Crisis? What Crisis? Interest groups and policy processes in financial regulation

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Work in progress
First draft presented at the
International Conference on Public Policy
June 28-30, 2017, Singapore

June 24, 2017

Abstract

Focusing on financial regulation, a technically complex and normally low salient policy domain, this paper investigates how policy stages (i.e., formulation and implementation) and issue salience (i.e., high and low) affect interest group participation in policy processes. Empirically, the role of policy stages and issue salience are tested with a dataset on group participation to consultations organized for 19 policy processes in Switzerland (1999-2015). The consideration of both the formulation and implementation stages unveils an additional dimension of business interests' predominance. The preliminary results suggest that group diversity changes little when moving from a low to a high issue salience context. In addition, business groups appear more responsive to increasing issue salience than citizen groups.

1 Introduction

The scope of participants involved in a policy process is crucial to understand its policy outputs (Schattschneider, 1975). The combination of technical complexity and low public attention have been long considered powerful drivers in keeping non-specialists out of financial regulation debates (Moran, 1984, 1991; Coleman, 1996). Business interests, in general, are expected to have a strong presence and powerful voice when it comes to the definition of their own regulatory environment (Culpepper, 2011). Nevertheless, the predominance of business actors is particularly strong when it comes to financial regulation (Pagliari and Young, 2014).

The Global Financial Crisis of 2007-09 was a shock of historical proportions that radically took many financial issues out of the confinement of quiet politics. How do patterns of interest group participation change with massive shifts in issue salience?

This paper investigates how different types of groups adapt their frequency of participation across policy stages and betweeen quit and noisy policy environments. By adopting a policy approach to the study of interest groups, the paper offers three main contributions to the expanding literature on the politics of financial regulation Gava (2016). First, the differences across stages of the policy-making process and the mobilization of groups in different types of venues are systematically evaluated. While previous studies have underlined this dimension in theoretical or qualitative terms (Young, 2013a; Lall, 2014), quantitative analyses have relied on policy stages as a control variable (Young and Pagliari, 2015). Concretely, the paper looks at the extent to which the distinctions between business and citizen groups and between financial regulation insiders and outsiders allows to explain the variance in participation between two stages of the policy process: policy formulation and policy implementation. Morever, the role of these categorizations in grasping whether groups follow the same policy processes across stages (i.e., multistage participation) is also put to test.

Second, the barriers of technical complexity and low political saliency proper to financial regulation may be best conceived as variables rather than constants. On the one hand, the perception of technical complexity depends greatly on how issues are framed and presented before non-specialists. On the other hand, seemingly innocuous issues can catch fire in light of scandals and "accidents". Building on the distinction between quiet and noisy politics (Culpepper, 2011), the paper explores how different types of groups adapt their advocacy strategies depending on the political saliency of financial reforms (Chalmers, 2015).

Third, this paper looks at how groups adapt under different configurations of policy stages and issue saliency. In particular, it explores whether noisy politics contribute to a contrasting outcome: a decrease in group diversity in relation to policy implementation and multistage participation. In other words, periods of high political attention may have the unexpected effect of reinforcing biases in participation towards business and insider groups.

Empirically, the role of policy stages and issue salience on group participation are investigated with a dataset of policy consultations in Switzerland. The dataset covers the 19 financial reforms debated by the Swiss parliament between 1999 and 2015. The involvement of 181 interest groups is explored by means of descriptive statistics and multilevel regression models. The consideration of both the formulation and implementation stages unveils an additional dimension of business interests' predominance. The preliminary results suggest that group diversity changes little when moving from a low to a high issue salience context. In addition, business groups appear more responsive to increasing issue salience than citizen groups.

The paper is structured as follows. The second section provides a background on group diversity across stages and the contrast between quiet and noisy policy environments. In addition to theoretical considerations, this section also presents and justifies the selection of the Swiss case, with a particular emphasis on the similarities and differences between the analyzed groups. Data and methods are the object of the third section. The fourth section presents and discusses preliminary empirical results.

2 Interest groups in financial regulation

2.1 Group diversity across policy stages

Financial regulation is considered to be most of time the result of debates and negotiation among a narrow circle of specialists. These specialists are to be found essentially among market participants such as banks, insurers, investment or audit firms, and regulators. Those groups representing the target groups of policies (i.e., the financial industry) are insiders of the financial world and as such have clear incentives to participate and attempt to shape their regulatory environment. In particular, target groups of regulatory policies have specific, material, and short-term oriented interests to promote. The combination of low political salience and high technical complexity is supposed to provide few incentives to non-specialized outsiders to invest advocacy resources in this policy domain (Culpepper, 2011). Relatively to other areas of business regulation, citizen groups such as consumer groups, non-governmental organizations or trade unions rarely get involved in policy processes related to financial regulation (Mügge, 2010; Pagliari and Young, 2014; Chalmers, 2015; Gava and Varone, 2016).

Taking into consideration various national and transnational contexts, Pagliari and Young (2014: 7) report that business interests represent about 90% of participants on policy consultations on financial regulation. The predominance of business interests is more pronounced in finance than in other highly regulated sectors such as agriculture, energy or health. Nevertheless, Pagliari and Young (2014) argue that business groups outsider to the financial industry, which have often been neglected in previous studies of financial regulation, may also play an important role. Business outsiders, meaning business interests representing non-financial sectors, may well be attracted to financial regulatory issues due to the crucial role of credit for economic activities. The political power of the financial industry is thus maximized when there is a high mobilization and convergence in the policy position of business insiders and outsiders. Business groups are generally considered to dispose of greater advocacy resources than citizen groups. In Pagliari and Young (2014: 8) assessment, business outsiders account roughly for a quarter of all business interests participating in consultations on financial regulation, a figure that is considerably higher than that of other regulated sectors.

Previous studies on the involvement of interest groups in financial regulation have rarely taken into consideration the different stages of the policy process (Holyoke, 2003). The general framework of financial regulation is defined by elected legislatures, but rule-making by specialized agencies is often a necessary complement to implement policies. Group diversity may thus vary between two crucial stages of the policy process: formulation and implementation. In particular, four factors may reinforce the imbalance in participation between business and citizen groups, as well as between insider and outsider groups. First, groups active in executive venues are often a narrow subset of the entire population of actors involved in legislative policy-making. In particular, business groups are comparatively more present (Binderkrantz et al., 2015; Boehmke et al., 2013). Second, when it comes to implementation, the technical barrier for outsiders is higher and the informational advantage of insiders larger as the content of regulation moves from general principles to "street-level" rules. Third, interlocutors at the implementation level are specialized public officials in executive or independent regulatory agencies, a group of public actors that business insiders may see closer to their mindset and with whom informal ties are likely to be developed as a result of continuous interaction. Fourth, when moving from general frameworks to more concrete implementation rules, disagreement among financial market participants may be more apparent. Insider groups may be thus have few incentives to show unity before outsiders in the formulation stage and be more vocal about discrepancies at the implementation stage.

Multistage participation in this paper refers to interest group involvement in both formulation and implementation stages for the same policy process. While being present throughout the policy process is likely to increase interest group influence and the likelihood of preference attainment (Lall, 2014), relatively few groups have the resources and capacities to do it. Only those actors most directly affected by the new rules are likely to dispose and be willing to invest the necessary resources to follow a policy process both at the formulation and implementation stages. In the case of financial regulation this would likely translate into a strong presence of business and insider groups.

In short, financial regulatory processes are characterized by a high presence of business interests. Group diversity is likely to decrease along the policy process. On the one hand, business groups may be more likely to participate in the definition of detailed implementation rules than citizen groups. On the other hand, business insiders can be expected to increase their participation when moving from the policy formulation to the policy implementation stage. Multistage participation is costly, which should reinforce the imbalance towards business and insider groups.

H1a: The gap in participation between business and citizen groups is larger in policy implementation and multistage participation than in policy formulation.

H1b: The gap in participation between insider and outsider groups is larger in policy implementation and multistage participation than in policy formulation.

2.2 Quiet and noisy politics

Focusing on issue salience, Culpepper (2011) distinguishes between two contrasting environments in which business regulation is produced: "quiet" and "noisy" politics. What makes these environments radically different is the extent to which non-specialists get involved in policy processes. While in the original framework the outsiders are essentially politicians and journalists, issue salience may also affect the involvement of interest groups (Chalmers, 2015).

Focusing events (Birkland, 1998) are a major driver that disrupt the "aseptic" terms under which financial regulatory issues are usually debated, as well as the diversity of participants of policy debates. The uncovering of scandals or "accidents" can suddenly disrupt media and political agenda priorities through the shifting of attention to financial regulatory issues (Moran, 1991). In particular, focusing events have a "demonstration effect", making negative externalities and policy failures highly visible for outsiders (Mattli and Woods, 2009; Chalmers, 2015). It is frequently through focusing events that policy processes aiming at financial regulatory reforms are set into motion.

Nevertheless getting into the policy agenda does not necessary mean that the resulting policy processes will be prioritized by outsiders to the financial world (Gava, 2016). Political and media attention is scarce and all kind of issues compete for it (Jones and Baumgartner, 2005). Financial regulatory issues may very well reach policy agenda status while remaining an object of relatively low salience.

A rapid increase in issue salience may lead to agenda-setting but fade away in the subsequent policy process. Attention to financial regulatory issues beyond specialists often remains limited throughout policy processes, giving the impression of apolitical policy-making (Moran, 1984: 194). Much of financial regulation is produced or modified in this "quiet politics" environment (Gava, 2016).

From time to time, outsiders turn massively their attention to financial regulatory issues. When policy processeses take this "noisy" route insiders and policies are put in the spotlight and more heavily scrutinized. Under these circumstances, outsiders may (finally) take a stand on financial regulatory issues or review their preferences.

Issue salience may affect group participation by motivating both insider and outsider groups to participate in financial regulation. On the one hand, insiders are likely to react to policy proposals conceived in a hostile or relatively less accomodating environment. In particular, noisy politics open windows of opportunity for major policy reforms that would be easily defeated in normal times by the defendants of the status quo (Baumgartner and Jones, 1993). On the other hand, outsiders may also be more inclined to get involved. The demonstration effects of crises (Chalmers, 2015) should reduce information asymmetries between outsiders and insiders. Business outsiders may be motivated by the implications of major reforms affect on the access and cost of financial services (Pagliari and Young, 2014). Citizen groups, which are often challengers of the financial industry, may be motivated by the negative externalities and cost of policy failures.

The positive effect of increased issue saliency for all types of group participation is likely to be higher in the formulation than in the implementation stage. This is related to the fact that even in noisy environments involvement in policy implementation remains comparatively more resource-demanding.

H2: Noisy politics increases the likelihood of group participation in financial policy processes. This increase is smaller for policy implementation and multistage participation than for policy formulation.

In what might seem counterintuitive at first sight, noisy politics may increase the dominance of business and insider actors when looking at policy implementation and multistage participation. While all kind of groups may be more likely to participate in times of noisy politics, business insiders may comparatively become more active. Other kind of groups may simply lack the resources and incentives to compensate the push that noisy politics is likely to give to business insiders.

In times of noisy politics business insiders are less likely to get what they want from politicians (Culpepper, 2011). When financial regulatory issues go through a period of high salience the industry attracts often more animosity than empathy. With advocacy in legislatures turned into an uphill battle, business insiders may increase efforts to later stages of the policy process in order to influence how policy changes hard to swallow are interpreted and put into practice (Young, 2013a). Furthermore, compared to quieter times, crises decrease the congruence in preferences between financial regulators in charge of policy implementation and the industry (Young, 2013b). In times of crises, public outrage certainly targets the industry, but those responsible for overseeing it are also likely to come under fire. Under pressure from political principals and the public at large, regulators may want to evacuate any suspicion of regulatory capture and/or take advantage of the window of opportunity to push for major regulatory reforms that would have been considered excessive in normal times. With increased uncertainty when it comes to the defition of implementation rules business insiders may have stronger incentives to make sure their voices are heard.

H3: Noisy politics increases the gap in participation between business insiders and other groups in implementation and multistage participation.

2.3 Financial regulation in Switzerland

The financial industry is of utmost importance for Switzerland. In cross-national terms, the financial sector is a considerable contributor to the economy in terms of both Gross Domestic Product (10%) and jobs (6%). Beyond its niche specialization in wealth management for high-net worth individuals (i.e., private banking), Switzerland occupies a prominent place in the international financial system. While the US and the UK are undisputable at the center of the global banking network, Switzerland belongs to the restricted second-tier set of countries (along with Germany, France and Japan) occupying a central position (Winecoff, 2015).

The Swiss financial center is highly developed with a rich landscape in terms of market participants. Not all of them are banks. Financial intermediaries such as insurance firms, the fund industry or independent asset managers also play an important economic role. In turn, the banking sector is highly segmented in terms of legal structures, business orientation and geographical focus (Busch, 2009: 177-9). Banking interest representation mirrors the segmented structure of the sector: banks are regrouped in associations that do not compete for members (e.g. Association of Swiss Cantonal Banks, Swiss Association of Private Banks and Association of Foreign Banks in Switzerland). These associations come together under one umbrella organization, the Swiss Bankers' Association (SBA). The SBA is, in every single aspect, the most important banking association in Switzerland and is considered the representative voice of the Swiss financial sector as a whole (Eichenberger and Mach, 2011: 68). As a result, policy-makers have traditionally and routinely incorporated the SBA into consultation procedures not only for financial matters but for all policy domains.

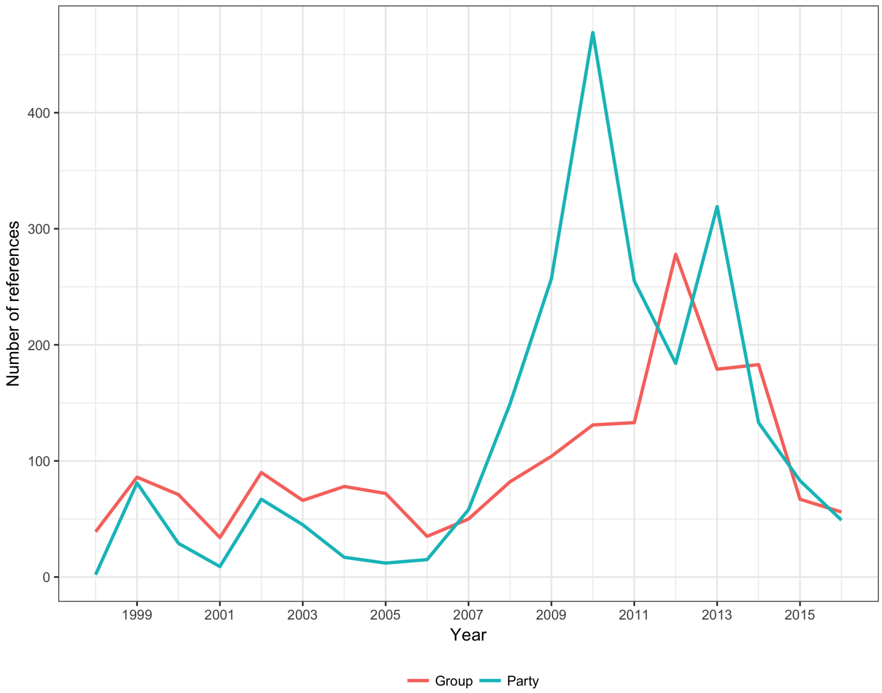
Target group status, technical specialization, participation frequency and the status granted by policy-makers can be considered to determine the degree of insiderness of a group within a policy domain (Maloney et al., 1994; Fraussen et al., 2014). When it comes of Swiss financial regulation, a *core* composed of a selected few insiders (i.e., SBA, Insurance Association, Funds Association, PolyReg) stands out. These groups participate regularly in policy processes on financial regulation. Nevertheless, they distinguish themselves from other insiders by the fact that they often speak on behalf of entire branches of the financial industry. More importantly, they assure self-regulatory functions recognized by (and on-behalf of) the state in different areas. Table 1 provides illustrations of the different types of groups that participate on financial regulatory issues in Switzerland. Business groups, including the core groups, represent the interests of companies. The label citizen groups includes public interest and identity groups, trade unions and NGOs. When they mobilize in relation to financial regulation, these groups are generally challengers to the status-quo. Very few of them can be considered to be specialized in financial issues. Professional groups, which are not the focus of the present analysis, refer to occupational associations where membership is individual.

Table 1: Examples of interest groups

	Business	Professional	Citizen
Insider	*Bankers' Association* *Insurance Association* *Funds Association* *PolyReg* Cantonal Banks' Association Association of Private Banks Association of Asset Managers	Compliance Officers' Group Chartered Financial Analysts Society Association of Insurance Brokers Bar Association Notary Association	PublicEye Bank Employees' Association
Outsider	Economiesuisse SwissHoldings Industry and Trade Association Employers' Union Swissmem Swiss-American Chamber of Commerce	Association of Real Estate Professionals Association of Liberal Professions Association of Corporate Treasurers	Consumers' Forum Federation of Trade Unions Transparency International World Wildlife Fund Organization of the Swiss Abroad Caritas

As in most advanced economies, the Global Financial Crisis of 2007-08 put the financial industry in the radar of outsiders. In particular, two developments put and maintained financial regulatory among political and media priorities. First, the state had to rescue UBS, Switzerland's biggest bank, following big losses in the American sub-prime market. At the time of the bailout, this too big to fail had a balance sheet that were almost five times the national GDP. Second, continous revelations of abusive practices and increasing international pressure resulted in the lifting of the, until then, sacrosanct banking secrecy for tax matters. These two drivers put the Swiss financial industry under extraordinary political pressure. A wave of financial regulatory reforms followed. In a comprehensive assessment of the scope of post-crisis banking reforms among OECD countries, Young and Park (2013) found that Switzerland was at the top of significant policy changes.

Figure 1: Media coverage to financial regulation in Switzerland



Based on three major quality newspapers[1], Figure 1 shows the number of references to political parties and interest groups in media coverage on financial regu-

[1]The figure is based on 5608 articles from major Swiss newspapers (Le Temps: 2530, Neue Zürcher Zeitung: 1330, Tanges Anzeiger: 1748) representing both German and French speaking

lation. Media attention to financial regulation increased massively after the crisis. The move from a quiet to a noisy environment is well captured by the relative presence of political parties and interest groups in the media. During times of low issue saliency political parties are behind interest groups in media stories. During peaks of attention, such as in the aftermath of the 2007-08 Global Financial Crisis, political parties take the lead.

Switzerland offers the opportunity to investigate how different groups participate in financial regulatory processes during quiet and noisy times. The industry occupies a central place in the economy and there is considerable heterogeneity among insider groups. Moreover, high issue salience dramatically disrupts the policy environment in which Swiss financial regulation is produced (Gava, 2014). Politicians reacted energically to the GFC. How did interest groups react?

3 Data and Methods

In order to empirically assess interest groups' participation in the policy process, this paper relies on an original dataset of financial regulatory processes in Switzerland. The dataset covers 19 policy processes accounting for all the financial regulatory reforms adopted by the Swiss parliament between 1999 and 2015. The data covers therefore four consecutive legislative terms, with two periods before (1999-2003 and 2003-2007) and two periods after (2007-2011 and 2011-2015) the Global Financial Crisis. By means of a documentary analysis, a population of 181 interest groups having participated at least once in the 19 policy processes were identified.

regions. Names and acronyms of political parties and interest groups were identified in the body of articles by means of regular expressions.

Table 2: Operationalization of interest groups' participation

	Interest groups' mobilization in...
Policy formulation	Consultations on primary legislation (Legislative policy-making)
Policy implementation	Consultations on secondary legislation (Executive and Independent Regulatory Agency rule-making)

Table 2 summarizes the operationalization of the different types of interest group participation. In line with previous studies, the mobilization of interest groups with regards to specific policy processes is captured by means of their participation in consultation procedures (Pagliari and Young, 2014; Yackee and Yackee, 2006; Chalmers, 2015). The difference between policy formulation and policy implementation is grasped by the degree of specialization of the policy-makers who are the target of the interest group advocacy and the hierarchy of the regulatory text put up for comment. To capture interest group mobilization with regards to policy formulation, the article focuses on consultations on legislative policy-making (i.e., primary legislation). In the case of Switzerland these are parliamentary acts. When it comes to policy implementation, the article relies on consultations on secondary legislation. Secondary legislation, meaning regulatory texts enacted by non-legislative actors, concretize and specify rules within the boundaries set by primary legislation. For different reasons, Parliament often delegates the setting of implementation details to other bodies. For Swiss financial regulation, this rule-making, in the form of ordinances, is the resort of specialized administrative entities, either by the government administration (through the relevant ministry, essentially the Federal Department of Finance) or the independent regulatory agency responsible for the sector (Financial Markets Authority, FINMA). Empirically, 8 out of the 19 financial regulatory reforms studied included an implementation stage. The dataset therefore covers the participation of interest groups in 19 instances of policy formulation and 8 cases of policy implementation and multistage participation.

In order to cover a wide variety of financial regulatory issues, a relatively long time period is necessary. By retaining a 15-year period, multiple instances of financial regulatory reforms in the same sub-domain (i.e. banking, markets, insurance, anti-money laundering) are taken into consideration.

In order to test the multivariate hypotheses this paper relies on regression analysis. For participation at the level of policy formulation or policy implementation, the dependent variable is a dummy accounting for participation in a consultation process. For both policy formulation and policy implementation the datasets are stacked, with the entire population of interest groups that mobilized on consultations on financial regulatory reforms during the period 1999-2015 times the number of policy processes. For testing the multistage hypotheses, the dummy dependent variable takes the value of 1 if the interest group participated for the same policy process both in policy formulation and policy implementation. The year of foundation of groups was used to exclude interest groups that did not exist at the beginning of each policy process. The resulting datasets account for 3261 observations for the 19 cases of policy formulation, 1380 observations for the 8 cases of policy implementation and 271 observations for the multistage dataset. In order to take into account the hierarchical nature of the stacked data and control for non-specified variation across policy processes, the analysis resorts to multilevel logit regression models with random intercepts for policy process and interest groups.

Information on groups' organizational resources are difficult to collect retrospectivelly and in a longitudinal form. Two variables are retained to control for different degrees of lobbying experience and capacity across interest groups. The year of foundation of an interest group is retained as a proxy for lobbying experience. At the time of writing, this information is currently available for 74% of the 181 interest groups included in the dataset and was collected by accessing groups' websites, the register of commerce and contacting the interest groups directly. Organizational age is calculated at the beginning of the policy process. The data shows a wide range in terms of organizational age (max=149; min =1, mean=50, s.d.=41). Given the expected diminishing returns in terms of lobbying experience attributable to organizational age, and following previous studies, organizational age is logged in the regression analyses (Fraussen et al., 2014).

In order to capture lobbying capacity, this article relies on formal linkages between interest groups and Members of Parliament (Gava et al., 2016). In Switzerland, Members of Parliament are required to announce their formal affiliation to interest groups and companies in what is known as an official register of interests. This register is updated annually by the Parliamentary Services. These linkages between interest groups and MPs are well known by the public and regularly portrayed in the media. Moreover, recent studies suggest that interest groups sucesfully recruit MPs sitting in legislative committees that are congruent with their issue specialization (Eichenberger and Mach, 2017). Having an MP sitting in an interest group's board boosts interest group visibility. More importantly, it provides groups with a privileged access and political intelligence. The dummy variable *interest* indicates whether groups had MPs in its board during the period 2000-2015. This was the case for 24% of the 181 groups identified in this paper.

4 Empirical evidence

4.1 Interest groups and financial regulation: 2000-2015

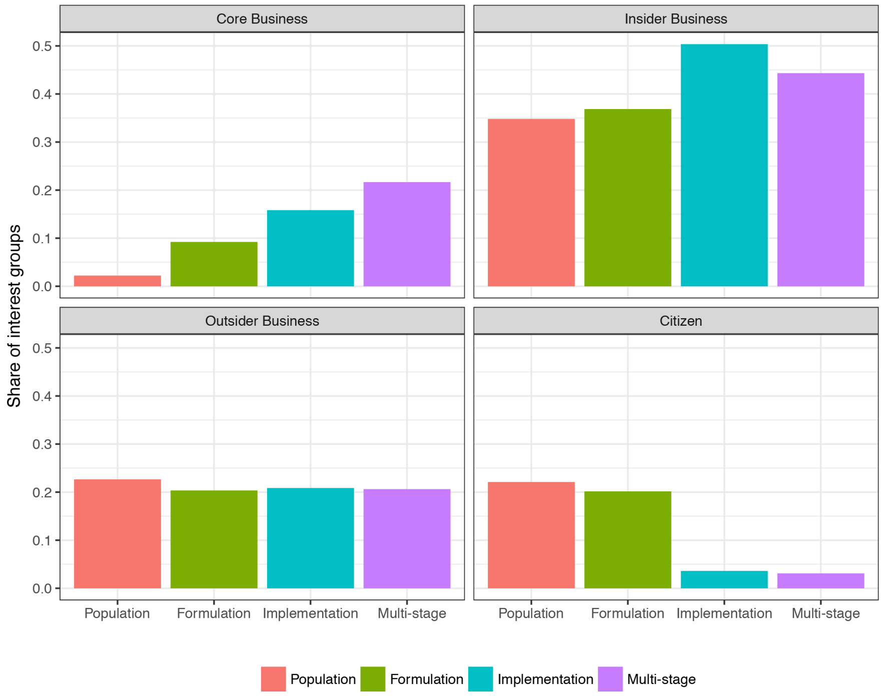
Table 3 provides an overview of the overall population of interest groups that mobilized on financial regulatory issues between 2000 and 2015. Insiders account for 55% of the total. Among insiders, business groups are the most represented. Given the low number of insider citizen groups and their usual challenging profile, they will be analyzed with the other citizen groups in the remaining of the analysis.

Table 3: Interest group population

	Business	Professional	Citizen
Core	4	-	-
Insider	63	24	3
Outsider	41	9	37

Figure 2 shows the proportions of the four categories that are the focus of this paper, namely (business) core, business insiders, business outsiders and citizen groups. In each panel, the first bar on the left indicates the share of the group among the total group population (N=181). The second, third and fourth bars provide, respectively, the proportion of each type of group when it comes to the total effective participations in terms of policy formulation (N=3261), policy implementation (N=1380) and multistage (N=271).

Figure 2: Participation of interest groups in policy processes



This aggregate overview offers worth-noting insights with regards to interest groups in different stages of the policy process. First, the low number of core business groups translates into an increasing participation along the policy process. This 2% of the total number of interest groups represents roughly 10% of participation when it comes to policy formulation, 15% of policy implementation and more than 20% of multistage participations. Second, moving beyond the specificity of a selected few core groups, insider business groups are not only more numerous than outsider business groups, but also more present in the different stages of the policy process. The participation of outsider business groups is strinkingly proportional to its weight in the total population and stable across policy stages. The gap between insider and outsider business groups increases as we consider the implementation stage. Third, the figures for citizen groups shows how our understanding of the involvement of this type of outsiders in financial regulation may fluctuate depending on the policy stage under consideration. At the policy formulation stage, the participation of citizen groups (20%) is still in line with its proportion in the population of interest groups (22%). This contrasts shaply with the figures for policy implementation and multistage participations, where citizen groups are barely perceptible.

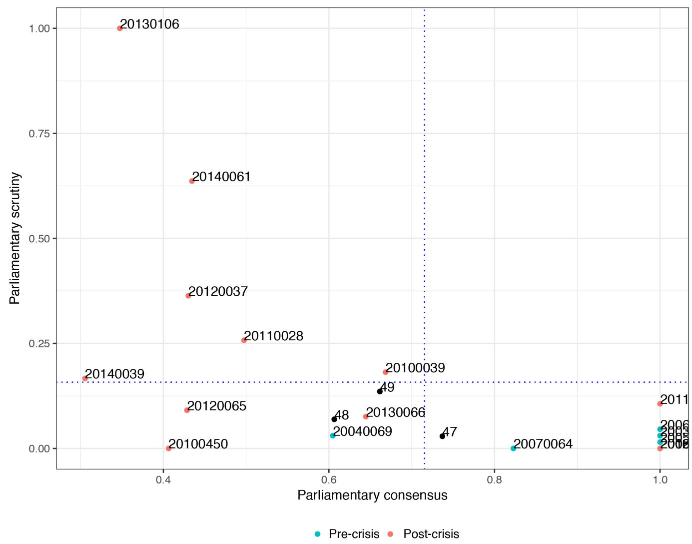
The first set of hypotheses expected that biases favouring business (*H1a*) and insider groups (*H1b*) would be higher in policy implementation and multistage participation than in policy formulation. These aggregate statistics suggest that there is a sharp contrast between business and citizen when moving beyond policy formulation, in line with *H1a*. This distinction between business and citizen groups seems to matter more than differences between insiders and outsiders. Business outsiders maintain a stable level of participation across stages, suggesting that *H1b* cannot be confirmed.

4.2 Quiet and noisy policy processes

As discussed in the previous sections, the Global Financial Crisis hit hard the normal functioning of policy-making with regards to financial regulation. By focusing on parliamentary treatment, the plot in Figure 3 allows us to grasp the extent to which this was the case for the 19 policy processes analyzed. The horizontal axis indicates the degree of agreement among MPs in the final vote of each piece of financial legislation. The indicator is the Rice index of agreement (Rice, 1928). The Rice index ranges between 0, where MPs would be splitted equally in yes and no camps, and 1, indicating total agreement among MPs. By means of this measure it is thus possible to grasp how divisive and conflictual financial reforms were when debated by political parties. The vertical axis indicates the number of amendments that were proposed and voted on during the parliamentary treatment for each legislative proposal. This axis is standardized: 0 indicates that there have been no proposals to amend the text in parliament, while 1 indicates the maximum number of amendments registered in the 19 policy process. By looking at the number of amendments proposed by MPs to legislation drafted by the government, it is possible to contrast legislative proposals in terms of parliamentary activism. The higher the number of amendments, the higher the scrutiny by MPs.

Each policy process is represented by a dot. The color of the dot indicates whether the policy process started before or after the Global Financial Crisis. The dotted lines represent the average for each axis. In order to contextualize this data, the average values for all bills in all policy domains treated by parliament during three legislative periods are also plotted (in black, i.e., 47, 48, 49).

Figure 3: Political attention to policy processes



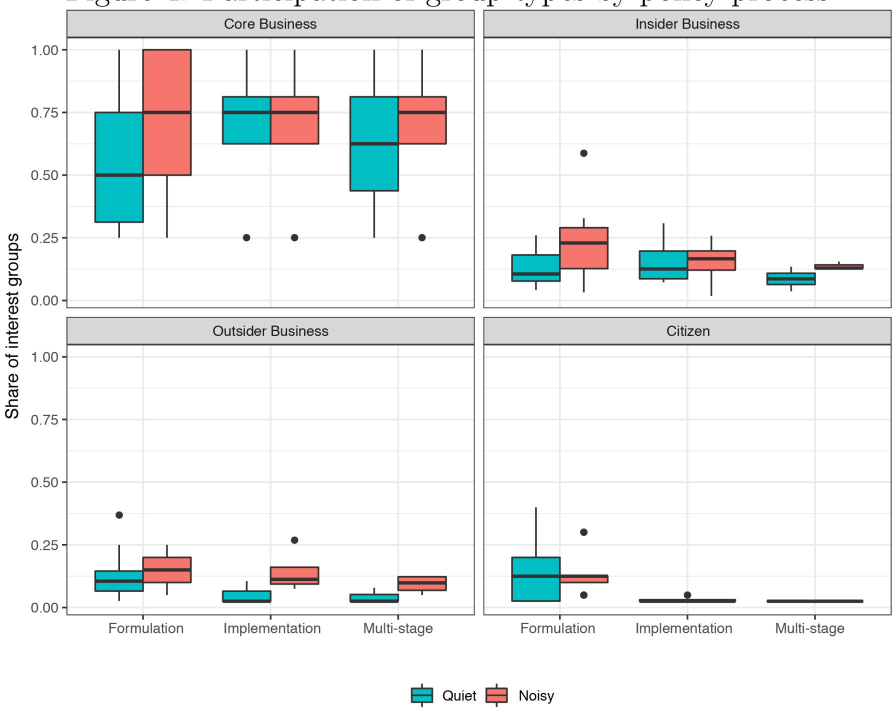
On the basis of Figure 3 it is possible to distinguish between quiet and noisy policy processes. Most of the policy processes that took place before the Global Financial Crisis (i.e., in blue) are to be found on the southeastern background of the plot. This indicates that these financial reforms did not attract much attention from political parties in parliament. These policy processes are characterized by broad consensus and little amendment activity, providing evidence of a quiet politics environment. In contrast, some of the policy processess in the aftermath of the Global Financial Crisis (i.e., in red) qualify as noisy cases. This set of policy processes are characterized by a higher parliamentary scrutiny of the content of regulation (i.e., more amendments) and less consensus on the policy adopted (i.e., more political conflict).

First, some but not all of the policy processes in the post-crisis period followed the noisy route. This contrasts heavily with the pre-crisis period, where most policy processes on financial regulation passed parliament with little political conflict.

Second, a middle ground category is observable around the averages for all bills debated in each legislative period. These policy processes are characterized by an average parliamentary treatment. In what follows they will be thus regrouped with the quiet cases to underline the contrast with the noisy ones. The following analyses will therefore contrast group participation in 9 noisy and 10 quiet policy processes.

Figure 4 provides a first dive in how quiet and noisy contexts differentially interact with interest groups. The vertical axis indicates the proportion of groups mobilized by policy process. The horizontal axis shows these figures for policy formulation, policy implementation and multistage participation. For instance, during quiet policy processes, the median participation for core business groups when it comes to policy formulation is 50%. This figure increases to 75% during noisy processes. In other words, when considering median values, two of the four core business groups participate in policy formulation. For noisy policy processes, three out of the four core business groups are typically present.

Figure 4: Participation of group types by policy process



First, noisy policy processes are characterized by a slighly higher participation across groups. However, moving from quiet to noisy politics does not seem to dramatically reinverse the landscape in terms of interest group participation. Second, the three type of business groups (core, insider and outsider) seem to be more responsive to the passage from quiet to noisy environments than citizen groups. When contrasting typical values for quiet and noisy policy processes, business insiders are relatively more present in policy formulation and more likely to mobilize at both stages of the policy process. For business outsiders an increase is observable at the three levels retained for analysis. In short, these descriptive analyses suggest that while the level of participation is different between high and noisy policy processes, the hierarchy between groups remains relatively stable. In particular, business groups seem to be slightly more reactive to shifts in political attention, while the passage from quiet to a noisy environment does not appear to play an important role for citizen groups.

4.3 Multivariate analyses

In order to investigate how shifts in political attention modify group participation in financial regulatory processes we now turn to regression analysis. Table 4 shows the results of a series of multilevel models that focus on interest group participation as a dependent (dummy) variable. Two models (i.e. with and without organizational age as a control variable) are presented for each of the three types of participation that are the object of the hypotheses. Models 1-2 focus on participation regarding policy formulation, models 3-4 deal with participation on policy implementation and models 5-6 concentrate on participation on both policy formulation and policy implementation for the same policy process (i.e., multistage).

When it comes to policy formulation, the coefficient for political attention in Table 4 goes in the expected directionof *H2*, suggesting that a noisy context increases the participation of interest groups. Nevertheless, this effect is not statistically significant. The degree of insiderness has, however, a significant and strong effect. On the one hand, core groups participate more than other type of business insiders. On the other hand, outsiders are less likely to participate. The coefficient signs suggest that both citizen and professional groups participate less than business groups, although this difference is only significant for professional groups in Model 2. In short, these analyses indicate that the degree of insiderness is a strong predictor of interest group participation in policy formulation. The results do not show statistically significant differences between business and citizen groups nor between quiet and noisy policy processes.

Figure 5: Interest group participation: Policy formulation

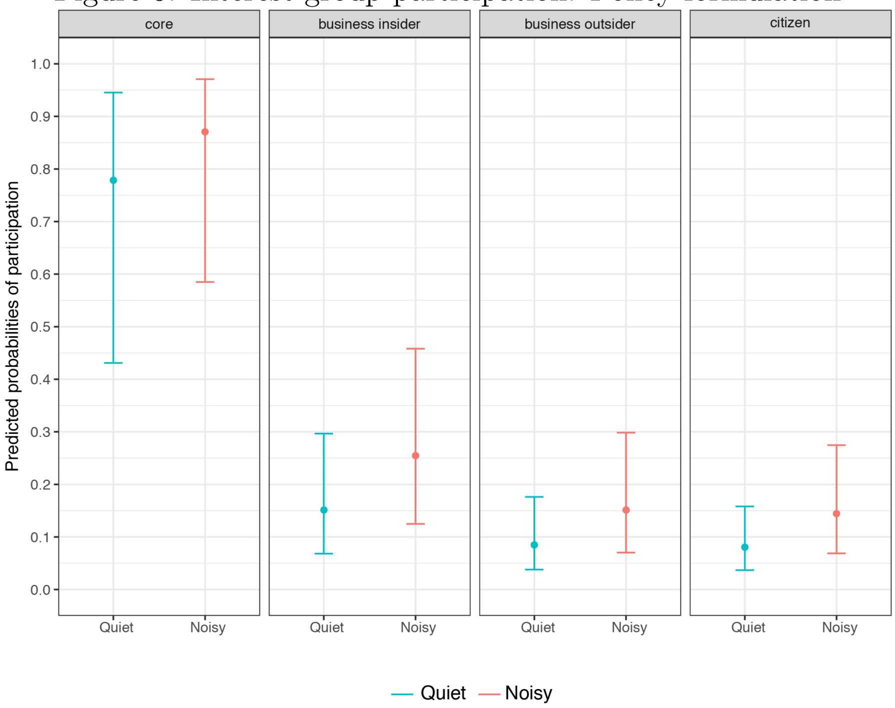


Figure 5 relies on predicted probabilities to assess how shifting from a quiet to a noisy environment impacts the involvement of different types of interest groups in policy formulation [2]. First, moving from a quiet to a noisy environment increases

[2]Predicted probabilities computed on the basis of Model 1 for groups having an MP interest

Table 4: Multilevel models estimations

	Dependent variable:					
	Formulation		Implementation		Multistage	
	(1)	(2)	(3)	(4)	(5)	(6)
Insiderness: Core	2.98***	2.02***	4.03***	3.48***	2.75***	1.78**
	(0.72)	(0.69)	(1.21)	(1.27)	(0.97)	(0.75)
Insiderness: Outsider	−0.65**	−1.38***	−1.17**	−1.51**	−0.43	−0.82
	(0.28)	(0.37)	(0.54)	(0.71)	(0.58)	(0.57)
Type: Professional	−0.35	−1.13***	−1.96***	−2.37***	−0.06	−0.96
	(0.30)	(0.36)	(0.65)	(0.79)	(0.74)	(0.69)
Type: Citizen	−0.06	−0.14	−2.27***	−2.72***	−2.10**	−2.50***
	(0.33)	(0.35)	(0.79)	(0.90)	(0.96)	(0.83)
Process: Noisy	0.65	0.51	0.58	0.41	0.65	0.59
	(0.44)	(0.45)	(0.56)	(0.66)	(0.57)	(0.69)
MP Interest: Yes	0.91***	0.45	0.36	0.39	0.61	−0.19
	(0.28)	(0.30)	(0.60)	(0.68)	(0.60)	(0.51)
Organization age		0.47***		0.04		0.75***
		(0.11)		(0.21)		(0.20)
Constant	−2.63***	−3.12***	−3.10***	−2.58***	−1.76***	−3.21***
	(0.36)	(0.45)	(0.53)	(0.74)	(0.60)	(0.82)
AIC	2261.63	1875.18	657.07	532.07	315.17	280.39
BIC	2316.44	1932.79	704.14	581.10	347.58	315.45
Log Likelihood	-1121.82	-927.59	-319.54	-256.03	-148.58	-130.20
Num. obs.	3261	2349	1380	996	271	246
Num. groups: id_actor	181	133	181	133	108	86
Num. groups: id_process	19	19	8	8	8	8
Var: id_actor (Intercept)	1.51	1.27	3.96	4.13	1.62	0.58
Var: id_process (Intercept)	0.86	0.85	0.50	0.71	0.38	0.71

Ref. cat.: Insider; Business; Quiet — *p<0.1; **p<0.05; ***p<0.01

the likelihood of interest group participation. The effect is nevertheless limited. Second, the increased likelihood attributable to changes in terms of political attention seem to affect all types of groups equally. The hierarchy among interest groups remains thus stable in both environments. Third, as already seen in Models 1-2, insiderness is a key diferentiating factor. Business outsiders and citizen outsiders have less chances to participate than business insiders both in quiet and noisy environments. The participation pattern of business outsiders and citizen groups is very similar. All in all, these results suggests that the participation increase of noisy policy process in policy formulation is relatively small and equally distributed.

Regression analyses in Table 4 tell us a slightly different story when it comes to interest group advocacy in policy implementation. Insiderness continues to play a determinant role as it did in policy formulation. Once again, the difference between quiet and noisy policy processes goes in the expected direction without being statistically significant. However, here the gap between business groups and citizen groups is systematic and strong. The results suggests that business groups are considerably more likely to participate than both citizen and professional groups.

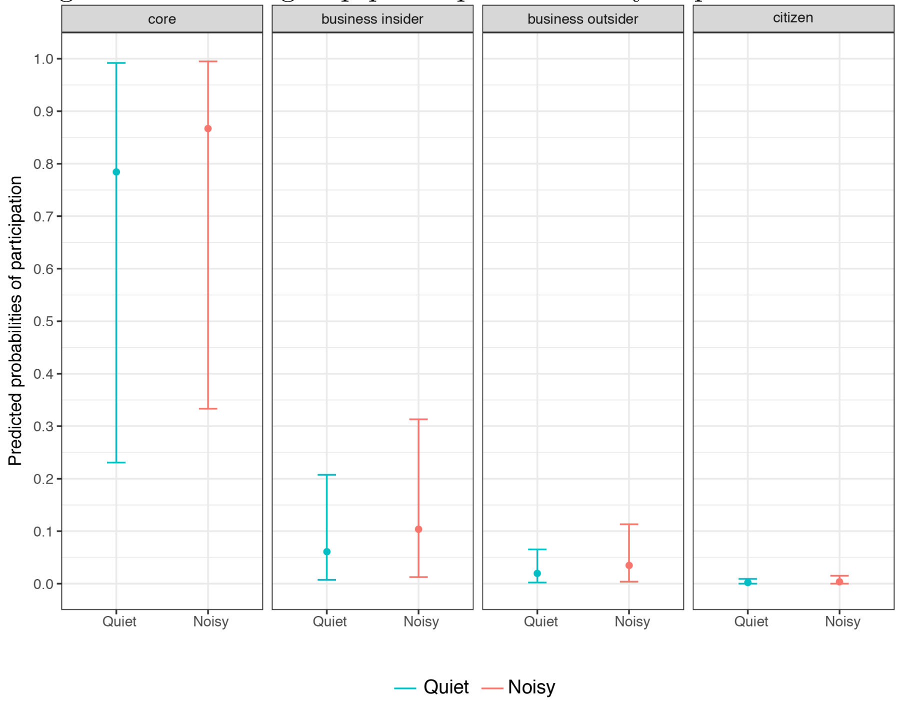
Figure 6 shows that the probability of citizen groups to get involved in policy processes drops substantially when comparing with policy formulation[3]. Both under quiet and noisy environments the likelihood of citizen groups getting involved is virtually zero. Business groups seem slightly more responsive to the change from a quiet to noisy environment, increasing their participation when facing noisy policy processes. This positive effect of noisy policy processes remains nevertheless relatively small.

Multistage participation does not seem to be dramatically different between quiet and noisy policy processes. Table 4 indicates that citizen groups are significantly less likely to participate both at the policy formulation and policy implementation for a given policy process. This does not come as a surprise given the low presence of citizen groups in policy implementation. As in the previous models, insiderness remains determinant while moving from quiet to noisy politics does

affiliation. 95% Confidence intervals estimated with bootstrapping (3000 simulations).

[3]Predicted probabilities computed on the basis of Model 3 for groups having an MP interest affiliation. 95% Confidence intervals estimated with bootstrapping (3000 simulations).

Figure 6: Interest group participation: Policy implementation



not considerably affect the dependent variable. The relative small effect of a noisy environment is observable in Figure 7[4]. Business groups appear to slightly increase their participation in both formulation and implementation stages. The likelihood of citizen groups doing so remains tiny under both quiet and noisy environments.

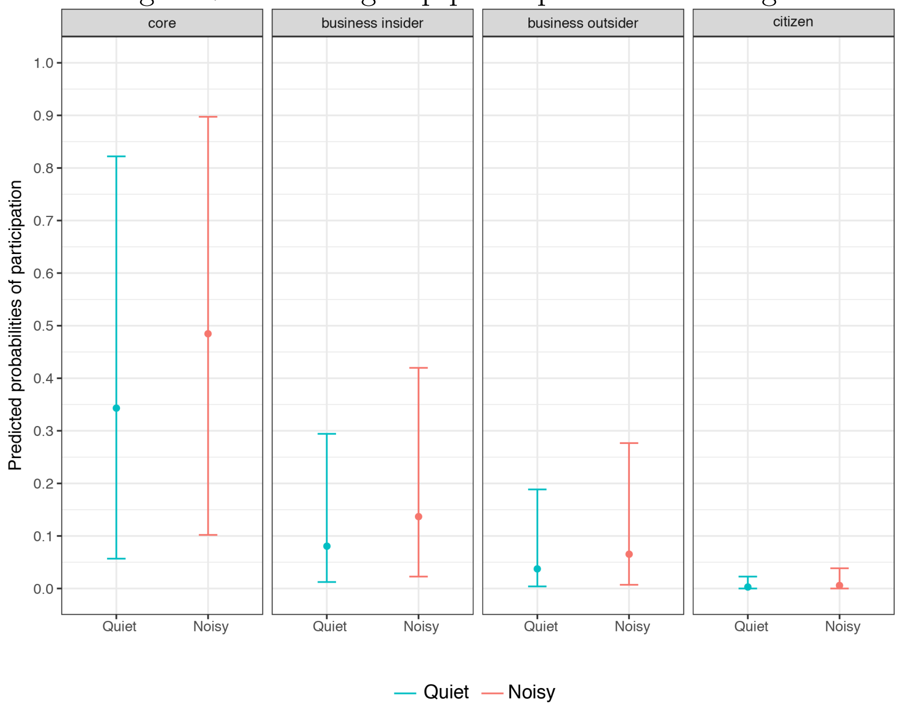
The first set of hypothesis focused on participation gaps between business and citizen groups (*H1a*) and between insider and outsider groups (*H1b*), which were expected to be larger in policy implementation and multistage participation than in policy formulation. In line with the descriptive statistics, the multivariate analyses provide support to such a difference between business and citizen groups (*H1a*), but not between insiders and outsiders (*H1b*).

Expecting a differential increase in participation between stages of the policy process, *H2* postulated that moving from a quiet to a noisy environment would increase group participation for all types of groups. This increase was hypothetized to be higher in formulation participation than in implementation and multistage

[4]Predicted probabilities computed on the basis of Model 5 for groups having an MP interest affiliation. 95% Confidence intervals estimated with bootstrapping (3000 simulations).

participation. The empirical evidence suggests that policy formulation does not differentiate strongly in this regard from policy implementation and multistage participation. Noisy politics increases only slightly the participation of interest groups. Moreover, this effect remains comparable across the three types of participation. It should be noted however that the results hint at a difference between groups. In a noisy context, citizen groups increase their participation in policy formulation but do not do it when it comes to policy implementation and multistage participation.

Figure 7: Interest group participation: Multistage



H3 privileged differences between business insiders and other types of groups under quiet and noisy environments when it comes to policy implementation and multistage participation. Given the weak effect observed when moving from a quiet to a noisy policy process there is not enough evidence indicating a contrast between business insiders and business outsiders, as *H3* implied. As it was the case with *H2*, the evidence hints however a slim difference between business and citizen groups. While all types of business groups seem to become slightly more active in a noisy environment, citizen groups remain practically absent.

5 Conclusion

This paper focused on how interest group participation in the policy processes varies depending on policy stages and political salience. The empirical assessment relied on Swiss financial regulatory reforms undertaken before and after the Global Financial Crisis. Policy stages have not been the object of systematic analysis in previous studies of the politics of financial regulation. This paper shows how moving from policy formulation to policy implementation highlights a new dimension of business interests' predominance when it comes to involvement in regulatory policy-making. When looking at policy formulation, citizen groups have a participation comparable to that of business outsiders. The contrast with policy implementation and multistage participation is strong, with citizen groups practically out of the picture.

Preliminary results suggest that the difference between citizen and business groups matters across stages and between noisy and quiet environments. Given the low number of citizen insider groups proper to financial regulation, the implications of these preliminary findings for other policy domains require further investigation. Business outsiders participate considerably in financial policy-making, particularly at the formulation stage and when looking at multistage participations. These results are in line with studies underlying the role of business outsiders when studying the politics of financial regulation (Pagliari and Young, 2014; Young and Pagliari, 2015).

The Global Financial Crisis dramatically changed the way in which policy-makers and the media dealt with financial regulatory issues. In many cases, the environment in which financial regulation was produced was dramatically different from pre-crisis times. Radical changes between quiet and noisy politics can be observed when it comes to politicians' involvement, media coverage, parliament treatment and scope of policy reforms. According to the preliminary results of this paper, interest group participation did not change to the same extent. First, group diversity seems to change little when moving from a low to a high salience context. Second, business groups appear more responsive to increasing issue salience than citizen groups. In short, major changes in response to focusing events seem to be less likely for interest groups than for political parties, policy-makers and the media. Bearing in mind that these are preliminary results for one policy domain and a single country, these insights encourage further exploration of interest groups' responsiveness to crises in comparison to that of other policy actors.

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