncorrected models are not far off.

Having concluded that sample selection bias exists in the data material but that it does not necessitate a reassessment of what has been written hitherto, it still might be that the preference formation plays out differently depending on how one slices and dices the population. We got a taste of this already in the previous section when the dependent variables were used as independent variables. Tables A.6-A.9 brought forth a set of permutations, mostly on activity overlap. This was a consequence of the total remake of data points. The 171 observations in Table A.6 (US activity overlap) and 140 observations in Table A.7 (EU activity overlap) mainly differ from the 94,789 and 965 in Table 5.1 and 5.4 in two ways: (1) they are on average larger in size and (2) they are on average more politically active. There is a close

link between these properties but in order to locate the provenance of the latent difference in corporate political behavior between subsamples, it is sensible to pursue both of them.

Creating subsamples of US agreement overlap and EU agreement overlap is a futile endeavor due to the few observations. On activity overlap, a host of subsamples were created, based on percentile ranks of revenue and lobbying intensity.[63] If the average percentile rank of a dyad is above that of the median, it is put in the subsample "above", otherwise in "below." Using an average has obvious drawbacks. A firm with a very high rank will generate a relatively high average, pretty much regardless of which actor it forges a dyadic partnership with. Unfortunately, the 965 observations in the final model of EU activity overlap are too few to allow for another criterion to be utilized. US activity overlap, on the other hand, has more flexibility. Therefore, yet another partitioning of US activity overlap is made and it requires of both firms in a dyad to either exceed a "high" threshold or to go below a "low" threshold. Table 6.7 displays the medians and means of the various subsamples. Because the basic descriptive statistics of the "above" subsamples of US activity overlap are not worlds apart from US agreement overlap (see Table 6.5), I decided (rather arbitrarily) to set "high" at a level so that the subsample has a median and an average that are close to an "above" subsample of US agreement. "Low" puts the bar as low as possible while yielding as many observations as "high." It turns out that the corresponding subsamples of lobbying and revenue produce regression outputs that are very similar. To the extent that there are incongruities between "above" and "below", "high" and "low", they are predominantly situated in the subsamples pertaining to revenue. Hence, to minimize information overload, the only results presented are those of the revenue subsamples (see Table A.11-A.12 in the Appendix).

Table 6.7: Revenue and lobbying intensity differences across configurations and selected partitions.

	Lobbying								Revenue							
	Above		Below		High		Low		Above		Below		High		Low	
	M	$\bar{x}$	M	$\bar{x}$	M	$\bar{x}$	M	$\bar{x}$	M	$\bar{x}$	M	$\bar{x}$	M	$\bar{x}$	M	$\bar{x}$
US activity	.85	.82	.62	.63	.93	.93	.52	.52	.78	.74	.42	.44	.84	.85	.35	.33
EU activity	.91	.78	.84	.67					.94	.94	.78	.71				

Notes: M = median, x = mean. "Above" is a partition whose dyads have an average percentile score above the median. "Below" is a partition whose dyads have an average percentile score below the median. "High" is a partition whose dyads are composed of two firms that both have a high percentile rank. "Low" is a partition whose dyads are composed of two firms that both have a high percentile rank

[63] This is measured as the number of bills lobbied on and the number of open consultation submissions by a firm. Number of public consultation submissions is a narrow proxy for lobbying intensity but it is not obvious which other proxy to use. Its correlation with the number of Commission expert groups a firm sits on is 0.33. Since the whole exploration into EU activity overlap is based on open consultations, I deem it the best of a collection of flawed alternatives.

Starting with US activity and "above" and "below", they are indistinguishable insofar as the signs of the regressors point in the same direction and almost all significance levels are identical. Between "high" and "low", there is more to disclose: (1) interlocks is insignificantly negative for "high" and significantly positive for "low", (2) concentration is insignificantly positive for "high" and significantly negative for "low", and (3) size is significantly negative for "high" and insignificantly positive for "high." Shifting the attention over to EU activity overlap, the only substantial difference is that of same owners, significantly positive for "above" and insignificantly negative for "below". What conclusions to draw from this is not apparent and the light they shed on Table A.6-A.7 is murky.

However, once changes in the estimates are considered, it is possible to tease out a few patterns. Arguably, the most conspicuous is that concentration and concentration*industry have stronger estimates among firms with lower revenue – more negative in Washington D.C. and more positive in Brussels – than their larger counterparts. This is consistent with the idea that smaller corporations – or rather, baby mammoths – invest less in political action and thus might rely more on coordination, as opposed to those which by virtue of their extensive lobbying machineries can afford to go alone. A partitioning based on lobbying intensity produces the same results and the tendency coming out of Table A.11-A.12 – that negative coefficients are slightly more common and stronger among baby mammoths – is even more discernible when the subsamples are divided on the basis of lobbying intensity. The overall assessment is that the six variables engendering lower activity overlap – incorporation, interlocks, concentration, concentration*industry, internationalization, and size – have more pronounced negative effects when firms have lower revenues and lobby less. This is yet another empirical observation that dovetails with the notion that delegation and free riding are more widespread among those corporations which do not have the capacity – largely attributed to their smaller revenues – to lobby far and wide.

In conjunction with this, a caveat must be added: Internationalization and size deviate in the sense that their negative estimates generally stand out even more clearly for "above" and "high" than for "low" and "below". It is curious that internationalization and size branch off. Why do smaller differences in size and export-focus cause a greater thinning of activity overlap when the firms are larger and lobby more? Possibly, coordination among larger/more politically active firms is more predicated on firm-centric economic considerations. That the explanatory power of the other F-E variables (industry and generic strategies) is not stronger for "above" and "high" than for "low" and "high" squares awkwardly with this hypothesis. Another conjecture is that it has to do with the fact that what public affairs offices typically do is to monitor what the government and other interest groups are up to (Heinz et al., 1993; Kersh, 2002, 2007). Conceivably, with this information, it would be easier to know when to free ride.

Other patterns are located in the class-centric category and they pertain to ownership – same owners is stronger for "above" and "high" and cross-ownership is stronger for "below" and "low" – and threat from labor whose impact is greater on larger firms. What is discovered regarding ownership does not readily lend itself to a straightforward explanation. In contrast, that threat from labor asserts itself in a

non-uniform manner across the corporate landscape is not surprising – larger enterprises have bigger, more unionized workforces and the proposed mechanism stipulated that both firms need to be characterized as such for the threat to be collectively perceived. These findings are, in general, in tune with what was uncovered in Table A.6-A.7.

6.6. Conclusions

What the business community wants in politics is different from the hopes and desires of the average voter (Gilens & Page, 2014; Hojnacki et al., 2015). That being said, just as the electorate cannot be reduced to a group of kindred spirits, the group of the largest corporations displays a heterogeneous collection of preferences. In this chapter, the aim has been to decipher why some firms mostly agree on policy issues and other firms adopt clashing positions.

The hypothesis that cannot be rejected is that a higher degree of industrial overlap leads to a higher overlap of political preferences. The significance of industry is omnipresent and its beta coefficients robust. The other variable that routinely, although playing a less critical role, foster high agreement overlap on a significant level is generic strategy but it has a negative impact on agreement overlap, meaning that firms with similar market strategies are less prone to agree. This contradicts the original hypothesis. To understand why, recall that generic strategy is essentially a measure of the degree to which two firms seek competitive advantage through either cost leadership or differentiation. Two firms pursuing the same generic strategy, and operating in the same industry (or a rival one), are direct competitors. Obviously, competition is not restricted to strategic groups. As a general principle, however, companies belonging to the same strategic group are the closest competitors (Fiegenbaum & Thomas, 1995). Apart from being key drivers of agreement overlap, industry, and generic strategy are, on balance, the two variables with the most consistent coefficients, over both institutional settings. This lends support to the twofold argument that underpins the thesis: Corporate preference formation is primarily governed by firm-centric and economic deterministic forces and similarities do not necessarily unite firms around a shared political agenda.

Behind industrial affiliation and strategy, there is a tension. Schmitter and Streeck (1999, p. 14) go to the heart of the matter when stating that homogeneity, between firms of the same industry or sector, increases "[…] the range of subjects on which common interests can be formulated [and] at the same time fosters competition and makes mutual cooperation more difficult to establish." The message of Schmitter and Streeck is that similitude a double-edged sword, simultaneously expanding the congruity of basic material interests and increasing market rivalry. It is the F-E intersection that measures material homogeneity. Three of its components – the degree of industrial overlap, matching sizes, and export-level similarity – boost agreement. It is the pursuit of the same generic strategy that converts market rivalry into

political rivalry. Furthermore, it is the sole exception to the rule that a predictor that produces higher activity overlap does likewise for agreement overlap.

This is not to say that class-centric dynamics and those not directly linked to the market are irrelevant. These two categories – and especially class-centrism – came out well when compared to the firm-centric and economic deterministic categories with regards to their coefficients of determination. That said, the F-E intersection has the highest coefficients of determination and the four F-E hypotheses – industry, generic strategy, internationalization, and size – are among those five least prone to be rejected. This demonstrates that although the other theoretical constructs remain valuable, the greatest bang for the buck if we wish to understand corporate political preference formation comes from firm-centric economic determinism.

A possible challenge to the accentuation of the F-E intersection is that material interests remain stable across borders and that it would be somewhat unfair to compare firm-centric predictors with class-centric ones. The class-centric hypothesis tested here are not supposed to be applied to a precise system but they have routinely been offered as universal determinants, equally fit to travel across borders as the firm-centric factors. Even though the entire scope of class-centric attributes has been far from covered, this is true also for firm-centrism. Therefore, the cards have not been marked in advance, in one way or the other, and the whole idea of including as many parameters as possible in the equations reflects this aim.

In the last section of this chapter, potential selection bias was dealt with. The Heckman selection method revealed that the sets of dyads constituting the analyses of US activity overlap and EU agreement overlap indeed are biased. Nonetheless, judged by the few changes in signs and significance that spring up in the corrected models, the main conclusions drawn from the uncorrected estimates do not need to be revised. More than any other theoretical intersection, the junction between firm-centrism and economic determinism proves to be least affected by the correction. In fact, the only substantial abrogation of previous findings pertains to dependence – the corrected estimates seem to indicate that interdependent organizations have a harder time to reach agreement – and to threat from labor, which is no longer significant for agreement.

A further exploration into selection bias prompted an analysis over various subsamples. Unfortunately, only US activity overlap and EU activity overlap had sufficient quantities of observations to make this possible. The general picture that emerged from this analysis was that class-centric negative effects are stronger among smaller corporations and those which are less active in politics – two properties that go together – which fits with the expectation that such firms rely more on delegation and free riding to get their voices heard (indirectly) in the different corners of parliaments.

Chapter 7: Conclusions

ONE DAY A COUPLE of years ago, I attended an event in Brussels. It was one of those rare occasions when lobbyists are invited to learn the latest research on interest-group politics. Throughout the presentations and the Q&A, the practitioners listened unenthusiastically and engaged scantly. As the two hours drew to a close, a top shot from a well-known public affairs agency raised his hand to speak:

> So, what you tell us is that the companies in Brussels agree with each other and that the fights are between them and other types of interest groups. But that is not what I see. What I see is that industries attack each other.

From the podium, the principal investigator of the project shook his head and replied "No, what are you are saying is simply false", whereupon the lobbyists in the room shook their heads back in response to the academics.

One of the things this study has demonstrated is that both were right, to a certain degree. Yes, if one looks at policy positions, it is relatively rare to observe corporations opposing each other. Having said that, it is a fact that industrial affiliation is the most pivotal fault line that splits the business community into distinct factions. The high agreement overlap between large firms and the paramount importance of industry are two of the most evident results of this thesis. This is hardly news, as many previous studies have made similar discoveries. Yet, it is the force and breadth by which this is true that has been the most striking. More importantly, they are merely two pieces of a larger story that the results weave together. In this final stretch, it is this story I want to focus on, also from a historical vantage point.

The conclusions will start at a basic level, namely the anatomy of overlap of political preferences. This was the theme of Chapter 4 and we return to its core properties, but with further discussion on the implications for corporate political unity and corporate political fracture. After having pinned down the phenomenon, the next step is to remind ourselves of the goals and the overarching argument. The rest of the chapter is an exposition of the main findings and how they connect to the argument, which is that political preferences are predominately shaped by firm-centric economic deterministic forces and that market competition can make similar firms turn against each other also in the political sphere. Along the way, the limitations of the revelations are discussed.

7.1. Unity and fracture in the contemporary world

What makes this study topical is that the political unity of business elites, especially the American and British, has never been lower. This insight can be married to a larger discourse. The present era is said to

be an age of social fracture (Rodgers, 2011). Illustrations of this include Putnam's (2000) work on diminishing social interactions, Cass Sunstein's work (2009) on the internet's balkanization of society, and the observation that culture and entertainment are increasingly narrowly consumed (Anderson, 2006). In our day and age, disintegration seems to be omnipresent.

Some of the most prominent and influential political theorists, past as well as present, have defined politics as the struggle between friends and foes (Mouffe, 2005; Schmitt, 1927). When one asserts that the business aristocracy is fractured, is it the struggle between corporate friends and foes that characterizes it? The answer is "no." US agreement overlap and EU agreement overlap are, on average, 0.71 and 0.76. A quarter-century ago, Mizruchi (1992, p. 166) found that between 1980 and 1987, the incidence of opposition in congressional testimonies had been 21 percent. My own analysis of congressional hearings shows that in 29 percent of the instances, two firms are in separate corners in the fight between status quo and change. Certainly, the coding schemes employed by the two studies are not identical and congressional hearings might have changed since the 1980s. Yet, a more direct comparison would be difficult to make.

While this is a sign of a rise in disagreement, it is not large enough to talk about a sea change. It is only by shifting attention to activity overlap that something resembling fracture leaps into view. Comparatively few dyads manage to score above 0 and the averages are 0.03 and 0.08 for US activity overlap and EU activity overlap, respectively. Thus, while firms have a propensity to agree, rarely do they fight the same war. Rather, their political actions are directed at quiet policy corners where it usually easier to have a noticeable impact on legislation (Baumgartner & Leech, 2001; Mizruchi, 2016, p. 1192). The disunity between corporate giants is, by all appearances, their inability to mobilize.

This puts the old debate between pluralists and elite theorists in a different light. The answer to "is the business community united or fractured?" is very much "neither/nor". "Firms are indifferent to one another" comes closer to the empirical truth. Some would still argue that this is an expression of conflict. In their seminal book, *The Hollow Core*, Heinz and others (1993) write that interest groups develop specialized lobbying niches instead of directly ambushing their rivals. It should be recognized that their scope is broader than mine (they look at the whole ecosystem of politically active organizations) but as far as this study goes, their depiction of rivalry does not apply here. The more homogenous firms are (measured by industry, strategy, and internationalization), the more directly do they compete against each other for customers and the more likely it is that they descend on Washington D.C. or Brussels to put pressure on the same pieces of legislation or proposals. In other words, companies that directly compete in the marketplace gravitate more towards the same policy issues than other firms. One way of summarizing this is to think of the lobbying scene not as a village where the inhabitants interact regularly, but as a city. In the city, some people – particularly those with similar lifestyles or occupations – frequently come across each other, but most are virtual strangers.

Another finding is that activity overlap and agreement overlap are unrelated. On the one hand, there are determinants that simultaneously increase activity and agreement overlap. On the other hand, the correlations between activity overlap and agreement overlap are weak and inserting them into the regression equations as independent variables do not alter the results whatsoever. Of course, companies routinely stand together in the conflict between status quo and change. Therefore, a high activity overlap could automatically be translated into "politically active on the same issues and usually in agreement." The point is that information on one dependent variable is not helpful when predicting the score of the other dependent variable. This makes sense. First, low activity overlap is not necessarily indicative of low overlap of preference but could equally flow from delegation and free riding. Second, in the case of conflicting goals, firms should target the same issues.

What is more, the negative effect of policy type on agreement overlap signals that the accepted notion of unity being strongest in case of salience needs to be reevaluated. This supports the thesis of Mark Mizruchi that the American business elite nowadays is unable to speak with a single voice on the most pressing issues facing the nation. Apparently, the probability that the largest economic enterprises are in cahoots is highest when the societal stakes are lowest. This might indicate that the era of epic battles between capital and its enemies is a thing of the past.

7.2. The argument and its critics

This study summons proposed explanations of corporate preference formation. Because it lies at the intersection of many academic disciplines – political science, economics, business science, organizational studies, sociology – it draws from a multitude of hypotheses as to what causes preferences to converge and diverge. They have their origins in various theories on firm behavior and they call forth contrasting images of how firms make decisions and behave politically. Broadly, the field is dominated by three types of viewpoints: the "sociologist", the "institutionalist", and the "neoclassic". They are not necessarily mutually exclusive and free from cross-contamination but nonetheless provide three "big ideas."

The sociologists and institutionalists are alike in that they regard the interests of firms as "somewhat indeterminate". This does not mean that corporations are irrational or easily swayed, just that one cannot look at them in isolation to make predictions about their political actions. One must also consider the institutional context and the interactions and interdependencies with other firms. That is to say, the environment, as more or less independent from the individual firms, is a force to be reckoned with. At that junction, the attention of sociologists and institutionalists bifurcates. The latter places emphasis on local institutional arrangements and how the historical interactions between state, labor, and capital have created cross-country variations in "rules of the game". The corporate preference formation is

subject to these dynamics, which explains why two national business communities may try to obtain very different things from politics. It is not that the sociologists are oblivious to these dynamics but their focus is less on cross-country variations and more on the corporations themselves and their successes and failures to form a consolidated capitalist class. Focuses aside, sociologists and institutionalists stress the importance of many of the same factors, such as the interfirm networks, labor, the government, and interdependencies. Although there are a multitude of institutional features not incorporated into the equations, the class-centric category does span over a large portion share of them.

To try to undermine these viewpoints would be ludicrous. They are well-established and continue to produce valuable insights. What I aim at, however, is to offer a general and contemporary understanding of corporate political preference formation. The argument is that what is required is an acute recognition of the transformation of market opportunities, practices, and strategic management that have profoundly changed the behavior of market actors. From entities with strong local and regional ties and limited interactions with foreign markets and foreign firms, the large corporations are now often global players and guided by a "shareholder value" and a dog-eat-dog mentality that is in stark contrast to the one prevailing in earlier decades. A new frontier in the quest to outperform rivals is the nonmarket sphere. Despite nonmarket forces, as a concept, having been familiar to academics and business leaders for a long time, it is only recently that widespread efforts have been made to incorporate this sphere into an organization's market strategy. This would bring about a closer connection between market activities and political activities, both serving to improve the performance of the firm. This reintroduces the neoclassical emphasis on unitary actors and material interests in corporate political preference formation. The argument being offered here is the following: The forces governing corporate political preference formation have shifted towards the intersection between firm-centrism and economic determinism and political competition, not only political collaboration, characterizes the relationship between firms that are similar market actors.

To statistically test this prediction, the hypotheses are classified into four intersections: (1) class-centric rejection of economic determinism, (2) firm-centric rejection of economic determinism, (3) class-centric economic determinism, and (4) firm-centric economic determinism. The hypotheses falling into one of the first two intersections share a conception of the formation process as primarily driven by that which lies outside the market and the firm's market activities, albeit not ruling out that it might be a by-product of such. The last two, conversely, start and end with the market. Firm-centrism and class-centrism divide the hypotheses based on whether they are endogenous or endogenous to the organization. Class-centrism invokes economic/non-economic ties that bind firms together and unite the business community despite its inherent heterogeneity. Firm-centrism gives prominence to factors located within the boundary of the firm –the firm's market activities (economic determinism) or the ideologies of those running the organization (rejection of economic determinism).

It must be acknowledged that the theoretical divisions do not seamlessly delineate the three grand theories presented in the second chapter – that is, the neoclassic theory, the nexus of contracts theory, and the behavior theory of the firm. To strictly subsume a hypothesis under these banners does not give justice to how multifaceted and overlapping the viewpoints and theories are. Still, the theoretical intersections have their clear lineages. F-RE has its foundation in the nexus of contract theory and the behavioral theory of the firm but it would not be possible to adjudicate between the two in this case since ideology, measured by campaign donations, may influence the formation through the agent's explicit self-interest (the nexus of contracts theory) or the agent's cognitive predispositions (behavioral theory). C-RE largely draws from the behavioral theory. F-E represents the neoclassic theory of the firm and its presumption that the corporation is a profit-maximizing unitary actor. C-E also fits into the economic dimension but it argues that certain economic conditions can facilitate communication and pressure of conformity and thereby clear the path towards political unity. Two hypotheses are placed under the C-E banner. One is that the high market concentration that comes with few dominant actors will create an incentive to collude and it will sharply reduce the transaction costs that impede interactions. The second one is interdependencies between market actors regarding sales and purchases, which make firms dependent on each other and willing to lend political support and to avoid warfare.

To strictly associate the sociological and institutional camps with class-centrism would not be entirely correct. In their traditions, F-E variables matter a great deal, both directly and indirectly. From a very broad vantage point, however, a shift in the balance towards the F-E intersection – "economic determinism" – would imply deal a blow to their insistence on historical dynamics and the firm as embedded in a larger social structure.

In the upcoming section, the last of this dissertation, a condensation of the main results is presented. While digesting the key takeaways, it is imperative to be mindful of the shortcomings of the method that has produced these results. Throughout the text, flaws in the data – noisy, restricted, small-n, et cetera – have received much attention and instead of rehearsing this all over again, I refer the reader to the passages in which the independent and the dependent variables are operationalized. The method itself has been less scrutinized. In total, three broad implications of the method merit serious consideration.

First, the method is insensitive to "anticipated reactions" of politically active organizations and "when effect becomes cause." These concepts speak volumes to corporate political preferences. Some of the great scholars on state-business interactions emphasize the strategic calculations of political participants and that an actor's "expressed policy preferences may […] reflect accommodations to circumstances that constrain what can be achieved." (Hacker & Pierson, 2002, p. 283). This is "anticipated reactions." There is also the "when effect becomes cause" (Pierson, 1993) phenomenon. That is, the possibility that a policy, with the passage of time, itself induces the preferences of the affected stakeholders (Vogel, 1978, pp. 52–53). What both concepts advise against is equating a publicly stated preference with a – for the lack of better words – "true" preference. This ties back to the discussion about

the ahistorical nature of this piece of research and the failure to go beyond the most public displays of corporate political preferences. However, whereas they could have been mitigated using different types of quantitative data – going back further in time and covering non-legislative lobbying – only a quantitative methodology could go to the root of "strategic" preferences and those shaped by the experience and adaptation to a new policy environment.

Second, by building the entire investigation on dyadic associations, we see the world through a lens which magnifies certain aspects while reducing others. For a start, it creates the impression that the distance between the preferences of two companies is determined by the direct relationship between their properties (market operations, social networks, threats, et cetera). Yet, two firms are merely lone dots in a vast ecosystem of political participants, all of which introduce constraints and opportunities for each other. By zeroing in on the direct constraints and opportunities connecting actors, the broader environment goes lost. Still, it is easy to imagine that the preferences of two entities are brought closer together, or further away from each other, by the action or inaction of others. If a minor role of external factors has been discovered along my journey, the exclusive look at dyads is probably partly responsible for holding it back.

Another problem arising from the dyadic structure of the data relates to the fallacy of composition. To fallaciously attribute a property of some part to the thing as a whole is a common mistake. If a statistical analysis shows that class-centric factors – cohesion and dependence, for example – have a limited impact on overlap of preferences at a dyadic level, can we readily extrapolate this insight to the business community level? To do so would be like saying "because interlocks and output-input transactions between producers do not increase the overlap of preferences between two firms, the complete disintegration of the network of interlocking directorates and interdependencies will not affect the political unity of the business community." The second part of this statement would need to be corroborated using business communities as units of analysis and showing that the overall density of ties and interdependence had little influence on political unity across the communities.

The last methodological issue to be raised is the distinction between overlap of preferences and position of preferences when speaking of corporate political preference formation. An inquiry into unity and fracture – regardless if it examines variation across dyads or business communities – meters the space between parts and seeks to give an account of their distance. For all that, it does not give us any guidance into understanding what the firms want and – more importantly – say nothing about the ideological midpoint. In other words, some factors might not squeeze together the distribution of corporate preferences but rather provoke a shift to the left or the right of the entire distribution. To exemplify, a high union density perhaps does not cause a general mobilization of the business community but could nonetheless push it more towards a neoliberal ideological space. So, a determinant of unity is not necessarily a determinant of the prevalent business ideology and vice versa.

7.3. The story of corporate political preference formation

Via a host of analyses, what materializes is a mosaic of discoveries, some more conspicuous and uniform than others. The intention is not to go into nitty-gritty details but take a step back and give a summary of the broad picture and how the theoretical intersections come out of this investigation. To kick this off, let us return to the four questions that were submitted in Chapter 3:

1. How does overlap of preferences vary across business communities?
2. Do firms from the same national business community have higher overlap than those from different ones?
3. How do the determinants of overlap of preferences vary/remain stable across subgroups?
4. How do the determinants of overlap of preferences vary/remain stable across institutional settings?

Starting with the second question, the answer is a stumbling "sort of". Judging by simple averages in Chapter 4 and the regression tables presented in the same chapter, dyads composed of firms from the same business community tend to have higher activity overlap and agreement overlap. In Chapter 5 and 6, the same country dyad variable reported positive effects. That said, its estimates are usually weak, especially after having been corrected by the Heckman method. Once the industries in which the companies operate is controlled for, the members of the "corporatist" German business community have higher overlaps than the British and American. But this operation also exposes the much larger effect that industry has on overlap. The answer to the first and the second question is then: Firms headquartered in the same country – and particularly in Germany – have higher overlaps but if cross-national variations are pitted in opposition to industrial variations – a debate which has animated a large section of the writings on policy orientations – the latter is undoubtedly the most consequential of the two.

The third and fourth questions can be approached via individual predictors and the theoretical intersections. In any event, the two yield similar findings. The most consistent regressors across the board are industry and generic strategy, regardless of the type of overlap, location, or dyadic subsample. Thus, what is stable, and therefore is characteristic of US activity overlap, EU activity overlap, US agreement overlap, EU agreement overlap, all dyads, American dyads, country-homogenous dyads, and country-heterogenous dyads, is industrial affiliation and market strategy. Firm-centric economic determinism is also the construct with the highest explanatory power. In summary, the verdict is that the most rigid and powerful manufacturer of political preferences is the intersection between firm-centrism and economic determinism.

If we instead delve into the explanatory power of single hypotheses, the ones that are most frequently significant are industry and generic strategy. In Chapter 3, these hypotheses were submitted, in the following fashion: (1) The more industrial overlap two firms have, the higher their overlap of preferences, (2) The more similar two firms are with respect to their generic strategies, the higher their overlap of preferences. Industry is significantly associated with higher overlap scores in every model. Generic strategy is significant in all but one model (EU agreement over country-homogenous dyads). Three additional variables repeatedly emerge as significant: internationalization, size, and concentration*industry. A rehearsal of their associated hypotheses reminds us that: (1) The more similar two firms are with respect to internationalization, the higher their overlap of preference, (2) The more similar two firms are with respect to size, the higher their overlap of preferences, and (3) The more concentrated the industries of two firms are, the higher their overlap of preferences. All but one – the latter – belong to the F-E category. This means that four out of four hypotheses located at the intersection between firm-centrism and economic determinism frequently come out as significant. In contrast, five out of eight C-RE covariates – incorporation, proximity, interlocks, political insider, and same owners – are least likely to do so.

Internationalization and size routinely depress activity overlap and so do concentration*industry, concentration, interlocks, and incorporation. The first two are firm-centric and the latter four belong to class-centrism. Curiously, the negative effects on EU activity overlap mostly stem from firm-centrism, the opposite is true for US activity overlap. The most convincing explanation is that additional signatories can easily be added to an open consultation submission, so it is rational firms with the same interests, close ties, and a history of coordination to have a high activity overlap. The high cost of preparing a submission would, at the same time, tempt similar firms to free ride. In the United States, only the actual executor of a lobbying effort needs to disclose this activity. Because of the endless stream of bills, it is rational for firms with ties to each other to engage in delegation.

I embarked on various empirical excavations to shed more light on the topic of delegation and free riding. First, it was demonstrated that firms operating in more concentrated industries lobby less. This, I argued, is in line with the delegation/free riding thesis since these two actions should presumably allow firms to be less directly politically active. Second, an analysis of subsamples shows that these negative variables have more weight on comparatively smaller firms, which would be symptomatic of their need to delegate and free ride in order to offset their smaller lobbying machineries.

The only determinant that simultaneously increases activity overlap and decreases agreement overlap is generic strategy. From a nonmarket angle, this makes perfect sense. Obviously, two firms with a high degree of industrial and strategic similitude will share a lot of material interests. Therefore, their political affairs are more likely to target a common set of policy issues. Furthermore, as the strength of industry shows, resemblance does not typically trigger political conflicts. Separate market strategies, however, does vouch for higher agreement overlap. This follows logically from the fact that two firms

pursuing the same generic strategy, and operating in the same industries or rival industries, are direct competitors. The fact that F-E is the most powerful construct and that generic strategy and industry produce the most reliable outcomes are testaments to the alignment of political action to market action.

This supports the twofold argument of this thesis: The F-E intersection dominates the preference formation and market resemblance may harbinger political conflict. The reader might recall the less static version of this argument, involving a "shift". This piece of research cannot by itself track such a shift, only tell a story – informed by the literature on how competition and corporate political action have changed – as to why previously established class-centric predictors recede into the background and F-E predictors are paramount. In these last pages, let us see how this shift can be corroborated.

What should be clear to the reader who has plowed through the majority of pages of this thesis is that its main antecedent is *The Structure of Corporate Political Action: Interfirm Relations and Their Consequences*, written by Mark S. Mizruchi and published twenty-five years ago (1992). By juxtaposing this piece of research with its forerunner, it is possible to track the evolution of the results. Needless to say, the two studies diverge markedly. Not only are their regression equations populated by non-identical sets of parameters, the operationalization of the variables differs in almost all cases. Nonetheless, it is a natural yardstick. Unfortunately, Mizruchi's scope only encompasses large American corporations and the measure that comes closest to activity overlap is his coding of unrelated congress testimonies, that is when firms talk past each other and offer views that are unrelated (Mizruchi, 1992, pp. 161–166).[64] So the only feasible comparison is that over agreement overlap of American dyads. To begin with, the R^2 of my model is 0.1974 compared to 0.069 in the model run by Mizruchi (1992, p. 169).[65] The increase verifies that this dissertation has brought improvements.

In relation to the independent variables,[66] Mizruchi (1992, p. 171) writes that "the strongest predictor of agreement is membership in the same primary industry. This corresponds to the expectation, shared by both pluralists and class theorists, that the largest members of a particular industry will act collectively to promote their common interests". Hence, on this issue, there is nothing new under the sun.

The book highlights two additional determinants. First, the greater the resource dependence is between the industries in which the firms operate, the more probable it is that the firms agree politically (Mizruchi, 1992, p. 171). Second, cohesion is found to have a significant impact and he writes that "[s]imilar interests lead to similar political behavior. But the effect of similar interests on similarity of

[64] Dyads with more cases of agreement than opposition were coded as 1, those with equal frequencies of agreement and opposition were coded 0, and those with more cases of opposition were coded -1. Unrelated testimonies were omitted from the analysis.
[65] He also makes use of the quadratic assignment procedure.
[66] The independent variables added to his models are the following: *proximity*, *same primary industry*, *common industries* (these two are similar to *industry*), *market constraints* (similar to *dependence*), *common stockholders* (similar to *same owners*), *direct interlocks* (similar to *interlocks*), *indirect interlocks*, *asymmetry*, *constraint*asymmetry*, *capital intensity* (similar to *generic strategy*), *regulated industries* (similar to *threat from government*), and *defense contracts*.

political behavior is not as strong as is the effect of network variables" (Mizruchi, 1992, p. 240). My own investigation does not arrive at the same conclusions. Interlocks and dependence report weak and oftentimes insignificant coefficients, something that came out even more strongly in the corrected versions of the estimates.

Why is it that dependence and interlocks no longer orchestrate the corporate elite as they used to? Again, it is imperative to appreciate the transformations of market opportunities, practices, and strategic management that have come to pass in the last few decades. For the large firms, the Earth has become flat (T. L. Friedman, 2005), and an international business aristocracy has emerged (Freeland, 2012), whereby more or less all business communities, no matter how closely knitted they once were, have seen their social networks erode significantly (Chu & Davis, 2016; Höpner & Krempel, 2004) and the markets they operate in turn global (Mann, 2013).

The ramifications are plenty but two that are relevant here are the thinning of interlocking directorates and the shrinkage of resource dependencies in an age when products can be bought and sold worldwide. The resource dependency theory traditionally views the two as intimately intertwined, with the board as a means for gaining access to critical resources. There is the claim that this link is broken as a consequence of the globalization of markets (Mizruchi, 2014), and the correlation coefficient that I unearth also shows a very weak connection.[67] This has seemingly severely destabilized the earlier checks and balances on political preferences guaranteed by interfirm networks and resource dependencies.

Another revision that needs to be made concerns market strategy. In his work, Mizruchi (1992, p. 111) employed a capital intensity measure and calculated a difference score between firms. This is not exactly how generic strategy has been operationalized but there is a strong correspondence at any rate. Whereas I find a negative effect of strategic similitude on agreement overlap, the quarter of a decade old benchmark gathers that "[d]yads whose firms had similar levels of capital intensity were more likely to agree in their congressional testimony than were those whose firms had different levels of capital intensity" (Mizruchi, 1992, p. 246). In essence, the pursuit of similar strategies has gone from a facilitator to a barrier to corporate political unity. This goes against the widely shared notion – held by pluralists, neo-Marxists, and elite theorists alike – that homogeneity always has a harmonizing effect. This hammers home "The Selling Point":[68] Due to globalization and a new competitive landscape, the nature of corporate political preference formation is more geared towards aspects that are tied to the market and located within the boundaries of the firm, and the spillover of market rivalry into the political domain is a natural extension of the merger of market and nonmarket strategies.

[67] The correlation between dependence and interlocks is 0.02 (Pearson correlation).
[68] During the first meeting with my supervisor, Pepper D. Culpepper, he was adamant that I use the pun "The Selling Point" in my thesis. With this, I hope to have fulfilled at least one of his expectations.

The direct comparison between this thesis and its forerunners is unmindful of transformations of the political environment. This study has come into being at a specific period of time, which is perhaps representative neither of the past nor the future. Some say that this is an era in which policies are particularistic and sector-specific (Majone, 1997). Contrast this to an earlier period, when the left-right scale was more pronounced and policy interventions were broader and deeper. To overstretch the argument somewhat, if the debate of the day concerns far-reaching free market restrictions, it is fairly obvious on which side the firms would mobilize. When the discussions instead bear upon specific tariffs and regulations, a fragmentation is to be expected. Put differently, fracture might not be a symptom of a deep political cleavage in the business community but of the way the ideological wind blows. By the same token, that the preference formation is governed by a firm-centric economic deterministic logic could derive from the types of issues populating the agenda, rather than from a revolution in lobbying itself.

It would be possible to point to data that does not support this proposition. The regression of activity overlap across salient issues did not call for any revision and the increase in opposition, from 21 percent between 1980 and 1987 to 29 percent between 2007-2014, is not a sea change. But the question is: How does one even separate between these two phenomena? Even if the new political climate is not the direct cause, it could certainly have opened the door to the reorientation of firms' approach to politics and the alignment between market and nonmarket strategies. And that does not even touch upon the relationship between market structures and competition and politics. What we can say for sure, however, is that corporate political preference formation is not perennial but a moving target. As such, it needs constant updating to keep up with developments. This is one of the core messages of this thesis.

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Appendix

Table A.1: List of firms in population.

Company	Country	Company	Country
3i Group	United Kingdom	3M	United States
Aareal Bank	Germany	Abbott Laboratories	United States
AbbVie	United States	Abercrombie & Fitch	United States
Aberdeen Asset Management	United Kingdom	Actavis	United States
Activision Blizzard	United States	Adidas	Germany
Admiral Group	United Kingdom	Adobe Systems	United States
ADT	United States	Advance Auto Parts	United States
Advanced Micro	United States	Aecom Technology	United States
AES	United States	Aetna	United States
Affiliated Computer	United States	Aflac	United States
AG Edwards	United States	AGCO	United States
Aggreko	United Kingdom	Agilent Technologies	United States
Air Products & Chemicals	United States	Airgas	United States
AK Steel Holding	United States	Alcoa	United States
Alexander's	United States	Alexion Pharmaceuticals	United States
Alleghany	United States	Allegheny Energy	United States
Allegheny Technologies	United States	Allergan	United States
Alliance & Leicester	United Kingdom	Alliance Boots	United Kingdom
Alliance Data Systems	United States	Alliant Energy	United States
Alliant Techsystems	United States	Allianz	Germany
Allied Waste Inds	United States	Allstate	United States
Alltel	United States	Alpha Natural Resources	United States
Altana	Germany	Altera	United States
Altria Group	United States	Amazon.com	United States
AMB Property	United States	Ambac Financial Group	United States
Amdocs	United Kingdom	AMEC	United Kingdom
Amer Eagle Outfitters	United States	Ameren	United States
American Capital Agency	United States	American Electric	United States
American Equity Investment	United States	American Express	United States
American Financial Group	United States	American Home Mortgage	United States
American International Group	United States	American National Insurance	United States
American Standard	United States	American Tower	United States
American Water Works	United States	AmeriCredit	United States
Amerigroup	United States	Ameriprise Financial	United States
AmerisourceBergen	United States	Ametek	United States
Amgen	United States	Amlin	United Kingdom
Amphenol	United States	AMR	United States
Amvescap	United Kingdom	Anadarko Petroleum	United States
Analog Devices	United States	Anglo American	United Kingdom

Anheuser-Busch Cos	United States	Anixter International	United States
Annaly Capital Management	United States	Antofagasta	United Kingdom
AOL	United States	Aon	United States
Apache	United States	Apartment Investment	United States
Apollo Education Group	United States	Apple	United States
Applied Materials	United States	Arcandor	Germany
Archer Daniels Midland	United States	Archstone-Smith	United States
ARM Holdings	United Kingdom	Arrow Electronics	United States
ArvinMeritor	United States	Ashland	United States
Associated Banc-Corp	United States	Associated British Foods	United Kingdom
Assurant	United States	Astoria Financial	United States
AstraZeneca	United Kingdom	AT&T	United States
Atmel	United States	Atmos Energy	United States
Aurubis	Germany	Autodesk	United States
Autoliv	United States	Automatic Data	United States
AutoNation	United States	Autonomy	United Kingdom
AutoZone	United States	Avalonbay Communities	United States
Avaya	United States	Avery Dennison	United States
Avis Budget Group	United States	Aviva	United Kingdom
Avnet	United States	Avon Products	United States
Axel Springer	Germany	BAE Systems	United Kingdom
Baker Hughes	United States	Balfour Beatty	United Kingdom
Ball	United States	Bank of America	United States
Bank of New York Mellon	United States	BankUnited Financial	United States
Barclays	United Kingdom	Barratt Developments	United Kingdom
BASF	Germany	Baxter International	United States
Bayer Group	Germany	BayWa	Germany
BB&T	United States	Beam	United States
Bear Stearns Cos	United States	Beazer Homes USA	United States
Becton, Dickinson	United States	Bed Bath & Beyond	United States
Beiersdorf	Germany	Berkshire Hathaway	United States
Best Buy	United States	BG Group	United Kingdom
BHP Billiton	United Kingdom	Bilfinger & Berger	Germany
Biogen Idec	United States	Biomet	United States
BJ Services	United States	BJ's Wholesale Club	United States
Black & Decker	United States	BlackRock	United States
BMC Software	United States	BMW Group	Germany
Boeing	United States	BOK Financial	United States
BorgWarner	United States	Boston Properties	United States
Boston Scientific	United States	BP	United Kingdom
Bradford & Bingley	United Kingdom	Brenntag	Germany
Brinker International	United States	Brink's	United States
Bristol-Myers Squibb	United States	British Airways	United Kingdom
British American Tobacco	United Kingdom	British Energy Group	United Kingdom
British Land	United Kingdom	British Sky Broadcasting	United Kingdom
Brixton	United Kingdom	Broadcom	United States

Brown-Forman	United States	Brunswick	United States
BT Group	United Kingdom	Bucyrus International	United States
Bunzl	United Kingdom	Burberry Group	United Kingdom
Burlington Santa Fe	United States	CA	United States
Cable & Wireless	United Kingdom	Cablevision	United States
Cabot Oil & Gas	United States	Cadbury	United Kingdom
Caesars Entertainment	United States	Cairn Energy	United Kingdom
Calpine	United States	Cameron International	United States
Campbell Soup	United States	Capita Group	United Kingdom
Capital One Financial	United States	Capital Shopping Centres	United Kingdom
CapitalSource	United States	Cardinal Health	United States
CareFusion	United States	Caremark Rx	United States
Carillion	United Kingdom	CarMax	United States
Carphone Warehouse	United Kingdom	Catamaran	United States
Caterpillar	United States	CB Richard Ellis	United States
CBOT Holdings	United States	CBRE Group	United States
CBS	United States	CC Media Holdings	United States
CDW	United States	Celanese	United States
Celesio	Germany	Celgene	United States
CenterPoint Energy	United States	Centex	United States
Centrica	United Kingdom	CenturyLink	United States
CenturyTel	United States	Cephalon	United States
Cerner	United States	CF Industries Holdings	United States
CH Robinson Worldwide	United States	Charles Schwab	United States
Charter Communications	United States	Chesapeake Energy	United States
Chevron	United States	Chicago Mercantile	United States
Chimera Investment	United States	Chipotle Mexican Grill	United States
Chubb	United States	Church & Dwight	United States
Cigna	United States	Cimarex Energy	United States
Cincinnati Financial	United States	Cintas	United States
Circuit City Stores	United States	Cisco Systems	United States
CIT Group	United States	Citigroup	United States
Citizens Community	United States	Citizens Republic Bancorp	United States
Citrix Systems	United States	City National	United States
Clear Channel Communication	United States	Clearwire	United States
Cliffs Natural Resources	United States	Clorox	United States
Close Brothers Group	United Kingdom	CME Group	United States
CMS Energy	United States	CNO Financial Group	United States
Coach	United States	Cobham	United Kingdom
Coca-Cola Co	United States	Coca-Cola Enterprises	United States
Cognizant Technology	United States	Colgate-Palmolive	United States
Colonial BancGroup	United States	Comcast	United States
Comerica	United States	Commerce Bancorp	United States
Commerce Bancshares	United States	Commercial Metals	United States
Commerzbank	Germany	Community Health System	United States
Compass Bancshares	United States	Compass Group	United Kingdom

Computer Sciences	United States	ConAgra Foods	United States
Concho Resources	United States	ConocoPhillips	United States
Conseco	United States	Consol Energy	United States
Consolidated Edison	United States	Constellation Brands	United States
Constellation Energy	United States	Continental	Germany
Continental Airlines	United States	Continental Resources	United States
Con-way	United States	Corning	United States
Corus Group	United Kingdom	Costco Wholesale	United States
Countrywide Financial	United States	Coventry Health Care	United States
CR Bard	United States	Crown Castle International	United States
Crown Holdings	United States	CSX	United States
Cullen/Frost Bankers	United States	Cummins	United States
Custodia Holding	Germany	CVR Energy	United States
CVS Caremark	United States	CYS Investments	United States
Daily Mail & General	United Kingdom	Daimler	Germany
Dana Corp	United States	Danaher	United States
Darden Restaurants	United States	DaVita	United States
De La Rue Plc	United Kingdom	Dean Foods	United States
Deere & Co	United States	Dell	United States
Delphi	United States	Delphi Automotive	United Kingdom
Delta Air Lines	United States	Denbury Resources	United States
Dentsply Intl	United States	Deutsche Bank	Germany
Deutsche Boerse	Germany	Deutsche Lufthansa	Germany
Deutsche Post	Germany	Deutsche Postbank	Germany
Deutsche Telekom	Germany	Developers Diversified	United States
Devon Energy	United States	Diageo	United Kingdom
Dick's Sporting Goods	United States	Dillard's	United States
Direct Line Insurance	United Kingdom	Directv	United States
Discover Financial Services	United States	Discovery Communications	United States
DISH Network	United States	Dixons Retail	United Kingdom
Dolby Laboratories	United States	Dollar General	United States
Dollar Tree	United States	Dolphin Capital Investors	United Kingdom
Dominion Resources	United States	Doral Financial	United States
Dow Chemical	United States	Dover	United States
Downey Financial	United States	DR Horton	United States
Dr. Pepper Snapple Group	United States	Drax Group	United Kingdom
DSG International	United Kingdom	DST Systems	United States
DTE Energy	United States	Duke Energy	United States
Duke Realty	United States	Dun & Bradstreet	United States
DVB Bank	Germany	Dynegy	United States
E.ON	Germany	East West Bancorp	United States
Eastman Chemical	United States	Eastman Kodak	United States
EasyJet	United Kingdom	Eaton	United States
eBay	United States	EchoStar Communication	United States
Ecolab	United States	Edison International	United States
Edwards Lifesciences	United States	EI du Pont de Nemours	United States

El Paso	United States	Electronic Arts	United States
Electronic Data System	United States	Eli Lilly & Co	United States
Emap	United Kingdom	Embarq	United States
EMC	United States	Emdeon	United States
Emerson Electric	United States	EnBW-Energie Baden	Germany
Energizer Holdings	United States	Energy East	United States
Ensco	United Kingdom	Entergy	United States
Enterprise Inns	United Kingdom	EOG Resources	United States
EQT	United States	Equitable Resources	United States
Equity Residential	United States	Erie Indemnity	United States
Essar Energy	United Kingdom	Estee Lauder Companies	United States
E-Trade Financial	United States	Eurasian Natural Resources	United Kingdom
EW Scripps	United States	Evraz Group	United Kingdom
EXCO Resources	United States	Exelon	United States
Expedia	United States	Expeditors International	United States
Express Scripts	United States	ExxonMobil	United States
Facebook	United States	Family Dollar Stores	United States
Fannie Mae	United States	Fastenal	United States
Federal-Mogul	United States	Federated Dept Strs	United States
FedEx	United States	Fidelity National Financial	United States
Fidelity National Information	United States	Fifth Third Bancorp	United States
First American	United States	First Bancorp	United States
First Citizens Bancshares	United States	First Data	United States
First Horizon National	United States	First Marblehead	United States
First Niagara Financial	United States	First Republic Bank	United States
First Solar	United States	FirstEnergy	United States
FirstGroup	United Kingdom	Fiserv	United States
Flagstar Bancorp	United States	Flowserve	United States
Fluor	United States	FMC	United States
FMC Technologies	United States	Foot Locker	United States
Ford Motor	United States	Forest City Enterprises	United States
Forest Labs	United States	Fortune Brands	United States
FPL Group	United States	Franklin Resources	United States
Fraport	Germany	Freddie Mac	United States
Freenet	Germany	Freeport-McMoRan	United States
Fremont General	United States	Fresenius	Germany
Friedman Billings	United States	Friends Provident	United Kingdom
Frontier Communications	United States	Frontier Oil	United States
Fulton Financial	United States	G4S	United Kingdom
Gallaher Group	United Kingdom	GameStop	United States
Gannett	United States	Gap	United States
GEA Group	Germany	General Dynamics	United States
General Electric	United States	General Growth Properties	United States
General Mills	United States	General Motors	United States
Genuine Parts	United States	Genworth Financial	United States
Genzyme	United States	George Wimpey	United Kingdom

Gilead Sciences	United States	GKN	United Kingdom
GlaxoSmithKline	United Kingdom	Goldman Sachs Group	United States
Goodrich	United States	Goodyear	United States
Google	United States	Grant Prideco	United States
Great A&P Tea	United States	Great Portland Estates	United Kingdom
Green Mountain Coffee	United States	Guaranty Financial Group	United States
H&R Block	United States	Halliburton	United States
Hammerson	United Kingdom	Hannover Re	Germany
Hanson	United Kingdom	Harbinger Group	United States
Harley-Davidson	United States	Harman International	United States
Harrah's Entertain	United States	Harris	United States
Harsco	United States	Hartford Financial Services	United States
Hasbro	United States	Hatteras Financial	United States
Hays	United Kingdom	HBOS	United Kingdom
HCA Holdings	United States	HCC Insurance	United States
HCP	United States	Health Care Property	United States
Health Care REIT	United States	Health Management	United States
Health Net	United States	HealthSouth	United States
Heidelberg	Germany	HeidelbergCement	Germany
Helmerich & Payne	United States	Henkel Group	Germany
Henry Schein	United States	Hershey	United States
Hertz Global Holdings	United States	Hess	United States
Hewlett-Packard	United States	Hillshire Brands	United States
Hilton Hotels	United States	HJ Heinz	United States
HLTH	United States	Hochtief	Germany
HollyFrontier	United States	Hologic	United States
Home Depot	United States	Home Retail Group	United Kingdom
Honeywell International	United States	Hormel Foods	United States
Hospira	United States	Host Hotels & Resorts	United States
Hovnanian Enterprises	United States	HSBC Holdings	United Kingdom
Hudson City Bancorp	United States	Hugo Boss	Germany
Humana	United States	Huntington Bancshares	United States
Huntsman	United States	Hypo Real Estate	Germany
IAC/InterActiveCorp	United States	IBM	United States
ICAP	United Kingdom	Idearc	United States
IKB	Germany	Illinois Tool Works	United States
IMI	United Kingdom	Impac Mortgage Holding	United States
Imperial Chemical	United Kingdom	Imperial Tobacco Group	United Kingdom
IMS Health	United States	Inchcape	United Kingdom
IndyMac Bancorp	United States	Infineon Technologies	Germany
Ingram Micro	United States	Ingredion	United States
Inmarsat	United Kingdom	Integrys Energy Group	United States
Intel	United States	Interactive Brokers Group	United States
InterContinental Hotels	United Kingdom	IntercontinentalExchange	United States
International Airlines	United Kingdom	International Assets Holding	United States
International Game Technology	United States	International Paper	United States

International Power	United Kingdom	Interpublic Group	United States
Intuit	United States	Intuitive Surgical	United States
Invensys	United Kingdom	Invesco Mortgage Capital	United States
Investec	United Kingdom	Investors Financial	United States
Iron Mountain	United States	iStar Financial	United States
ITT	United States	ITT Educational Services	United States
ITV	United Kingdom	IVG Immobilien	Germany
J Sainsbury	United Kingdom	Jabil Circuit	United States
Jacobs Engineering	United States	JB Hunt Transport	United States
JC Penney	United States	Jefferies Group	United States
JM Smucker	United States	Johnson & Johnson	United States
Johnson Controls	United States	Johnson Matthey	United Kingdom
Joy Global	United States	JPMorgan Chase	United States
Juniper Networks	United States	K+S	Germany
Kansas City Southern	United States	KarstadtQuelle	Germany
Kazakhmys	United Kingdom	KB Home	United States
KBR	United States	Kelda Group	United Kingdom
Kellogg	United States	Kensington Group	United Kingdom
Kesa Electricals	United Kingdom	KeyCorp	United States
KeySpan	United States	Kimberly-Clark	United States
Kimco Realty	United States	Kinder Morgan	United States
Kingfisher	United Kingdom	KKR Financial	United States
KLA-Tencor	United States	Kloeckner & Co	Germany
Kohl's	United States	Kraft Foods	United States
Kroger	United States	L Brands	United States
L-3 Communications	United States	Laboratory Corp of America	United States
Ladbrokes	United Kingdom	Lam Research	United States
Land Securities Group	United Kingdom	Landesbank Berlin	Germany
Lanxess	Germany	Las Vegas Sands	United States
Lear	United States	Legal & General Group	United Kingdom
Legg Mason	United States	Leggett & Platt	United States
Lehman Bros Holdings	United States	Lennar	United States
Leucadia National	United States	Level 3 Communications	United States
Lexmark International	United States	Liberty Global	United States
Liberty Interactive	United States	Liberty International	United Kingdom
Liberty Media	United States	Liberty Property	United States
Life Technologies	United States	Limited Brands	United States
Lincoln National	United States	Linde	Germany
Linear Technology	United States	LinkedIn	United States
Liz Claiborne	United States	Lloyds Banking Group	United Kingdom
Lockheed Martin	United States	Loews	United States
LogicaCMG	United Kingdom	London Stock Exchange	United Kingdom
Lonmin	United Kingdom	Lorillard	United States
Lowe's Cos	United States	Lubrizol	United States
Lyondell Chemical	United States	M&T Bank	United States
Macerich	United States	Macy's	United States

MAN	Germany	Man Group	United Kingdom
Manitowoc	United States	Manpower	United States
Marathon Oil	United States	Marathon Petroleum	United States
Markel	United States	Marks & Spencer	United Kingdom
Marriott International	United States	Marsh & McLennan	United States
Marshall & Ilsley	United States	Martin Marietta	United States
Masco	United States	MasterCard	United States
Mattel	United States	Maxim Integrated Products	United States
MBIA	United States	McCormick & Co	United States
McDonald's	United States	McGraw-Hill Cos	United States
McKesson	United States	MDC Holdings	United States
MDU Resources	United States	Mead Johnson Nutrition	United States
MeadWestvaco	United States	Medco Health	United States
Medtronic	United States	Mellon Financial	United States
MEMC Electronic	United States	Merck	Germany
Merck & Co	United States	Mercury General	United States
Merrill Lynch	United States	MetLife	United States
Metro AG	Germany	MetroPCS Comm	United States
MF Global	United States	MFA Financial	United States
MGIC Investment	United States	MGM Resorts International	United States
Microchip Technology	United States	Micron Technology	United States
Microsoft	United States	Mirant	United States
Mitchells & Butlers	United Kingdom	Mohawk Industries	United States
Molex	United States	Molson Coors Brewing	United States
Mondelez International	United States	Monsanto	United States
Monster Beverage	United States	Moody's	United States
Morgan Stanley	United States	Mosaic	United States
Motorola Mobility	United States	Motorola Solutions	United States
Munich Re	Germany	Murphy Oil	United States
Mylan	United States	Nasdaq OMX Group	United States
National City	United States	National Grid	United Kingdom
National Oilwell Varco	United States	National Semiconductor	United States
Nationwide Financial	United States	Navistar International	United States
NCR	United States	Nelnet	United States
NetApp	United States	Netflix	United States
Network Appliance	United States	New Century Financial	United States
New York Community	United States	Newcastle Investment	United States
Newell Rubbermaid	United States	Newfield Exploration	United States
Newmont Mining	United States	News Corp	United States
Next	United Kingdom	NextEra Energy	United States
NII Holdings	United States	NIKE	United States
NiSource	United States	Noble Energy	United States
Norddeutsche Affinerie	Germany	Nordstrom	United States
Norfolk Southern	United States	Northeast Utilities	United States
Northern Rock	United Kingdom	Northern Trust	United States
Northrop Grumman	United States	Northstar Realty Finance	United States

Northwest Airlines	United States	NRG Energy	United States
NStar	United States	Nucor	United States
Nurnberger	Germany	NV Energy	United States
Nvidia	United States	NVR	United States
Nymex Holdings	United States	NYSE Euronext	United States
Occidental Petroleum	United States	Office Depot	United States
OfficeMax	United States	OGE Energy	United States
Old Mutual	United Kingdom	Old Republic International	United States
Omnicare	United States	Omnicom Group	United States
Oneok	United States	Oracle	United States
O'Reilly Automotive	United States	Oshkosh Truck	United States
OSI Pharmaceuticals	United States	Owens Corning	United States
Owens-Illinois	United States	Paccar	United States
Pall	United States	Paragon Group of Cos	United Kingdom
Parker-Hannifin	United States	Patterson-UTI Energy	United States
Paychex	United States	PBF Energy	United States
Peabody Energy	United States	Pearson	United Kingdom
Pendragon	United Kingdom	Penske Corp	United States
People's Bank	United States	People's United Financial	United States
Pepco Holdings	United States	Pepsi Bottling Group	United States
PepsiCo	United States	Perrigo	United States
Persimmon	United Kingdom	Petrofac	United Kingdom
Petrohawk Energy	United States	Petsmart	United States
Pfizer	United States	PG&E	United States
Phelps Dodge	United States	Philip Morris International	United States
Phillips 66	United States	Phoenix Cos	United States
Pilgrim's Pride	United States	Pinnacle West	United States
Pioneer Natural Resources	United States	Pitney Bowes	United States
Plains Exploration & Production	United States	Plum Creek Timber	United States
PMI Group	United States	PNC Financial Services	United States
Pogo Producing	United States	Polo Ralph Lauren	United States
Polyus Gold International	United Kingdom	Popular	United States
Porsche	Germany	PPG Industries	United States
PPL	United States	Praxair	United States
Precision Castparts	United States	Premier Foods	United Kingdom
Priceline.com	United States	Pride International	United States
Principal Financial Group	United States	Procter & Gamble	United States
Progress Energy	United States	Progressive	United States
ProLogis	United States	ProSiebenSat.1 Media	Germany
Protective Life	United States	Prudential	United Kingdom
Prudential Financial	United States	Public Service Enterprise Group	United States
Public Storage	United States	PulteGroup	United States
Puma	Germany	Punch Taverns	United Kingdom
PVH	United States	QEP Resources	United States
Qimonda	Germany	Qualcomm	United States

Quanta Services	United States	Quest Diagnostics	United States
Questar	United States	Quicksilver Resources	United States
Qwest Communications	United States	Radian Group	United States
Ralcorp Holdings	United States	Ralph Lauren	United States
Range Resources	United States	Rank Group	United Kingdom
Raymond James Financial	United States	Raytheon	United States
Realogy	United States	Reckitt Benckiser	United Kingdom
Redwood Trust	United States	Reed Elsevier	United Kingdom
Regeneron Pharmaceuticals	United States	Regions Financial	United States
Reinsurance Group of America	United States	Reliance Steel	United States
Reliant Energy	United States	Rentokil Initial	United Kingdom
Republic Services	United States	Resolution	United Kingdom
Reuters Group	United Kingdom	Rexam	United Kingdom
Reynolds American	United States	RGI International	United Kingdom
RH Donnelley	United States	Rheinmetall	Germany
Rio Tinto	United Kingdom	Rite Aid	United States
Robert Half Intl	United States	Rock-Tenn	United States
Rockwell Automation	United States	Rockwell Collins	United States
Rohm and Haas	United States	Rolls-Royce Group	United Kingdom
Roper Industries	United States	Ross Stores	United States
Rowan Cos	United States	Royal & Sun Alliance	United Kingdom
Royal Bank of Scotland	United Kingdom	RR Donnelley & Sons	United States
RRI Energy	United States	RSA Insurance Group	United Kingdom
RWE Group	Germany	Ryder System	United States
Ryland Group	United States	SABMiller	United Kingdom
Safeco	United States	Safeway	United States
Sage Group	United Kingdom	SAIC	United States
Salesforce.com	United States	Salzgitter	Germany
SanDisk	United States	Sanmina-SCI	United States
SAP	Germany	Sara Lee	United States
Scana	United States	Schering-Plough	United States
Schroders	United Kingdom	Scottish & Newcastle	United Kingdom
Scottish & Southern	United Kingdom	Scottish Power	United Kingdom
Scripps Networks Interactive	United States	Sealed Air	United States
Sears Holdings	United States	Segro	United Kingdom
SEI Investments	United States	Sempra Energy	United States
Serco Group	United Kingdom	Severn Trent	United Kingdom
Shaw Group	United States	Sherwin-Williams	United States
Shire	United Kingdom	Siemens	Germany
Sierra Pacific Res	United States	Sigma-Aldrich	United States
Simon Property Group	United States	Sky Financial Group	United States
SL Green Realty	United States	SLM	United States
Slough Estates	United Kingdom	Smith & Nephew	United Kingdom
Smith International	United States	Smithfield Foods	United States
Smiths Group	United Kingdom	Smurfit-Stone	United States
Solectron	United States	Songbird Estates	United Kingdom

Sonic Automotive	United States	South Financial Group	United States
Southern Co	United States	Southwest Airlines	United States
Southwestern Energy	United States	Sovereign Bancorp	United States
Spectra Energy	United States	Sprint Nextel	United States
SPX	United States	SSE	United Kingdom
St Jude Medical	United States	Stagecoach Group	United Kingdom
StanCorp Financial	United States	Standard Chartered	United Kingdom
Standard Life	United Kingdom	Stanley Black & Decker	United States
Stanley Works	United States	Staples	United States
Starbucks	United States	Starwood Hotels	United States
State Street	United States	Steel Dynamics	United States
Stryker	United States	Subsea 7	United Kingdom
Sudzucker	Germany	Sun Microsystems	United States
Sunoco	United States	SunTrust Banks	United States
Supervalu	United States	Symantec	United States
Symetra Financial	United States	Synnex	United States
Synovus Financial	United States	Sysco	United States
T Rowe Price	United States	Talanx	Germany
Target	United States	Tate & Lyle	United Kingdom
Taylor Wimpey	United Kingdom	Taylor Woodrow	United Kingdom
TCF Financial	United States	TD Ameritrade Holding	United States
Tech Data	United States	TECO Energy	United States
Telent	United Kingdom	Telephone & Data System	United States
Temple-Inland	United States	Tenet Healthcare	United States
Teradata	United States	Terex	United States
Terra Industries	United States	Tesco	United Kingdom
Tesoro	United States	Texas Instruments	United States
Textron	United States	TFS Financial	United States
Thermo Fisher Scientific	United States	Thomas Cook Group	United Kingdom
Thornburg Mortgage	United States	ThyssenKrupp Group	Germany
Tiffany & Co	United States	Time Warner	United States
Time Warner Cable	United States	Timken	United States
Titanium Metals	United States	TJX Cos	United States
Tognum	Germany	Toll Brothers	United States
Tomkins	United Kingdom	Torchmark	United States
Tractor Supply	United States	Trane	United States
Transatlantic Holdings	United States	TransDigm Group	United States
Travelers Cos	United States	Travis Perkins	United Kingdom
Triad Hospitals	United States	Tribune	United States
Tronox	United States	TRW Automotive	United States
TUI	Germany	Tullett Prebon	United Kingdom
Tullow Oil	United Kingdom	Two Harbors Investment	United States
TXU	United States	Tyson Foods	United States
UAL	United States	UDR	United States
UGI	United States	Ultra Petroleum	United States
Unilever	United Kingdom	Union Pacific	United States

United Auto Group	United States	United Continental Holdings	United States
United Parcel Service	United States	United Rentals	United States
United Technologies	United States	United Utilities	United Kingdom
UnitedHealth Group	United States	Unitrin	United States
Universal Health	United States	Univision Commun	United States
Unum Group	United States	Urban Outfitters	United States
URS	United States	US Airways Group	United States
US Bancorp	United States	US Steel	United States
USG	United States	UST	United States
W Holding	United States	W&W-Wüstenrot	Germany
Wachovia	United States	Wacker Chemie	Germany
Valero Energy	United States	Walgreen	United States
Wal-Mart Stores	United States	Walt Disney	United States
Walter Industries	United States	Varian Medical Systems	United States
Washington Mutual	United States	Washington Post	United States
Waste Management	United States	Waters	United States
Watson Pharma	United States	Vattenfall Europe	Germany
Webster Financial	United States	Vedanta Resources	United Kingdom
Weir Group	United Kingdom	WellPoint	United States
Wells Fargo	United States	Ventas	United States
VeriSign	United States	Verisk Analytics	United States
Verizon Communications	United States	Vertex Pharmaceuticals	United States
Wesco International	United States	Western Digital	United States
Western Refining	United States	Western Union	United States
Westlake Chemical	United States	Vesuvius	United Kingdom
Weyerhaeuser	United States	VF	United States
Whirlpool	United States	Whitbread	United Kingdom
Whiting Petroleum	United States	Whole Foods Market	United States
Viacom	United States	William Hill	United Kingdom
Williams Cos	United States	Willis Group Holdings	United Kingdom
Windstream	United States	Winn-Dixie Stores	United States
Virgin Media	United States	Visa	United States
Wisconsin Energy	United States	Visteon	United States
Wm Morrison Supermarkets	United Kingdom	Wm Wrigley Jr	United States
VMware	United States	Vodafone	United Kingdom
Volkswagen Group	Germany	Wolseley	United Kingdom
World Fuel Services	United States	Vornado Realty	United States
WPP	United Kingdom	WR Berkley	United States
Vulcan Materials	United States	WW Grainger	United States
Wyeth	United States	Wyndham Worldwide	United States
Wynn Resorts	United States	Xcel Energy	United States
Xerox	United States	Xilinx	United States
XTO Energy	United States	Yahoo	United States
Yell Group	United Kingdom	YRC Worldwide	United States
Yum Brands	United States	Zimmer Holdings	United States
Zions Bancorp	United States	Zoetis	United States

Table A.2: List of issue area codes.

Issue code	Description	Issue code	Description
ACC	Accounting	ADV	Advertising
AER	Aerospace	AGR	Agriculture
ALC	Alcohol and Drug Abuse	ANI	Animals
APP	Apparel, Clothing, and Textiles	ART	Arts and Entertainment
AUT	Automotive Industry	AVI	Aviation, Airlines, and Airports
BAN	Banking	BEV	Beverage Industry
BNK	Bankruptcy	BUD	Fed Budget, Appropriations
CAW	Clean Air and Water	CDT	Commodities
CHM	Chemical Industry	CIV	Civil Rights and Civil Liberties
COM	Radio and TV Broadcasting	CON	Constitution
CPI	Computers, Information Tech	CPT	Copyright, Patent, and Trademark
CSP	Consumer Product Safety	DEF	Defense
DIS	Disaster and Emergency Planning	DOC	District of Columbia
ECN	Economics, Eco Development	EDU	Education
ENG	Energy and Nuclear Power	ENV	Environment and Superfund
FAM	Family, Abortion, and Adoption	FIN	Finance
FIR	Firearms, Guns, and Ammunition	FOO	Food Industry
FOR	Foreign Relations	FUE	Fuel, Gas, and Oil
GAM	Gaming, Gambling, and Casinos	GOV	Government Issues
HCR	Health Issues	HOM	Homeland Security
HOU	Housing	IMM	Immigration
IND	Indian/Native American Affairs	INS	Insurance
INT	Intelligence	LAW	Law Enforcement and Crime
LBR	Labor, Antitrust, and Workplace	MAN	Manufacturing
MAR	Marine, Boats, and Fisheries	MED	Medical Research and Clin Labs
MIA	Media Information, Publishing	MIN	Minting, Money, Gold Standard
MIN	Minting/Money/Gold Standard	MMM	Medicare and Medicaid
MON	Mining, Money, Gold Standard	NAT	Natural Resources
PHA	Pharmacy	POS	Postal
REL	Religion	RES	Real Estate and Land Use
RET	Retirement	ROD	Roads and Highways
RRR	Railroads	SCI	Science and Technology
SMB	Small Business	SPO	Sports and Athletics
TAR	Tariffs	TAX	Taxes
TEC	Telecommunications	TOB	Tobacco
TOR	Torts	TOU	Travel and Tourism
TRA	Transportation	TRD	Trade
TRF	Tariffs	TRU	Trucking and Shipping
UNM	Unemployment	URB	Urban Development
UTI	Utilities	WAS	Hazardous and Solid Waste
WEL	Welfare	VET	Veterans Affairs

Table A.3: Spearman correlation coefficient matrix of issue codes.

	TAX	BUD	ENG	FIN	HCR	ENV	LBR	TRA	CPT	TRD	HOM	BAN	CSP	DEF	IMM	MMM	CAW	AGR	TEC	RET
TAX		.195**	.153**	.082**	.092**	.107**	-.094**	.138**	.152**	.091**	.172**	.064**	.023	.094**	.072**	.236**	.246**	.044	.300**	.157**
BUD	.195**		.078**	.054**	.023	.063**	.040*	.188**	.019	.066**	.143**	.040	-.055*	.333**	.052*	.137**	.244**	-.024	.184**	.043
ENG	.153**	.078**		.079**	.174**	.172**	.195**	.109**	.135**	.026	.109**	.071*	-.062*	-.029	.080**	-.081	.279**	.124**	.324**	-.055
FIN	.082**	.054**	.079**		.062**	.066**	.000	.042**	-.025	-.088**	.146**	.003	.033	.129**	.140**	.198**	.153**	-.017	.216**	.068*
HCR	.092**	.023	.174**	.062**		.009	.172**	-.038	.143**	.045**	.019	.041	.075**	.088**	.068*	.359**	-.105*	.034	.002	-.031
ENV	.107**	.063**	.172**	.066**	.009		.059**	.100**	-.043	.064**	.169**	.107**	-.036	-.105**	-.045	.100	.216**	.082**	.303**	-.122**
LBR	-.094**	.040*	.195**	.000	.172**	.059**		.033	.145**	-.034	-.043	.074**	-.020	.096**	-.078**	.034	.113**	.143**	.163**	.066
TRA	.138**	.188**	.109**	.042**	-.038	.100**	.033		-.094**	.080**	.210**	-.026	.033	.024	-.027	-.016	.213**	.057	.306**	.063
CPT	.152**	.019	.135**	-.025	.143**	-.043	.145**	-.094**		-.010	.097**	.008	-.003	.305**	.026	.061	-.033	.065	.124**	.135**
TRD	.091**	.066**	.026	-.088**	.045**	.064**	-.034	.080**	-.010		.016	.014	.022	.017	.061*	-.011	.044	.015	-.025	.063
HOM	.172**	.143**	.109**	.146**	.019	.169**	-.043	.210**	.097**	.016		-.016	.145**	.112**	.105**	.117	.286**	-.018	.350**	.068
BAN	.064**	.040	.071*	.003	.041	.107**	.074**	-.026	.008	.014	-.016		.100**	-.091	.032	.038	.278**	.021	-.067	.120*
CSP	.023	-.055*	-.062*	.033	.075**	-.036	-.020	.033	-.003	.022	.145**	.100**		.012	.107*	.003	.046	-.043	.246**	.081
DEF	.094**	.333**	-.029	.129**	.088**	-.105**	.096**	.024	.305**	.017	.112**	-.091	.012		-.181**	-.094	.113	.115	-.154	-.041
IMM	.072**	.052*	.080**	.140**	.068*	-.045	-.078**	-.027	.026	.061*	.105**	.032	.107*	-.181**		.012	-.069	-.081	.034	.091
MMM	.236**	.137**	-.081	.198**	.359**	.100	.034	-.016	.061	-.011	.117	.038	.003	-.094	.012		.029	.062	.075	-.203*
CAW	.246**	.244**	.279**	.153**	-.105*	.216**	.113**	.213**	-.033	.044	.286**	.278**	.046	.113	-.069	.029		-.110	.468**	-.007
AGR	.044	-.024	.124**	-.017	.034	.082**	.143**	.057	.065	.015	-.018	.021	-.043	.115	-.081	.062	-.110		-.085	-.045
TEC	.300**	.184**	.324**	.216**	.002	.303**	.163**	.306**	.124**	-.025	.350**	-.067	.246**	-.154	.034	.075	.468**	-.085		.036
RET	.157**	.043	-.055	.068*	-.031	-.122**	.066	.063	.135**	.063	.068	.120*	.081	-.041	.091	-.203*	-.007	-.045	.036	

Notes: Across all dyads, the activity overlap of each issue codes has been ranked. Observe that because of limited computational power, included are only the twenty issue codes with the most observations and only the dyads with an activity overlap score on at least five of the twenty issue codes (18,152 unique dyads).

Table A.4: Analysis of representativeness.

Type of Population	Sales		Profits		Assets		Market value	
	95% conf. interval		95% conf. interval		95% conf. interval		95% conf. interval	
	Lower	Upper	Lower	Upper	Lower	Upper	Lower	Upper
All firms in population	13.35	16.87	0.79	1.09	42.16	67.94	14.96	18.52
US activity overlap	17.17	22.96	0.99	1.50	49.94	89.51	19.75	25.54
EU activity overlap	35.91	56.15	2.52	4.42	130.14	315.00	43.93	66.37
US agreement overlap	26.99	43.72	1.55	3.09	85.14	193.05	33.15	49.75
EU agreement overlap	38.01	61.15	2.73	4.95	139.42	356.35	48.29	74.28

Notes: Comparisons are made over the metrics that are used to construct the Forbes Global 2000. The 95 percent confidence intervals of the average score are calculated over each type of population.

Figure A.1: The marginal effect of concentration on activity overlap.

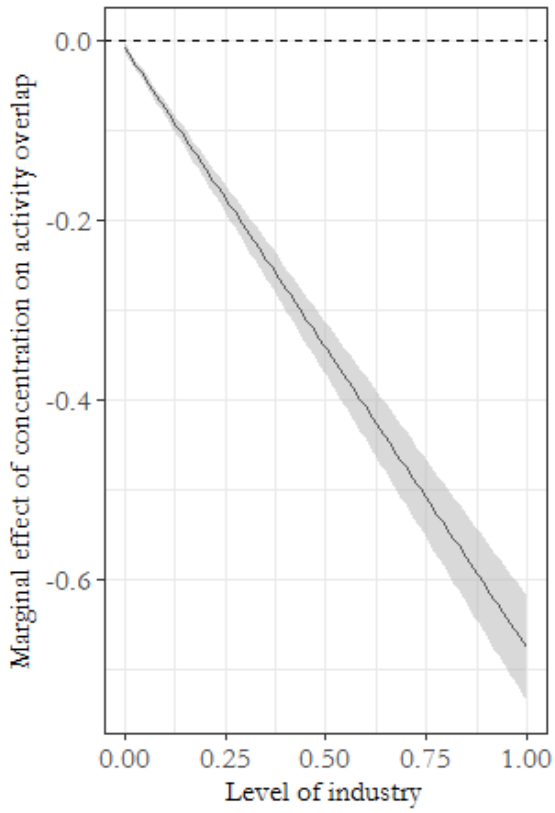


Figure A.2: The marginal effect of industry on activity overlap.

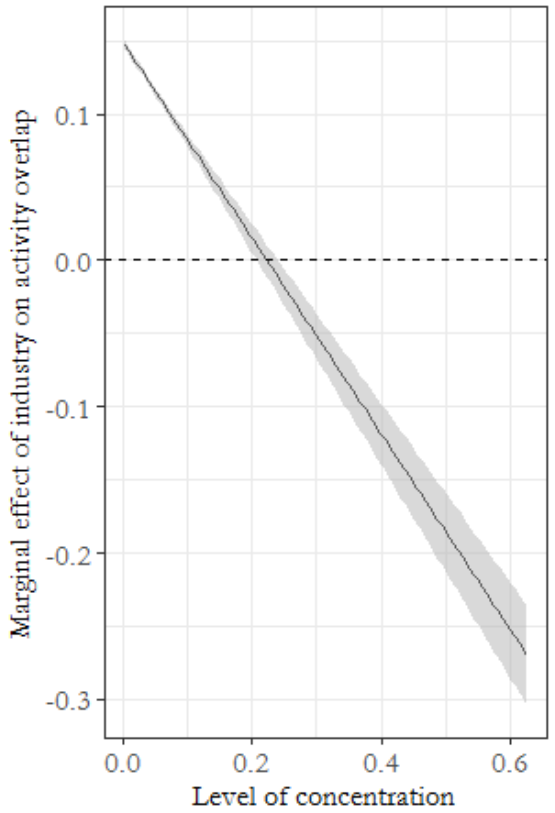


Figure A.3: Scatterplot diagram between US activity overlap and concentration

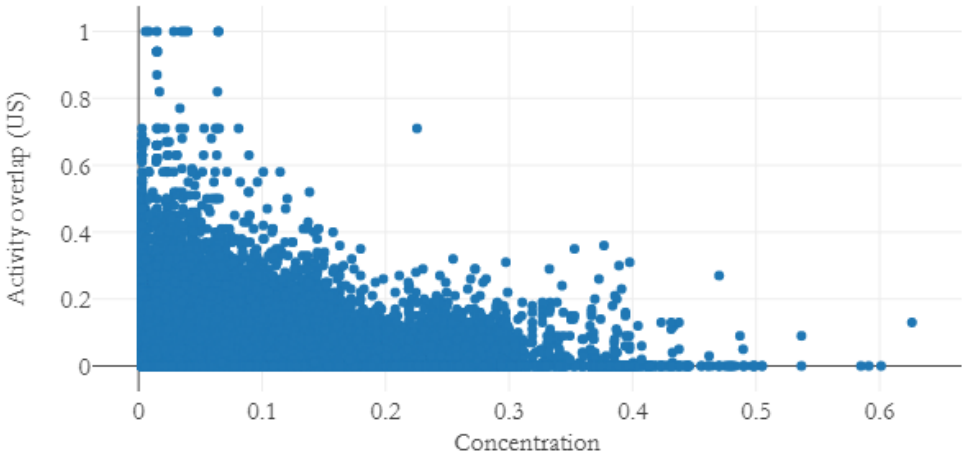


Figure A.4: Scatterplot diagram between US activity overlap and concentration*industry

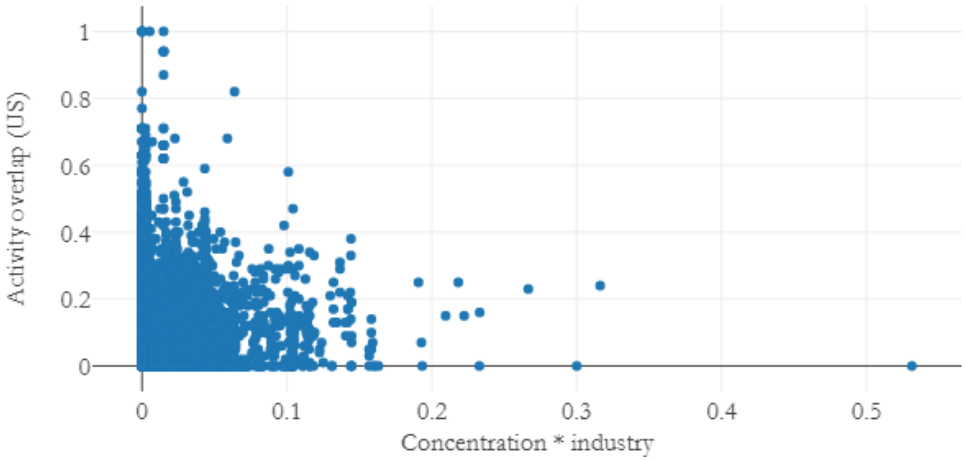


Figure A.5: Scatterplot diagram between US activity overlap and incorporation

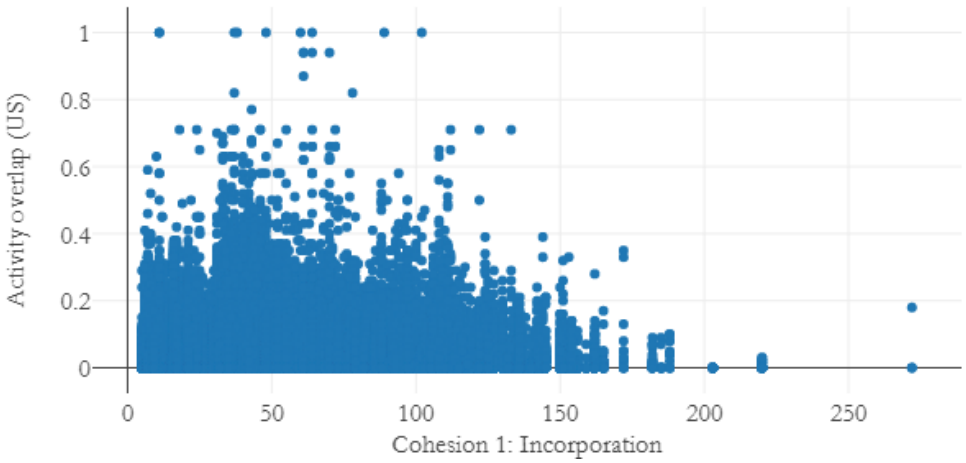


Figure A.6: Scatterplot diagram between US activity overlap and size

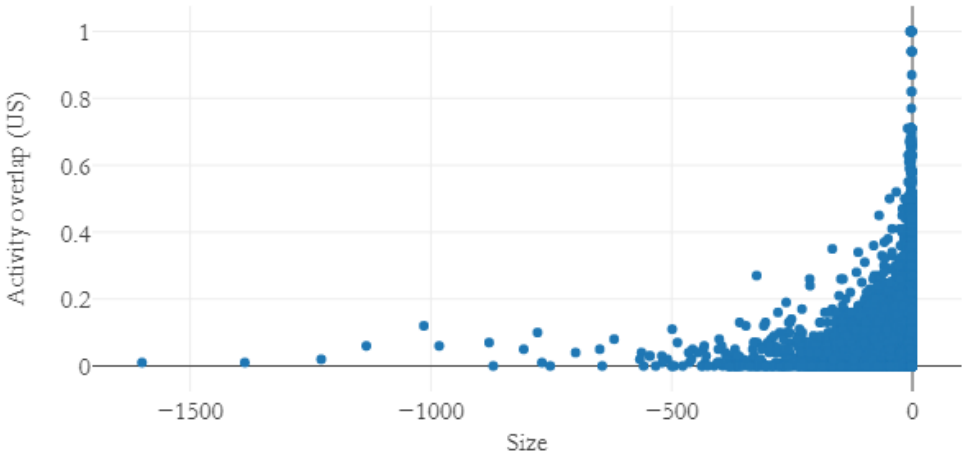


Table A.5: QAP regression analysis of US activity overlap (salient issues).

Variable	B	SE	β
Cohesion 1: Incorporation	0	0	-0.0033***
Cohesion 2: Interlocks	0.6466	0.068	0.0292***
Cohesion 3: Proximity	0	0	-0.0881
Threat from labor	0.0001	0	0.0702***
Threat from government	0.0111	0.0018	0.0434***
Ownership 1: Same owners	0.0343	0.003	0.0988***
Ownership 2: Cross-ownership	0.0072	0.0021	0.0204**
Political insider	0.0009	0.0002	0.046***
Organizational culture	0.0313	0.0029	0.0632***
Dependence	0.7261	0.0288	0.0938***
Concentration	-0.0158	0.0122	-0.0104*
Concentration*industry	-0.6764	0.0513	-0.0582***
Generic strategy	0.005	0.0005	0.0588***
Industry	0.2001	0.0032	0.3205***
Internationalization	0.0069	0.0017	0.0195***
Size	-0.0002	0	-0.0343***
Control: Associations	0.0002	0	0.1653***
Control: Policy type	0.0785	0.0044	0.1477***
Control: Same country (dummy)	0.0075	0.0028	0.0309***
Observations		89,100	
R^2		0.2012	
Adjusted R^2		0.201	

Notes: B = unstandardized coefficient, β = standardized coefficient, SE = standard error. Significance levels: *p<0.1; **p<0.05; ***p<0.01.

Table A.6: QAP regression analysis of US activity overlap across various dyadic subsamples with US agreement overlap included as a control variable.

	American dyads		
Variable	B	SE	β
Cohesion 1: Incorporation	0	0.0002	-0.0044
Cohesion 2: Interlocks	0.0044	0.0015	0.0003***
Cohesion 3: Proximity	0	0	0.0125
Threat from labor	0.0001	0.0001	0.0874***
Threat from government	0.0727	0.0231	0.2624***
Ownership 1: Same owners	0.0306	0.0264	0.0772*
Ownership 2: Cross-ownership	-0.0008	0.0246	-0.0019
Political insider	-0.001	0.0019	-0.0369
Organizational culture	0.0489	0.0436	0.0753
Dependence	0.0117	0.0099	0.0047
Concentration	0.2236	0.0946	0.1658***
Concentration*industry	0.0184	0.0052	0.006
Generic strategy	0.024	0.0109	0.1578***
Industry	0.0794	0.0234	0.363**
Internationalization	0.0242	0.0298	0.0512
Size	0.0018	0.0007	0.1724***
Control: Associations	0.0002	0.0001	0.1222**
Control: Policy type	0.0564	0.0479	0.0847**
US agreement overlap	-0.0094	0.0125	-0.0491
Observations		171	
R^2		0.5575	
Adjusted R^2		0.5019	

Notes: B = unstandardized coefficient, β = standardized coefficient, SE = standard error. Significance levels: *p<0.1; **p<0.05; ***p<0.01.

Table A.7: QAP regression analysis of EU activity with EU agreement overlap included a control variable.

	All dyads		
Variable	B	SE	β
Cohesion 1: Incorporation	0.0002	0.0009	0.0179
Cohesion 2: Interlocks	-0.001	0.0037	0
Cohesion 3: Proximity	0	0	-0.0417
Threat from labor	0.0001	0.0002	0.0411
Threat from government	0.0437	0.0686	0.1018
Ownership 1: Same owners	-0.0508	0.0764	-0.0713
Ownership 2: Cross-ownership	-0.0851	0.048	-0.2137***
Organizational culture	-0.0195	0.1334	-0.0157
Dependence	-0.0002	0.0152	0
Concentration	0.5037	0.4516	0.1366*
Concentration*industry	0.002	0.0106	0.0002**
Generic strategy	0.0665	0.0521	0.1278*
Industry	0.0873	0.0747	0.1883*
Internationalization	-0.1338	0.1187	-0.1214
Size	0.0001	0.0012	0.0112
Control: Associations	-0.0181	0.0065	-0.3067***
Control: Policy type	-0.0068	0.0861	-0.0123
Control: Same country (dummy)	0.0486	0.0797	0.1257
EU agreement overlap	-0.0052	0.049	-0.0122
Observations		140	
R^2		0.2119	
Adjusted R^2		0.08709	

Notes: B = unstandardized coefficient, β = standardized coefficient, SE = standard error. Significance levels: *p<0.1; **p<0.05; ***p<0.01.

Table A.8: QAP regression analysis of US agreement overlap across various dyadic subsamples with US activity overlap included as a control variable.

	American dyads		
Variable	B	SE	β
Cohesion 1: Incorporation	0.0013	0.0013	0.0957
Cohesion 2: Interlocks	-0.0147	0.0078	-0.0002***
Cohesion 3: Proximity	0	0	0.0127
Threat from labor	-0.0003	0.0004	-0.0831
Threat from government	0.1699	0.1534	0.1199
Ownership 1: Same owners	-0.0081	0.1812	-0.0039
Ownership 2: Cross-ownership	-0.2374	0.1675	-0.1157
Political insider	0.0202	0.0132	0.15**
Organizational culture	0.1683	0.2889	0.0498
Dependence	-0.3474	0.0318	-0.0268
Concentration	-0.6356	0.6727	-0.0903
Concentration*industry	-0.0807	0.0323	-0.005
Generic strategy	-0.0845	0.0716	-0.1067*
Industry	0.2486	0.1661	0.2175*
Internationalization	0.3394	0.195	0.1379**
Size	-0.0055	0.0045	-0.102*
Control: Policy type	-0.1364	0.1161	-0.101*
US activity overlap	-0.3747	0.5612	-0.0751
Observations		172	
R^2		0.1867	
Adjusted R^2		0.09103	

Notes: B = unstandardized coefficient, β = standardized coefficient, SE = standard error. Significance levels: *p<0.1; **p<0.05; ***p<0.01.

Table A.9: QAP regression analysis of EU agreement overlap across various dyadic subsamples with EU activity overlap included as a control variable.

	All dyads			Country-heterogenous dyads			Country-homogenous dyads		
Variable	B	SE	β	B	SE	β	B	SE	β
Cohesion 1: Incorporation	0.0009	0.0016	0.0402	0.0027	0.0024	0.1045*	0.0007	0.002	0.0383
Cohesion 2: Interlocks	0.0003	0.0027	0***	-0.0009	0.0024	0	0.0074	0.0091	0.0001
Cohesion 3: Proximity	0	0	0.088	0	0	0.0072	0	0	0.0633
Threat from labor	0.0006	0.0003	0.1674**	0.0006	0.0005	0.1565*	0.0006	0.0005	0.1693
Threat from government	-0.0847	0.1126	-0.0777	0.0019	0.1544	0.0016	-0.0659	0.1709	-0.0682
Ownership 1: Same owners	0.141	0.1448	0.0775	-0.1764	0.2668	-0.0667	0.1233	0.1875	0.0847
Ownership 2: Cross-ownership	0.1628	0.0858	0.1496**	0.2058	0.098	0.2018***	-0.0111	0.1337	-0.0099
Organizational culture	0.1333	0.2188	0.0447	0.1559	0.3006	0.0512	0.1018	0.357	0.0373
Dependence	-0.0049	0.0117	-0.0002	0.0133	0.0167	0.0003	0.0021	0.025	0.0001
Concentration	0.4367	0.7241	0.0503	0.9509	0.9885	0.0976	0.1285	1.1	0.0178
Concentration*industry	0.0254	0.0075	0.001***	0.0443	0.0158	0.0012***	0.0274	0.0161	0.0015
Generic strategy	-0.0999	0.0826	-0.0836*	-0.2076	0.1318	-0.1717**	-0.0212	0.1274	-0.0192
Industry	0.4328	0.128	0.3615***	0.8315	0.2095	0.6585***	0.3712	0.1843	0.351***
Internationalization	0.0697	0.2039	0.0248	0.5801	0.3085	0.2112**	-0.5168	0.3857	-0.163*
Size	0.0074	0.0023	0.2286***	0.0063	0.0034	0.2035**	0.0093	0.0038	0.274***
Control: Policy type	-0.2591	0.1477	-0.1838**	-0.1405	0.2131	-0.1291	-0.1805	0.2005	-0.1488
Control: Same country (dummy)	0.0764	0.109	0.0815						
EU activity overlap	-0.0789	0.1551	-0.0344	-0.2901	0.2474	-0.1144*	-0.0976	0.2246	-0.0504
Observations		197			101			96	
R^2		0.3702			0.4663			0.2647	
Adjusted R^2		0.3065			0.357			0.1045	

Notes: B = unstandardized coefficient, β = standardized coefficient, SE = standard error. Significance levels: *p<0.1; **p<0.05; ***p<0.01.

Table A.10: QAP regression analysis of overlap of political preferences, corrected for selection bias (all dyads).

	US activity overlap			EU activity overlap			US agreement overlap			EU agreement overlap		
Variable	B	SE	β	B	SE	β	B	SE	β	B	SE	β
Cohesion 1: Incorporation	0	0	-0.0085***	-0.0002	0.0003	-0.0265	0.0017	0.0012	0.1235*	0.0002	0.0014	0.0068
Cohesion 2: Interlocks	-0.142	0.0411	-0.0099	-0.0009	0.0005	0	-0.0133	0.0097	-0.0002	0.0046	0.0096	0
Cohesion 3: Proximity	0	0	-0.1911	0	0	-0.0115	0	0	0.0066	0	0	-0.1016
Threat from labor	0	0	0.0719***	0.0003	0.0001	0.1022***	-0.0004	0.0004	-0.1006	0	0.0004	-0.0095
Threat from government	0.0078	0.001	0.0466***	0.0571	0.0234	0.0952***	0.1508	0.1402	0.1044	0.0908	0.1035	0.0833
Ownership 1: Same owners	0.0168	0.0018	0.0744***	0.0393	0.0279	0.0503*	0.1294	0.1732	0.0633	0.0855	0.1472	0.047
Ownership 2: Cross-ownership	0.0059	0.0015	0.0251***	0.0061	0.0191	0.0115	-0.2428	0.1737	-0.1159	0.1997	0.0778	0.1835***
Political insider	0.0005	0.0001	0.0413***				0.0177	0.013	0.1303*			
Organizational culture	0.0144	0.0016	0.0453***	0.0756	0.0395	0.0628**	0.3101	0.2701	0.0943	0.0902	0.2066	0.0302
Dependence	0.3107	0.0176	0.0622***	0.0093	0.0009	0.0005	-0.5087	0.0465	-0.0385	-0.0742	0.0407	-0.0031***
Concentration	-0.0134	0.007	-0.0138**	0.0897	0.1648	0.0221	-0.6428	0.6421	-0.0896	1.3502	0.7578	0.1556**
Concentration*industry	-0.6753	0.0318	-0.09***	0.0143	0.0005	0.0006	-0.102	0.0358	-0.0062	0.0374	0.0275	0.0015
Generic strategy	0.0018	0.0003	0.0323***	0.0625	0.0147	0.1585***	-0.088	0.0709	-0.109*	-0.1596	0.0827	-0.1335**
Industry	0.1503	0.0021	0.3675***	0.3811	0.0454	0.4133***	0.2131	0.1599	0.1832*	0.5017	0.1127	0.4189***
Internationalization	0.0049	0.001	0.0211***	-0.0527	0.0376	-0.0441*	0.4156	0.2087	0.1691**	0.1638	0.1965	0.0582
Size	-0.0002	0	-0.0487***	-0.0008	0.0005	-0.0519*	-0.0023	0.0051	-0.0414	0.0056	0.0024	0.175***
Inverse Mills Ratio†	-0.0214	0.0014	-0.136***	0.0193	0.0181	0.0489	0.2003	0.1657	0.1314	-0.2683	0.0983	-0.3087***
Control: Associations	0.0001	0	0.1256***	-0.0018	0.0017	-0.0369						
Control: Policy type	0.0605	0.0026	0.1819***	0.0001	0.0001	0.0379	-0.0827	0.12	-0.0601	-0.0017	0.0006	-0.2777***
Control: Same country (dummy)	-0.0048	0.0019	-0.0299***	0.0283	0.0231	0.0655*				0.1037	0.1021	0.1105
Observations		94,789			965			176			197	
R^2		0.2274			0.2777			0.1942			0.415	
Adjusted R^2		0.2272			0.2632			0.1018			0.3559	

Notes: B = unstandardized coefficient, β = standardized coefficient, SE = standard error. Significance levels: *p<0.1; **p<0.05; ***p<0.01. † Inverse Mills Ratio: Variable derived from the Heckman Selection Equation; revenue of the smallest firm in a dyad and the locations of their headquarters.

Table A.11: QAP regression analysis of US activity overlap across different partitions (all dyads).

	High revenue firms			Low revenue firms			Above the mean revenue			Below the mean revenue		
Variable	B	SE	β	B	SE	β	B	SE	β	B	SE	β
Cohesion 1: Incorporation	0	0	0.007	-0.0001	0	-0.0266	0	0	-0.0042***	-0.0001	0	-0.0284
Cohesion 2: Interlocks	-0.1155	0.0726	-0.0105	0.0628	0.1259	0.0035*	0.1165	0.0519	0.009***	0.0179	0.067	0.0011***
Cohesion 3: Proximity	0	0	0.1421	0	0	0.0148	0	0	-0.1125	0	0	-0.0016
Threat from labor	0	0	0.0665***	0	0	0.0387***	0.0001	0	0.0911***	0	0	0.0527***
Threat from government	0.0069	0.0019	0.0435***	0.0078	0.0019	0.0384***	0.0067	0.0013	0.0414***	0.0098	0.0012	0.0567***
Ownership 1: Same owners	0.0198	0.0035	0.0842***	0.0119	0.0027	0.0471***	0.0188	0.0022	0.0854***	0.0158	0.0019	0.0677***
Ownership 2: Cross-ownership	0.0043	0.0029	0.0111*	0.0095	0.0015	0.0472***	0.0005	0.0029	0.0016	0.0086	0.0013	0.0429***
Political insider	0.001	0.0002	0.0657***	0	0.0001	0.0028	0.0009	0.0001	0.0698***	0.0003	0.0001	0.0202***
Organizational culture	0.0221	0.0038	0.0607***	0.0115	0.0026	0.0367***	0.0194	0.0022	0.0585***	0.0099	0.0018	0.0326***
Dependence	0.4516	0.0349	0.0991***	0.2275	0.0489	0.038***	0.3734	0.0218	0.081***	0.2316	0.0259	0.0432***
Concentration	0.0039	0.0124	0.0046	-0.0468	0.0129	-0.0358***	-0.0074	0.0085	-0.0084	-0.0216	0.0071	-0.0204***
Concentration*industry	-0.3829	0.0499	-0.0674***	-1.2354	0.0955	-0.148***	-0.5141	0.0369	-0.0782***	-1.0338	0.0545	-0.1193***
Generic strategy	0.007	0.0013	0.0743***	0.0013	0.0004	0.0289***	0.0064	0.0008	0.0745***	0.0014	0.0003	0.032***
Industry	0.1548	0.0038	0.4195***	0.169	0.0053	0.3918***	0.1479	0.0028	0.3738***	0.1565	0.003	0.3766***
Internationalization	0.0047	0.0021	0.0196***	0.0107	0.0022	0.0424***	0.0043	0.0014	0.0191***	0.0047	0.0012	0.0203***
Size	-0.0005	0.0002	-0.036***	0.0004	0.0004	0.0101	-0.0001	0	-0.0131*	-0.0001	0	-0.0291***
Control: Associations	0.0002	0	0.2527***	0	0	0.077***	0.0001	0	0.1821***	0	0	0.0971***
Control: Policy type	0.0744	0.0062	0.1676***	0.0513	0.0035	0.1681***	0.0712	0.0034	0.1938***	0.0534	0.0026	0.1758***
Control: Same country (dummy)	0.009	0.0032	0.0662***	0.0079	0.0028	0.0357***	0.0081	0.002	0.0577***	0.0096	0.0017	0.052***
Observations		16,388			16,474			47,332			47,457	
R^2		0.3246			0.1688			0.2625			0.1826	
Adjusted R^2		0.3238			0.1679			0.2622			0.1822	

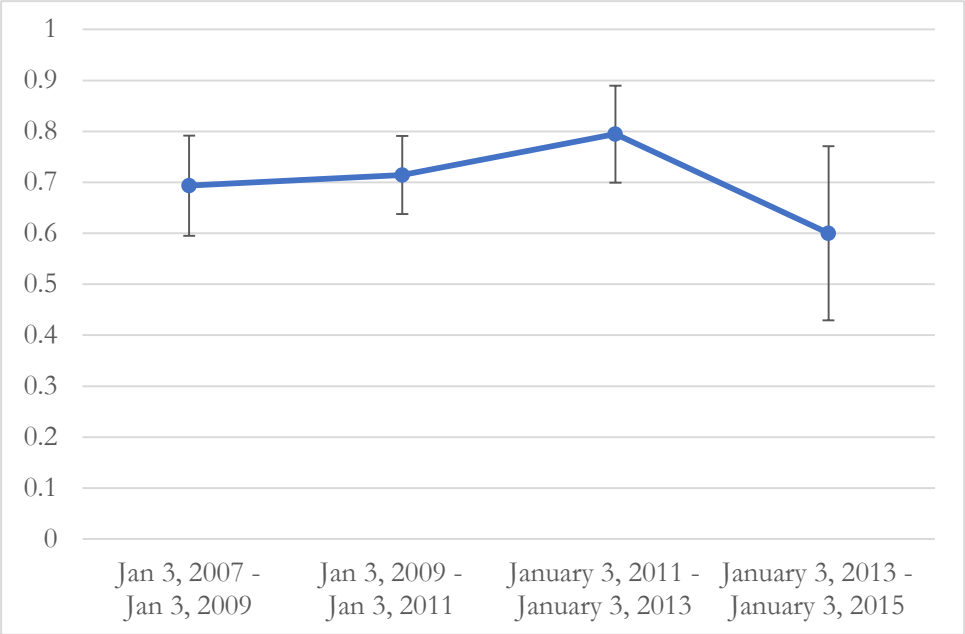
Notes: B = unstandardized coefficient, β = standardized coefficient, SE = standard error. Significance levels: *p<0.1; **p<0.05; ***p<0.01.

Table A.12: QAP regression analysis of EU activity overlap across different partitions (all dyads).

	Above the mean revenue			Below the mean revenue		
Variable	B	SE	β	B	SE	β
Cohesion 1: Incorporation	-0.0001	0.0003	-0.0167	-0.0007	0.0006	-0.0511*
Cohesion 2: Interlocks	-0.0005	0.0006	0	-0.001	0.0011	0
Cohesion 3: Proximity	0	0	0.045	0	0	0.0321
Threat from labor	0.0003	0.0001	0.1615***	0.0001	0.0002	0.0261
Threat from government	0.0237	0.0363	0.0391	0.073	0.0317	0.121***
Ownership 1: Same owners	0.0668	0.043	0.0852*	-0.0086	0.0369	-0.0108
Ownership 2: Cross-ownership	-0.0075	0.1263	-0.003	0.0162	0.0198	0.0402
Organizational culture	-0.111	0.0569	-0.1026**	-0.0494	0.0593	-0.0358
Dependence	0.0075	0.0007	0.0003***	0.0162	0.0036	0.001
Concentration	-0.0423	0.2239	-0.0124	0.211	0.245	0.0421
Concentration*industry	0.0108	0.0005	0.0004***	0.0186	0.0016	0.0009***
Generic strategy	-0.0548	0.0276	-0.1296**	-0.0619	0.018	-0.1586***
Industry	0.2945	0.0527	0.2671***	0.4302	0.0465	0.5174***
Internationalization	-0.1032	0.0644	-0.0851**	-0.0346	0.048	-0.029
Size	0.0011	0.004	0.0137	0.001	0.0005	0.0866**
Control: Associations	0.0017	0.0024	0.0444	0.0003	0.0026	0.0042
Control: Policy type	0.0003	0.0002	0.1143**	-0.0001	0.0002	-0.0283
Control: Same country (dummy)	0.0821	0.035	0.1964***	-0.0013	0.0315	-0.0028
Observations		481			484	
R^2		0.1985			0.4113	
Adjusted R^2		0.1672			0.3885	

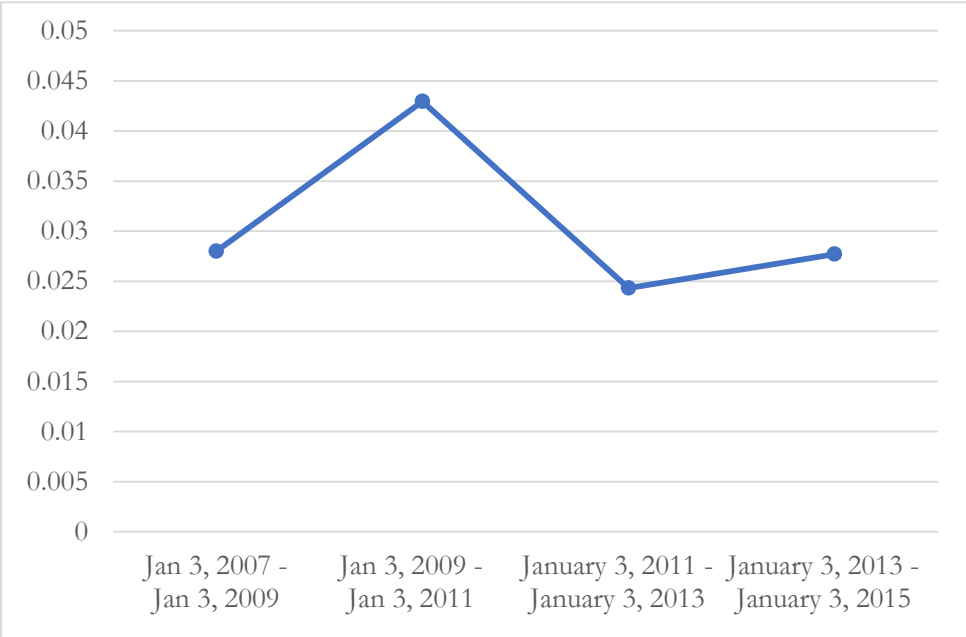
Notes: B = unstandardized coefficient, unstandardized coefficient, β = standardized coefficient, SE = standard error. Significance levels: *p<0.1; **p<0.05; ***p<0.01.

Figure A.7: Line diagram of average US agreement overlap (110th, 111th, 112th, and 113th Congress).



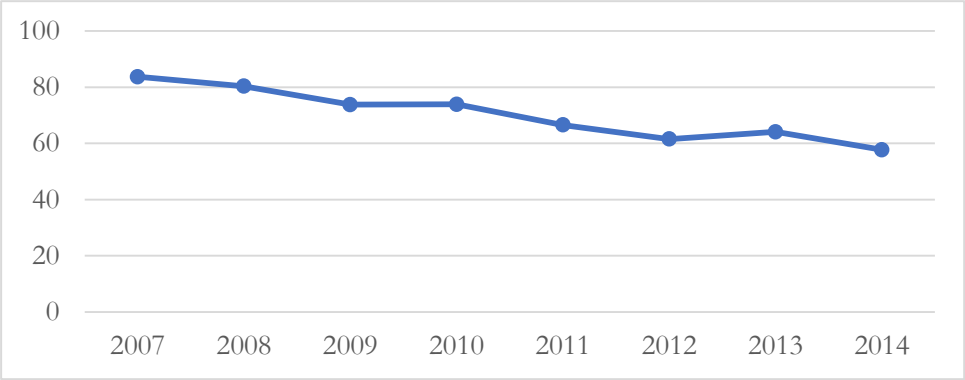
Notes: 95% confidence interval.

Figure A.8: Line diagram of average US activity overlap (110th, 111th, 112th, and 113th Congress).



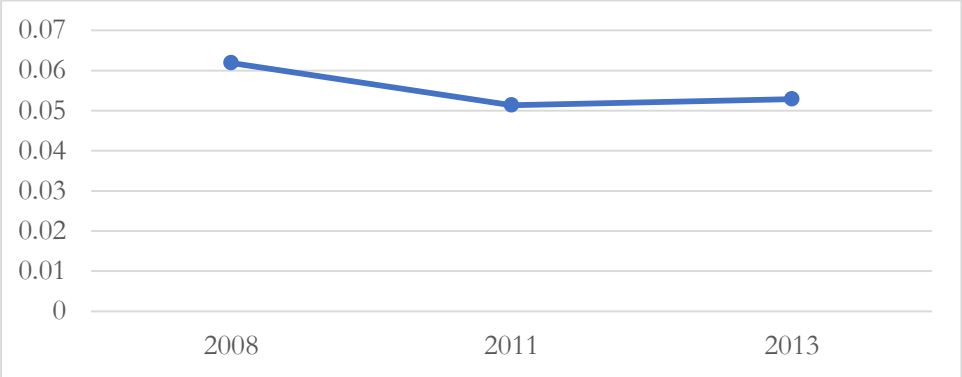
Notes: 95% confidence interval.

Figure A.9: Line diagram of average threat from labor (2007–14).



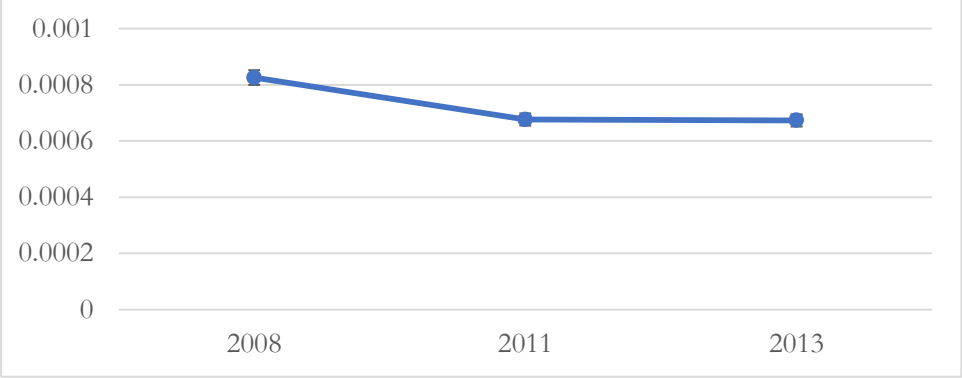
Notes: 95% confidence interval.

Figure A.10: Line diagram of average concentration (2008, 2011, 2013) (95 percent confidence interval).



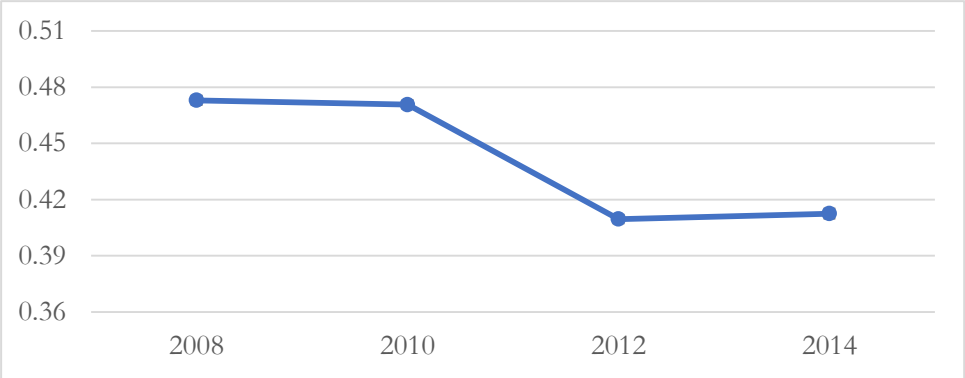
Notes: 95% confidence interval.

Figure A.11: Line diagram of average concentration*industry (2008, 2011, 2013) (95 percent confidence interval).



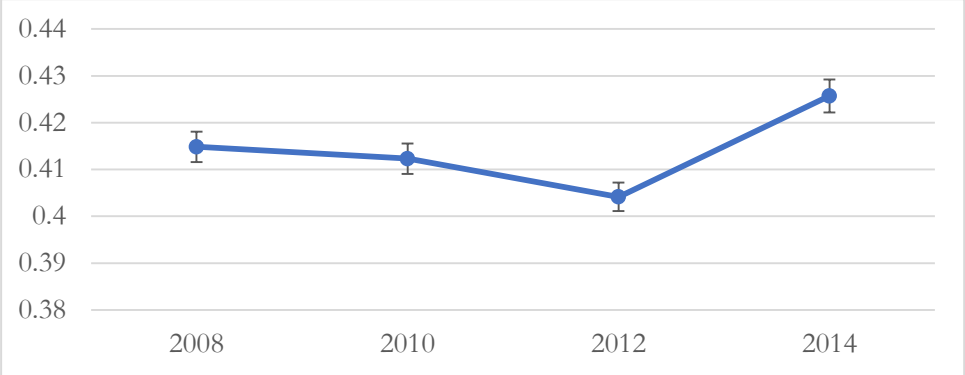
Notes: 95% confidence interval.

Figure A.12: Line diagram of average executives (2008, 2010, 2012, 2014).



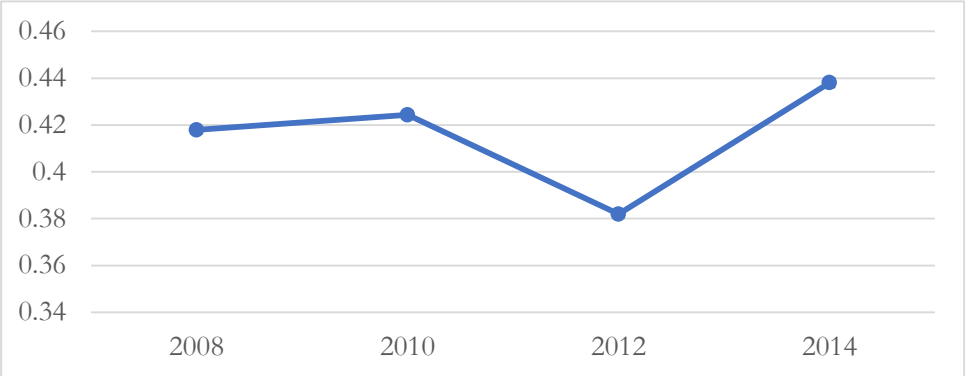
Notes: 95% confidence interval.

Figure A.13: Line diagram of average lobbyists (2008, 2010, 2012, 2014).



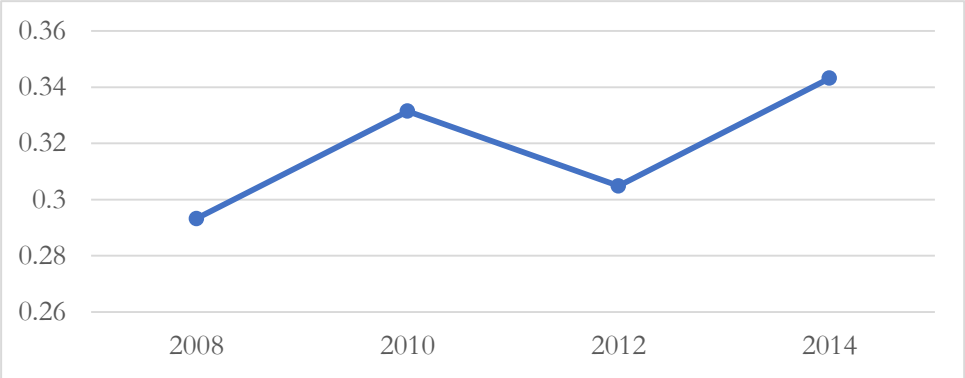
Notes: 95% confidence interval.

Figure A.14: Line diagram of average directors (2008, 2010, 2012, 2014).



Notes: 95% confidence interval.

Figure A.15: Line diagram of average organizational culture (2008, 2010, 2012, 2014).



Notes: 95% confidence interval.