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Structuring transnational interests: the second-order effects of soft law in the politics of global finance

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ABSTRACT

International soft law has become a hallmark of global economic governance: networks of official and private 'governors' create standards, best practices and norms. Research often frames these efforts as solutions to perceived problems arising from globalization. Yet the narrow focus on the rulemaking process – coordination, distributive implications and implementation – misses second-order political repercussions. Giving special attention to the interaction between international soft law and the political landscape of business advocacy, this article offers an alternative account of the relationship between transnational rules and powerful actors. We argue that transnational informal institutions are not only sites of cooperation that resolve the economic policy concerns of the day, but are also sources of policy feedback that can transform the political landscape. To illustrate the potential empirical traction of these arguments, we examine the critical case of the Basel Committee on Banking Supervision and the Institute of International Finance (IIF). The IIF went from being a struggling organization with no regulatory agenda or lobbying skills to the world's most influential financial industry advocate directly engaging transnational forums. We find that second-order effects of soft law were a primary cause of the IIF's transformation. Our study has major implications for research on global governance as we highlight the political ramifications and temporal effects of informal institutions for business representation.

KEYWORDS

finance; transnational; soft law; business representation; global governance; interdependence.

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INTRODUCTION

International soft law[1] has become a hallmark of contemporary economic governance (Abbott and Snidal 2000; Brummer 2012; Green 2014; Porter 2005; Shaffer and Pollack 2009; Slaughter 2004). For 30 years, networks of official and private 'governors', operating in a seemingly ever-expanding number of forums, have created advisory standards, principles, best practices and norms. What has been the effect of all this transnational rulemaking?

The existing literature tends to frame soft law as the intended solution to perceived problems arising from globalization (Oatley and Nabors 1998; Slaughter 2004; Verdier 2009; Zaring 1998). Soft law is said to redress the challenges of having national regulation in a world of global markets: resource allocation inefficiencies, asymmetrical advantages (i.e. un-level playing fields) and systemic dangers (e.g. from regulatory races to the bottom). By the logic of this research, the Basel Committee on Banking Supervision, the Group of 7 (G7), Fairtrade International, the Forestry Stewardship Council and the Organization for Economic Co-ordination and Development (OECD), to name a few prominent soft law generators, help (or fail) to solve cooperation problems.

By lumping much of the literature on soft law together, we do not mean to imply widespread agreement on core questions. There is little consensus on the extent to which or how these advisory principles and guidelines make their way into domestic (and regional, in the European case) legislation and regulation (Helleiner and Pagliari 2011; Mosley 2010; Newman and Bach 2014; Walter 2008), and there is controversy over the degree to which the content of soft law reflects the interests of powerful actors (Bach and Newman 2007; Drezner 2007; Lall 2012; Young 2012) as opposed to state-of-the-art technocratic knowledge and learning (Sabel and Zeitlin 2010; Slaughter 2004; Zaring 1998). Moreover, we do not invoke this literature to knock it down. We agree with core findings (for example, that soft law often has the coordinating role as claimed, with widespread adherence in the major markets), as well as with a basic premise of the research (that international soft law has become important to market participants and a topic worthy of social scientific attention). Our main critique is that much of the existing research underestimates the political impact and transformative potential of international soft law over time (Fioretos 2011; Helleiner 2016; Moschella and Tsingou 2014).

Focusing on the interaction between international soft law and the political landscape of business advocacy, this article proposes an alternative view. It builds on a growing body of research associated with the New Interdependence Approach (NIA), stressing the endogenous effects of globalization (Andonova and Tuta 2014; Farrell and Newman 2010, 2014, 2016; Sell 2010), and highlights how policy feedback, sparked by international soft law, can transform the agenda, internal organization and relative effectiveness of industry groups. A long line of research in comparative politics demonstrates the importance of national institutions in shaping industry representation and priorities (Berger 1983; Pierson 1993; Vogel 1983). We ask whether informal institutions at the transnational level have similar effects. Our study on transnational banking regulation suggests that they often do and have in important cases.

International soft law, we argue, can transform the interest group landscape by expanding the number of arenas where political contestation and agenda setting occur. This expansion creates opportunities for collective actors to reorient industry representation from the national to transnational level, and sets the terms by which business associations become and remain relevant (Abbott et al. 2016; Cerny 2010; Halliday and Shaffer 2015). The result is a complex politics that amplifies some voices over others, includes simultaneous national and transnational sites of contention (often in interaction with one another) and has the potential to transform the mission and priorities of individual business associations.

This study's evidence suggests the insufficiency of explanations that attribute agendas, organizational forms and effectiveness of business lobbying to exogenous material interests and structural advantages of multinational firms. It also finds little support for the proposition that transnational industry associations reflect US national interests by alternate means. Instead, the evidence points to the structuring effects of transnational institutions, which are not only sites of one-off (or even iterative) contestation, coercion, deliberation and coordination that resolve the economic policy concerns of the day, but are also sources of second-order political effects (Newman and Posner 2016). In short, it helps to explain who speaks for industry at the transnational level and on what terms.

These findings derive from the puzzling and critical case of the Basel Committee on Banking Supervision and the Institute of International Finance (IIF). Accordingly, the paper's empirical sections focus on rule-making processes concerning capital adequacy requirements – the amount of capital banks (and other financial firms) need to put aside to weather adverse events such as financial crises. A large literature highlights the role of the IIF in transnational policy rulemaking, making it a critical case for studies of transnational business advocacy in the area of finance (Lall 2012; Tsingou 2008; Underhill and Zhang 2008). Whereas scholarly interest to date has centered on the imprint of the IIF (frequently singled out as the most important contemporary global financial services lobby[2]) on the 2004 and 2013 Basel Committee accords, we investigate the transformation of the organization and its agenda between the 1988 and 2004 Basel Accords and, specifically, the move from mostly providing economic data to commercial banks, to concentrating on regulatory policy at the transnational level. What, we ask, explains the transformation of the IIF from a struggling organization with no regulatory agenda, lobbying skills or access to the negotiations preceding the 1988 Basel Accord, into the world's most influential financial industry advocate, directly engaging transnational forums 15 years later?

To answer these questions, we conducted a structured temporal analysis, evaluating the merits of alternative explanations, invoking shadow cases where appropriate and using an empirical record rooted in original interviews and primary documents. A multitude of factors contributed to the IIF's ascendance and its new access to transnational rulemaking. However, this study's findings highlight the primary causal role played by the second-order effects of transnational soft law: the 1988 Basel Accord. In reaction to the perceived importance of the early Basel process and the Basel Committee on Banking Supervision's (BCBS) need for private sector expertise and relationships, the IIF leaders saw an opportunity to reverse the organization's decline. They understood that the IIF was positioned well, within the field of industry associations, to become a 'neutral' vehicle for meeting the particular informational needs of the new rulemakers. With the reorientation towards Basel underway, the IIF's leadership was able to reform the organization's mission, purpose and by-laws to attract investment banks and other new members. A resuscitated organization with replenished resources and new capacities, the IIF became the Basel Committee's most important industry interlocutor and the leading transnational industry lobby, advancing the interests of its new membership-base of investment and money center banks. In short, soft law's second-order effects catalyzed the expansion of regulatory politics to the transnational level and were a primary cause of the IIF's transformation into a transnational advocacy organization focused on regulation. The case of the IIF, then, offers an important plausibility probe for our argument and serves as a useful theory-building exercise.

The paper makes several theoretical contributions. Echoing themes of this special issue on the NIA, our findings underscore how international soft law can generate political opportunities for collective actors at the transnational level (Farrell and Newman 2014, 2016; Johnson 2016). Additionally, the evidence from the domain of international banking regulation suggests the limitations of the two-level game models and the pitfalls of assuming exogenously given material interests of firms, typical of Open Economy Politics approaches (Evans et al. 1993). Transnational standard setting arenas are not merely focal points but can have endogenous effects that, over time, complicate politics and transform those actors who are represented in global fora. This study thus extends – to the transnational level and to the realm of international industry associations – basic research on the capacity of institutions to organize and spark interests, and not simply mediate and aggregate them (Berger 1983; Pierson 1993; Posner 2005, 2009; Woll 2008). In other words, our argument helps to explain why some industry interests get represented and others do not. Moreover, our findings build on research that complicates simple models about private actor capacity to shape governance arrangements (McKeen-Edwards and Porter 2013; Young 2012) and vividly illustrate that power resources of firms are often deeply intertwined with the institutional context (Hacker and Pierson 2002). The IIF was a relatively weak, declining organization prior to Basel I; to remain relevant in the aftermath of changing transnational rules, it reoriented its purpose, membership and activities and, in the process, transformed the ecology of organizations within which it operated. This suggests that scholars should pay more attention to the interaction between private actors and their institutional environment (Abbott et al. 2016; Büthe and Mattli 2011).

INTERDEPENDENCE, TRANSNATIONAL REGULATORY NETWORKS AND THE GLOBAL GOVERNANCE OF FINANCE

An important consequence of the Bretton Woods system was that the negotiating parties did not establish a formal international organization dedicated to financial regulation (Davies and Green 2008; Kapstein 1994). A central provision of the post-war monetary regime was the acceptance of national capital controls, which led to the belief that banking systems and financial institutions were prevented from contributing to global economic instability. Banks and stock markets were viewed as central domestic institutions in the embedded liberal compromise (Ruggie 1982; Zysman 1983). By bracketing the issue as a domestic concern, the post-war settlement set the stage for a significant governance gap in the event of a future return of global finance.

Core assumptions of the Bretton Woods system, however, were quickly challenged (Helleiner 1996; Kapstein 1994). Starting with the eurodollar markets in the 1960s, in which American and foreign banks made US dollar loans in London, the clean separation between national banking systems began to break down. The risks of rising interdependence became clear as bank failure in one country had systemic consequences for banking systems in others. The wakeup call was the 1974 insolvency of Germany's medium-sized Herrstatt Bank, which was unable to pay counterparty banks in several other countries. As a result, the New York interbank market froze, which nearly drove a host of other banks into insolvency. Finally, with the end of the gold standard and the easing of capital controls, capital markets began to internationalize. The New York and London markets, in particular, saw a rise in foreign investors, traders and companies seeking capital. The internationalization of finance accelerated as asset managers and banks, flush with petro-dollars from states that benefited from the 1970s oil crisis, looked for new investment opportunities. It quickly became apparent that the behavior of foreign firms and investors could have consequences for the stability of these markets.

As finance took on these increasingly global dimensions, regulators across jurisdictions with major financial markets began to mobilize (Kapstein 1994; Singer 2007). In part, their efforts were intended to stem the risks associated with financial contagion, but they also reflected the general realization that carrying out their statutory missions required new international engagement. Starting in the 1970s, therefore, financial regulators from major markets had to approach counterparts in other countries to manage the policy challenges of the nascent globalization of finance. Well-resourced agencies – e.g. the Federal Reserve, the Bank of England and the Securities and Exchange Commission – led the way in constructing the web of regulatory networks[3] that would encompass literally dozens of forums, including the Basel Committee on Banking Supervision, the International Organization of Securities Commissions, the International Association of Insurance Supervisors, the International Accounting Standards Board and eventually the Financial Stability Forum (now, Financial Stability Board).

A large social science literature on transnational regulatory cooperation focuses on these networks of regulators and the soft law that they produce (McKeen-Edwards and Porter 2013; Tsingou 2008; Verdier 2009; Zaring 1998). Putting transnational regulatory networks front and center prompted alternative arguments about why the networks exist, what they do and how they might have a role in perpetuating and changing financial rules beyond particular constellations of power. The scholarship is marked by unsettled, contentious debates over whose interests are reflected in transnational soft law (Oatley and Nabors 1998; Quaglia 2014; Singer 2007; Underhill and Zhang 2008), its importance with respect to national and regional rules (Verdier 2009), the relative autonomy of private vis-à-vis public authorities (Porter 2005) and the extent to which rulemaking is about learning and deliberation as opposed to strategic bargaining and mutual accommodation (Kapstein 1994; Sabel and Zeitlin 2010). This literature as a whole has primarily viewed soft law as a mechanism that helps (or fails) to manage obstacles to market openness and, thus, emphasizes the politics involved in generating cooperation rather than the political consequences of cooperation.

Transnational networks in the NIA

Building on the NIA themes of this special issue and the findings of a rich literature on the structuring effects of national institutions, is it possible to hypothesize an alternative interpretation of soft law's effects? Considering the interaction between soft law and business representation, we argue that transnational processes can create powerful second-order effects that shape the general orientation of industry lobbying and the purposes, internal organization and effectiveness of particular business associations.

With the increase in cross-border economic exchange, financial authorities, as noted, sought to prevent the potential costs of regulatory arbitrage and governance gaps (Kapstein 1994; Singer 2007). As part of their strategy, they created transnational policy forums, such as the Basel Committee. The new bodies and standards did not replace national political institutions and rules. Nor do the new rules merely serve as standards to be implemented at the national level in accordance with agreed accords. Rather, a more apt image, as emphasized in this special issue, is of an additional layer of contestation and rulemaking at the transnational level that coexists and overlaps with domestic rule-setting (Cerny 2010; Farrell and Newman 2015, 2016; Halliday and Shaffer 2015). The key question is what are the likely consequences of rule overlap on the interest group landscape?

Research from comparative politics shows that new institutions can set off second-order, endogenous effects that include the transformation of business representation (Berger 1983; Pierson 1993; Schneider 2004; Woll 2008). In this literature, the core concept is policy feedback, an endogenous process of change in which governance decisions – that is, rule creation in the broadest sense – over time shape actor resources and capabilities.[4] The research stresses that in addition to the formal 'rules of the game', public 'policies frame the choices of political actors both by creating resources and incentives and by influencing the efforts of individuals to interpret the social world'.[5] An important strain of this literature has looked at the way such policies affect the organization of business and industry–government relations. For example, David Vogel's early work on the role of business in US regulatory politics emphasizes the critical role that new participatory policies played in making 'business executives much more conscious of their common class interests, which in turn led to both the formation and revival of political organizations…'[6]

We posit that just as within domestic political systems, second-order effects at the transnational level may significantly alter the interest group landscape. A growing literature on international policy feedback (Sell 2010; Shaffer 2012) has for the most part focused on formal international organizations and state bureaucracy. We suggest that international soft law, sometimes dismissed because of its voluntary nature, can also have powerful temporal effects (Newman and Posner 2016). In addition, we extend the argument to international private industry associations, the agendas, preferences and organizational forms of which are frequently viewed as outcomes of structurally determined material interests, rather than institutional contexts.

Within any regulatory domain, an ecology of organizations with various histories and capacities seek to exist, maintain their relevance and outperform competitors (Abbott et al. 2016). When broadly perceived as a salient new rulemaking arena, a transnational body and the soft law it generates set the terms by which organizations remain relevant and compete. By second-order effects of transnational institutions, we are referring to those temporal processes that 'structure' ecologies and reconstitute the organizations within them. Such effects fall into two broad categories. First, transnational soft law institutions expand the potential sites of political contestation and, thus, encourage the transnational organization of interests (Callaghan 2010). When perceived as an important rulemaking arena, a transnational institution has the ability to select which issues become politically salient (Halliday and Shaffer 2015; Porter 2003). Industries, moreover, often lack clear preferences and face internal fragmentation (Pagliari and Young 2014; Woll 2008). Soft law proposals, by providing new reversion points of the policy status quo without action, force interest groups to move to and focus on these sets of issues (Fox and Stephenson 2015). Given the opportunity costs in politics and simple cognitive constraints, soft law generating bodies can come to define businesses' agenda and have a gravitational pull on lobbying activities. In this way, transnational policy proposals become political facts that undermine industry associations' defense of the status quo and pressure them into the more challenging role of accepting or rejecting the new transnational agenda.

Second, transnational soft law institutions have the potential to transform individual business associations and their relative effectiveness compared to others. To a large extent, the particulars of a rulemaking arena – the procedures, norms and needs of the rulemakers – determine which organizations will thrive and be effective. That means business associations able to adjust priorities, missions and internal organizational forms accordingly will likely do well; whereas, those unable to attract financial resources, members, legitimacy and other resources from potential stake-holding firms will likely allow competing associations to gain advantage through early agenda-setting contributions and closer relationships with the rulemakers (Lall 2015). In short, transnational soft law institutions are significant determinants of what it takes to be a relevant and successful organization.

This discussion of transnational institutions and second-order effects on business associations yields a few logical expectations of what we should find in the empirical record. First, the reorganization of business representation should be oriented toward the new level of contestation;

the advent of a transnational rulemaking arena, broadly perceived as salient to stake-holding firms, should spur the creation of transnational lobbies and draw the attention of existing ones. Such second-order effects might not be the only factor driving the transnational organization of business representation. Nonetheless, we contend that transnational institutions will likely rank highly within any mix of causes that draw firms into transnational political arenas in which they were previously not active.

Second, we expect transnational rulemaking to catalyze the transnational orientation of business representation and, thus, explain the timing of change. Rather than preceding the creation of a transnational arena, changes in industry representation should be prompted by it. Third, and finally, business associations that do well in the new rulemaking arena can be expected to have undergone internal changes to facilitate interactions with transnational rulemakers, to improve capacities to supply the type of information and expertise demanded, and otherwise, to enhance their ability to influence the agenda set out by soft law generating bodies. Here, we anticipate transnational business associations to take on the agenda of soft law bodies, rather than generate it, and to make reforms in accordance with the procedures, norms and needs of the rulemakers.

Systematic evaluation of these propositions, as an explanation for the IIF's ascendance, requires not only careful examination of the empirical record but also consideration of alternative sets of propositions. Two stand out as especially plausible. The first emphasizes the material interests and power resources of multinational firms (Fairfield 2015; Underhill and Zhang 2008). One prominent variant of this research understands the relative mobility of capital as a structural force that informs firm preferences and their ability to shape global rules (Ahlquist 2006; Andrews 1994; Mosley 2000). Core to the logic is that mobile businesses have a clear set of preferences vis-à-vis international regulatory debates and enjoy a host of power resources ranging from expert knowledge, to relative mobility, to financial means that guarantee influence in global governance (Lall 2012). With liberalization of capital controls, the growth of international financial markets produced incentives for money center banks to press for further international liberalization and global standards to ease access to new markets.

In terms of specific empirical expectations, a business power approach would anticipate mobile firms to press for rules that facilitated cross-border access, to organize transnationally as a means for setting the transnational agenda and to shape rulemaking arenas that enable their pre-formed agenda. As for timing, a business power approach would expect industry mobilization prior to the development of transnational soft law bodies, rather than in response to them. Finally, the approach would anticipate that the internal organizational forms of business associations correspond to the technical and functional needs of the industry (McKeen-Edwards and Porter 2013), and that the relative effectiveness within the ecology of organizations reflect relative power resources.

A second set of alternative propositions begin with the premise that firm representation and participation in transnational standard setting arenas take place within an international financial architecture that mainly reflects the interests and pressures of powerful states, most notably the United States (Drezner 2007; Helleiner 1996). A long tradition in international political economy holds that impersonal forces (stemming from US financial and monetary hegemony) and strategic actions of American officials combine to shape international financial arrangements to reflect US government interests. By this logic, the US imprint on transnational rulemaking comes about via two main processes (Simmons 2001). On the one hand, first mover advantages, network effects and other impersonal mechanisms ensure that transnational rules and rulemaking are similar to those in the US. On the other hand, US officials create and shape transnational arenas to carry out statutory missions in a challenging era of globalizing markets. Both routes (and they are not generally seen as mutually exclusive) yield similar expectations about financial industry representation: even when new transnational political arenas are layered atop of national ones, the key to remaining a relevant and effective organization would lie in careful attention to US positions, authorities and political dynamics. Business associations should survive and grow when they orient themselves towards US public sector positions as a strategy to bandwagon with a set of dominant ideas and actors (Walt 1985). Thus, rather than reorient toward transnational rulemakers such as the Basel Committee, effective industry organizations would align with US government actors.

In the following sections, we evaluate these arguments in the context of global financial regulation. We chose the IIF's interactions with the Basel Committee because it is a critical case in the literature on the interaction between private actors and soft law. The Basel Accords are routinely singled out as the most important example of international economic soft law and have produced a voluminous body of scholarship (Claessens et al. 2008; Kapstein 1994; Lall 2012; Oatley and Nabors 1998; Singer 2007; Wood 2005; Young 2012). Furthermore, the IIF has been identified as a leading industry lobby shaping transnational rulemaking (McKeen-Edwards and Porter 2013; Tsingou 2008; Underhill and Zhang 2008). It goes without saying that any analysis of a single organization – even temporal analysis with shadow-case comparisons and structured examination of alternative arguments – has limitations. In explaining the IIF's transformation, we seek to establish the plausibility of the second-order consequences of soft law.

THE BIRTH OF A TRANSNATIONAL LOBBY FOR FINANCE – NEW RULES, NEW OPPORTUNITIES AND THE METAMORPHOSIS OF THE IIF

This empirical narrative traces the effects of soft law created by the Basel Committee in the late 1980s on industry representation. In the run up to Basel I, the financial industry engaged primarily through traditional domestic channels similar to those depicted in the metaphor of the two-level game. As regulatory interdependence and the importance of transnational standard setting grew in the aftermath of Basel I, the IIF saw an opportunity in the new level of contestation to revitalize itself and remain relevant in the ecology of financial industry organizations. The empirical record is compiled from interviews, internal IIF reports, other original documentation and the secondary literature. Based on these materials, the narrative features the IIF's reorientation toward the Basel rulemaking arena and its transformation of mission and capacities that turned it into the leading transnational financial services lobby. An instance of endogenous change, the evidence underscores the structuring effects of transnational soft law on interest group representation. The sections also show that the IIF's ascendance is merely the first event in a sequence that includes the Basel Committee's creation of formal notice and comment procedures and a more complex, multi-level political arena. Basel I was a primary cause of the changes. Had it not been agreed or had it taken a different form (such as a formal treaty or via bilateral accords), it is less likely that the interest group landscape would have taken a transnational turn or witnessed the IIF's reinvention, and the politics of banking regulation would likely have changed in less significant ways, if at all.

Growing economic and regulatory interdependence in finance

With the erosion of capital controls and the internationalization of finance in the 1970s, private actors got increasingly involved in global debt markets (Helleiner 1996). The 1980s debt crisis quickly became a banking crisis, as advanced industrial country banks, creditors to Latin American and other developing country governments, were left with sizable portfolios of bad loans. In response, regulators, most notably in the United States, turned to capital adequacy regulations to bolster the health and stability of the sector (Kapstein 1994). Capital adequacy rules regulate the size of financial reserves that banks must have on hand in case of a crisis.

While capital reserves offer an important rainy day fund, they can have sizable implications for financial industry competitiveness. In a world where globally active banks compete for the same customers, firms from jurisdictions with lower capital requirements have more funds available for generating revenues than those from locations with higher standards.

US firms became increasingly squeezed between stricter domestic regulations and global, particularly Japanese and German, competitors who enjoyed relatively lower capital adequacy rules (Oatley and Nabors 1998; Singer 2007).

Harmonization using transnational soft law, in the form of the Basel Committees' 1988 Basel Accord (Basel I), provided a mechanism to limit regulatory arbitrage in the interdependent banking markets. It established a set of common standards for capital adequacy that were then adopted across the advanced industrial economies.

The creation of new standards raised two issues for banks. Arguments about a level-playing field pitted stringently regulated banks against laxly regulated ones. Firms, particularly from countries with high levels of regulation, hoped to harmonize rules so as to protect their competitive position. In addition, fights about the level of the field often turned into battles between profit-minded banks and stability-minded authorities. Although harmonization offers an appealing goal for firms seeking a single set of rules, most banks sought to limit the cost of adjustment. While scholars have argued that Basel I represents an attempt by the US and the UK to protect their banks from the new Japanese and German challengers (Oatley and Naibors 1998), British and American bankers had serious concerns with the agreement and fiercely opposed many of its provisions.

The old politics of banking regulation: interdependent markets but national politics

During the period leading up to Basel I, and despite increasing capital mobility and market internationalization, the organization of US, European and Japanese banking interests largely fragmented along national lines. Rather than lobbying the Basel Committee directly, banks interacted with their respective national supervisors, who in turn represented each country at the committee. Regulatory politics in this period can, thus, be characterized as a variant of the two-level game frequently highlighted in Open Economy studies of trade, in which national interest groups engage their respective domestic political institutions to shape the bargaining position of national negotiators. In Singer's extension of the two-level-game image to global financial regulatory cooperation (2007: 20), Basel Committee standard setting is a domestic game, featuring the regulator's 'dilemma' of balancing stability – and the threat of political punishment by political principals – and competitiveness – and the threat of political lobbying by domestic interest groups.

The relative absence during this period of direct industry lobbying of the Basel Committee had two facets. The first was that despite having internationalized their businesses by the late 1980s, the leading money center banks lacked the transnational organization that might have helped them to engage the process. National trade associations, whose constitutions, mission statements and traditions remained focused on domestic governments and members, were not positioned to work across countries to engage the transnational rulemaking process and still saw advantage in historical ties to local authorities (Grossman 2004).[7] Contrary to business power arguments, the organizational forms of industry representation did not automatically adjust as banking internationalized. As the then CEO of Commerzbank, Klaus-Peter Müller argued, 'I believe that the influence of the IIF can only be understood if you go back into the founding years of the Institute when we simply had not a single voice speaking on behalf of the international banking community. We had national banking federations and associations…but for the global community of financial institutions there was no voice'.[8]

The second facet, as established in the secondary literature, was that Basel's network of central bankers and other supervisors still preferred to deliberate in a setting cordoned off from direct industry interactions. Huib Muller, a former committee chairman, explained, 'We don't like publicity. We prefer, I might say, our hidden secret world of the supervisory continent'.[9] This preference for secrecy is a reflection of the bureaucratic politics of the Basel Committee, whose members guarded interactions with their national banks and did not yet have a set of procedures, which might avoid giving the impression of regulatory capture, to deliver direct private sector input to the committee as a whole.[10]

The image of Basel I as a nationally mediated event receives support from a number of different perspectives. There is widespread agreement in the secondary literature that input from the banking industry was generally channeled through domestic structures, whereby, national supervisors consulted directly with their respective banks (Goodhart 2011: 413; Wood 2005: 78). In his far ranging history of the Basel Committee, moreover, Goodhart, making a strong case against a simple business power argument, writes, 'There is no evidence at all that the BCBS, as an international institution, was captured by the large international banks in these years (1975–97)'.[11] Critics of the Basel-based network, for their part, characterized this period of governance as the pure technocratic phase, in which a narrow group of mainly public sector officials from core markets (particularly the US and the UK) steered the Basel Committee's outputs without sufficient public scrutiny (Underhill 1995).

The case of the United States further highlights the two-level nature of negotiations and how it strengthened the position of regulators at the expense of industry. As the initial Basel proposal was put on the table, a core group of money center banks in the United States, whose main clients are other banks, corporations or governments, started a fierce campaign to alter the agreement. They particularly feared that the Basel standards would require raising capital and, thereby, put them at a competitive disadvantage vis-à-vis regional banks. In addition to these domestic conflicts, the money center banks were concerned about international competition, accusing the Federal Reserve of 'betraying' the industry's interests.[12] As Reinicke observed, 'The importance of the international dimension of the agreement, and the degree to which domestic policy maneuverability had become limited in order to maintain the agreement, became evident…The protests by U.S. banks and Congress had little effect and only a few minor changes were made'.[13] Arguing that revisions at this point would threaten the delicate nature of the international bargain that had already been struck, regulators successfully used the two-level nature of the negotiations to outmaneuver industry and bolster their position.

Daniel Tarullo, an expert on the Basel process and later a member of the Board of Governors at the Federal Reserve Bank, explained:

> The negotiation itself followed a familiar pattern: Countries exercised available sources of leverage to prod other countries into agreement on the basic contours of their proposal; certain compromises for particularized national interests were made along the way; and the interests of banks were, to a greater or lesser extent, mediated through their own countries' supervisors on the Basel Committee. (Tarullo 2008: 100)

The endogenous sources of organizational transformation

The politics of banking regulation changed radically in the period surrounding the 2004 Basel Accord, and a key component of the change was the emergence of transnational interest groups lobbying the Basel Committee directly. This section explains the transformation of the IIF, the association that became most important of these groups, from a near defunct organization to a powerful transnational business lobby. We attribute the IIF's change to an endogenous process that the Basel Committee and the original accord sparked and shaped. The IIF leaders, hoping to revive the organization, saw in the Basel process the opportunity to expand its membership and resources. Tapping into investment and money center banks' complaints about Basel I and their desire to shape future revisions through direct transnational lobbying, the IIF's leadership changed its mission from economic surveillance to advocacy of transnational banking regulation, created capacities to generate expertise and overhauled its internal organizational structure to bolster its effectiveness as a transnational lobby. Drawing on its previous economic surveillance capacities, the IIF positioned itself as a 'neutral' conduit of highly sensitive data, elevating its position vis-à-vis the Basel Committee in comparison to more traditional lobbying organizations like the International Swaps and Derivatives Association (ISDA).[14] The IIF, thus, transformed itself as an organization, using the Basel Committee agenda and adjusting to the new rulemaker's needs to enhance the banking association's own relevance.[15] By creating a political lobby that could directly engage the Committee without being funneled through national political processes and banking supervisors, the new IIF also altered the nature of contestation and the politics of banking regulation.

A declining organization

Founded in 1982 in response to the developing country debt crisis, the IIF originally provided economic data, surveillance and forecasting to commercial banks with insufficient information to evaluate sovereign debt. At the time, much of the information on sovereign debt produced by the International Monetary Fund (IMF) and Bank of International Settlements (BIS) was not made readily available to the private sector.[16] Commercial banks, including smaller non-money center banks, sought an independent third party for information. According to the IIF's 2002 Annual Report, 'The smaller banks, which do not have the same resources available for in-depth economic analysis, may feel led astray by the larger banks'.[17] Thus, the core function of the IIF was the collection and processing of sensitive public and private sector financial data, including sovereign budgets and economic figures regarding the health of banks and banking sectors across the globe. In contrast to the business power argument, the IIF did not engage significantly in regulatory policy issues or advocacy during the run up to Basel I. Rather than identifying common member bank interests and pressing for transnational rules to facilitate cross-border exchange, the IIF's changes to its membership and priorities, as we show below, came in response to the Basel I process.[18]

By the early 1990s, the IIF faced a serious organizational challenge. The Brady Plan of 1989 had resolved much of the debt crisis, and many small commercial banks had left the organization or merged with bigger banks.[19] At the same time, the IMF and BIS gradually opened up information to private actors, undercutting the value of IIF surveillance activities. US bank representation fell from 40 banks in 1987 to 18 by 1993. Overall membership declined from 167 full members in 1987 to 135 members in 1991. By its own account, the organization faced a crisis in the late 1980s as its primary mission had evaporated.[20]

A strategy for organizational revival

The IIF leaders recognized that they had to increase revenues by expanding membership, and in doing so, behaved as skilled actors might be expected to do in competitive ecologies of organizations (Fligstein 1997; Sell 2003; Posner 2005, 2009). That said, the evolving effects of the Basel I accord profoundly shaped their three main strategies for organizational revival: the targeting of large investment and money center banks as potential members; the comprehensive reorienting toward transnational regulatory policy efforts; the reinventing and reorganizing of the IIF to become the leading private sector interlocutor to the Basel Committee. The Basel Committee's encroachment into new domains made multinational banks with investment banking businesses obvious potential members. Enterprising IIF leaders (who included the then chair, Barry Sullivan, and managing directors, Horst Schulmann and Charles Dallara), seeking to make the IIF attractive to these banks, took a radical transnational and regulatory turn and instituted an internal overhaul to meet the Basel Committee's informational needs and align with its agenda. In the rest of this section, we describe each of the three Basel-induced IIF strategies for organizational revival.

First, the new direction of BCBS activity in the wake of the Basel I accord explains why, of all potential members in the expansive financial services industries, the IIF leaders honed in on investment and money center banks. Reflecting the fragmentation of global financial regulation by subsector, the 1988 accord applied primarily to commercial banks. While a main purpose of the accord was to even the playing field, the leveling, whatever its faults, occurred more within the commercial banking sector than across different financial services ones. Capital adequacy requirements harmonized behavior of commercial banks but not investment banks and non-bank financial services companies. With this limited reach of capital reserve rules, commercial banks had an incentive to move financial activities into investment vehicles not technically considered commercial banks. In this way, Basel I spurred the growth of less regulated financial products traditionally offered by investment houses and non-banks such as securitized mortgages and Collateralized Loan Obligations (Thiemann 2014).

These new market trends also prompted a reaction from the Basel Committee itself. Concerned about the new risks associated with the encroachment of commercial banks into less regulated markets traditionally occupied by investment banks, the Basel Committee proposed a set of amendments to the original accord (Thiemann 2014; Wood 2005). It, thus, started to chip away at the regulatory walls between commercial banks and investment firms. In doing so, Basel-based standard setting became immensely important to investment banks, money center banks and other financial services companies engaged in these markets, sparking a heightened demand for direct representation, access and influence in Basel. Investment banks had another reason for wanting greater influence over transnational rulemaking. The U.S. Securities and

Exchange Commission, which had long resisted global capital adequacy rules for the securities sector, was not formally represented in the Basel Committee (Coleman and Underhill 1995; Singer 2007). Given the absence of their regulatory supervisor from direct participation, investment banks found that traditional two-level game models of representation left them relatively weak. Recognizing that the Basel Accord had created a pool of potential new members, the IIF leaders focused their attention on making their organization attractive to these international banks.

The evolution of the Basel rulemaking arena also explains why the IIF leaders adopted their second strategy for organizational revival – reorienting the IIF towards the transnational level and regulatory policies. This strategy followed directly from the first. Having identified investment and money center banks as their primary new member targets, IIF's leaders sought to enhance the organization's relevance to these banks' new concerns about the Basel Committee's expanding regulatory agenda. The strategy meant that the IIF would have to engage the new transnational rulemaking arena directly and would have to add a regulatory advocacy dimension to its traditional functions.[21]

In 1990, under the leadership of Managing Director Schulmann, the IIF formally altered its mission statement to broaden its goals, thereby hoping to appeal to a broader set of firms. The main change was to make banking regulation advocacy a new core pillar of the organization alongside national economic surveillance. The appointment of Charles Dallara, a long time U.S. Treasury Department official as managing director reflected this shift. Dallara saw the Basel Accord and global banking regulation in general as a key way to 'grow the company'.[22] As the IIF argues in an official history commemorating its first quarter century:

> The Board recognized at this time that such a bold regulatory thrust may have a particular appeal to some of the very large banks that had still not joined the Institute…A broader agenda of the IIF activities and events was seen as part of the strategy to attract these banks…The challenge to the new Managing Director was to find more effective ways to keep the IIF relevant, to expand its influence and to revitalize its membership. Dallara's response came quickly. In the fall of 1993, following intensive discussions with the IIF's Board of Directors, he forged a new agenda for the Institute that would involve increased advocacy…[23]

Importantly, the drive to alter the mission and membership of the organization came from the interaction between the IIF's survival instincts and the activities of the Basel Committee rather than pressure from the industry's material interests as the business power argument would expect.

The leadership, furthermore, was acutely aware that the shift from economic surveillance to regulatory policy was spurred by the changed regulatory environment, discussed above, and a necessary move for remaining relevant in the ecology of financial services associations. As the IIF explained in its 2007 official history, this shift to regulatory advocacy was unanticipated by the organization and had to be carefully managed in the face of initial resistance from regulators:

> Unlike its economic work, which was enshrined in the Institute's Articles of Incorporation and envisaged by the "Ditchley Group" as its *raison d'être*, its regulatory policy work was not explicitly anticipated by its founding fathers. Rather, it developed as a response to the evolving global financial environment and market trends as well as a new Management and Board vision formed in the early 1990s.[24]

That the shift toward lobbying was gradual - starting with individual advocacy projects - is additional evidence of the IIF's deliberate reorientation. Because of initial resistance from some regulators, the IIF had to carefully manage the transition. Again, according to the IIF's 2007 history, "Despite initial hesitancy on the part of the regulators, especially in Europe, to engage with regulated institutions, growing demand by the IIF members for such work spurred the development of a new core activity for the IIF".[25]

The final strategy for organizational revival was to make deep internal organizational changes. Like the other strategies, the evolution of the Basel rulemaking arena was the most important determinant of the particular IIF changes adopted. In 1994, its leaders amended the IIF's by-laws to allow both investment banks and securities firms to become full members and serve on the IIF Board. As the IIF's internal history explains:

> The Institute anticipated that the proposed amendment to the Basel Accord would begin a broader process to align national as well as global banking regulation and supervision with market realities. It also realized that the exercise itself and the resulting changes in the regulatory and supervisory framework would have important implications for the Institute's membership structure. In particular, the proposed amendment gave the Institute a new and greater relevance to the investment banking community. This promoted the Institute to offer access by investment banks to full membership…thereby opening the way to their representation on the IIF Board.[26]

To facilitate the new emphasis on Basel-oriented advocacy and, in particular, the transfer of expertise, information, views and preferences, the IIF underwent an internal institutional isomorphism in the 1990s, by which it aligned its own organizational structures and policy priorities with those of the Basel Committee.[27] This reform started with the creation in 1991 of the Working Group on Capital Adequacy, the first working group created under the new widened mandate focusing on banking issues. Contrary to arguments attributing organizational priorities to the material interest of industry, the IIF's agenda shift was a reaction to Basel I rather than in anticipation of it. The aim of the IIF's leaders in revamping the internal organizational structure was to make the IIF a better interlocutor with Basel and a source of expertise, rendering it more effective as an industry advocate and, ultimately, more attractive to new members.

One of the IIF's chief resources was the information about its member banks.[28] Figuring out how to meet the particular informational needs of the Basel Committee – without revealing proprietary information of competing member banks – turned out to be the single most important achievement of the IIF's internal reorganization. Through its work on economic surveillance, the IIF had demonstrated that it could collect and maintain confidential and sensitive information. It leveraged this reputation to position itself as a valuable resource both to the Basel Committee and leading multinational banks. As part of the move towards quantitative finance, which saw firms using complicated risk models, the Basel Committee needed industry data on risk modeling processes and exposures. However, national sovereignty concerns, bureaucratic politics and competitive fears of banks denied Basel Committee representatives' easy access to such information. The IIF filled the gap by turning itself into a transnational conduit between the private sector and the Basel Committee.[29] In doing so, the IIF also became the Basel Committee's most important private sector adviser, giving it advantages in the dissemination of the IIF reports and recommendations.

On superficial examination, it is tempting to reduce the IIF strategies and its resulting transformation to the long arm of US hegemonic influence. After all, IIF Managing Director Dallara, was a former US Treasury official, raising questions about whether the IIF Board selected him as a general strategy to reorient the organization toward the US. A closer inspection of the evidence, however, reveals little support for such an argument. Two of the most important reforms – the change in mission and institutional isomorphism – pre-date Dallara's tenure. They began during the term of Schulmann, a German national, whose career featured stints at the World Bank and the German Bundesbank rather than any connection to the US government.[30] What is more, according to interviews with former IIF staff, the IIF was very serious about being the counterpart of the Basel Committee, not the US government, and went to great lengths to brand itself as the 'neutral' intermediary between the committee and global financial firms.[31] Aligning too closely with the US would have threatened this role both in the eyes of the Committee and within its global membership.[32]

Two other types of evidence raise serious doubt about the US alignment thesis. First, the IIF and the US had divergent positions on key provisions of Basel II. For example, US regulators sided with BCBS in rejecting the IIF's proposals concerning full internal credit risk models (Young 2012: 11,12) and the Operational Risk Pillar 1 Capital Charge (Young 2012: 15–17). Second, the *ex ante* preferences of US authorities were fragmented on key provisions of Basel II, with the Federal Reserve Board typically closer to the IIF and other industry associations, and the Office of the Comptroller of the Currency and Federal Deposit Insurance Corporation more in line with foreign regulators (Young 2012: 11,12). Finally, and perhaps the most important evidence against the US hegemony proposition, Dallara's professional network did play a vital role in turning the IIF into the leading industry association. Yet it is precisely because his network was broader than US officials and included such foreign authorities as former BCBS chair Tommaso Padoa-Schioppa (Lall 2012: 11) that Dallara and the other IIF leaders were able to grasp the Basel Committee's needs and preferences and make the appropriate internal adjustments.[33]

The three-pronged strategy worked. The IIF emerged in the early 1990s as a substantively new organization with a growing membership comprised increasingly of investment banks and non-banks.[34] In terms of resources, the restructuring led to a near doubling of members and revenue increased by a factor of five (see Figure 1). These changes vastly increased the resources available to the organization.

Enmeshing itself into the new banking regulatory environment created by Basel I, then, the IIF found a new lease on life. To attract investment banks and other financial firms, the IIF reoriented its activities and literally reinvented itself as a banking industry association. It assumed a new mission to lobby on regulatory policy at the transnational level and an organizational structure that paralleled the Basel Committee's, enabling it to convey sensitive – but needed – member bank information. The result was the IIF's ascendance to the world's leading transnational financial services lobby – a transformation attributable to the structuring feedback of the Basel Committee's actions, more than to any other causal factor.

The IIF achieved this status and role while other domestic and transnational industry organizations did not. In the ecology of financial services industry associations, the widespread perception of the Basel Committee's new salience altered the terms by which organizations

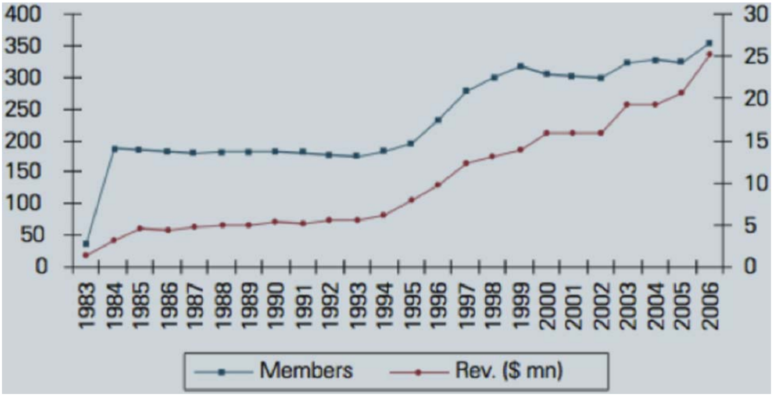

Figure 1 IIF membership and revenue, 1983–2006.[42]

would be relevant and effective. It is beyond the scope of this article to detail why the IIF's competitors were less successful in responding to the new terms. Each association had its own circumstances that shaped its ability to adjust to Basel's emergence, just as there were idiosyncratic factors that turned out to be to the IIF's advantage (most notably, an organization in decline and a leadership willing to make existential reforms). Nevertheless, a theme across associations mentioned in the secondary literature[35] on Basel I and II is that none met the challenge as well as IIF. National associations, such as the British Bankers Association, faced organizational barriers to operating in transnational space. Their mission statements oriented them towards engaging with respective national governments in two-level game arrangements.[36] They also had difficulty attracting the support and trust of firms from other countries. Existing transnational associations, especially the ISDA, were similarly unable to reorient toward the Basel Committee. ISDA was one of the first organizations to engage the Basel Committee and seek to shape its agenda and was an important participant in the creation of Basel II (Young 2012). Yet, the secondary literature is quite clear that the IIF, not ISDA, emerged as the Basel Committee's leading industry liaison (McKeen-Edwards and Porter 2013: 38–41). In contrast to the IIF, ISDA was already established as a lobby organization (Flanagan 2001; McKeen-Edwards and Porter 2013: 43–46). Among its primary missions was the promotion of model legislation and standards that facilitated swaps and derivatives markets. However, ISDA's lobbying approach, developed for other political arenas, was insufficiently consonant with the particular informational needs and concerns of the Basel Committee. Insensitive to the Basel Committee's fear of appearing to be captured by industry lobbies, the ISDA leaders' hard-hitting style indicates a leadership less adept at adjusting to the new environment.[37]

In sum, there is substantial evidence consistent with the three expectations of our argument. First, the Basel process was the prime focus of the IIF's reorientation. This point cannot be exaggerated. Basel became the new reason for the IIF's existence. The Basel Committee's new importance explains the association's transnational and regulatory turn and its strategy for attracting new members. By contrast, and contrary to the US hegemony and business power approaches, respectively, the IIF leadership was careful not to align itself with US positions, and the IIF did not have *ex ante* regulatory priorities and agendas that structured the contours of the new transnational rulemaking arena.

Second, the timing and sequence are clear. Basel rulemaking catalyzed and structured the IIF's reforms, and in doing so, the transnational organization of business representation, not the other way around. Such evidence runs counter to the standard business power argument. Finally, and again contrary to the business power expectations that material interests give rise to organizational forms, the observed internal changes – new provisions in the by-laws, the isomorphism with the Basel Committee and the transformation into a 'neutral' conveyor of proprietary information – reflect the IIF leaders' efforts to revitalize the organization by turning the industry association into the Basel Committee's main private sector interlocutor.

The new politics of banking regulation

The IIF's transformation turns out to have been the first event in a sequence of endogenous effects that had wide-ranging results for the politics of global finance. In particular, the IIF has been credited with significantly shaping the agenda of key provisions of Basel II (Baker 2010: 650; Tsingou 2008: 62). By the mid-2000s, the presence of a transnational lobby had radically changed the politics of banking regulation beyond the specific issues of the Basel II agreement. The best example arguably comes from the United States. As discussed, the country's representatives had used their relative leverage to shape Basel I standards to reflect a seemingly unified national position, and the soft law was implemented smoothly into US rules and practices. The politics of Basel II, by contrast, extended well beyond its June 2004 passage and became an explosive political struggle between two coalitions, one comprised of domestically focused banks and the Federal Deposit Insurance Corporation (FDIC), and the other of multinational banks, the Federal Reserve, the Treasury, the SEC and likeminded foreign counterparts. The Basel II agreement had become a new resource for the latter coalition in an ongoing domestic political contest, altering the US regulatory reversion point (albeit temporarily) by diminishing the bargaining power of the

FDIC in its efforts to resist the adoption of more flexible capital reserve requirements for the largest banks and forcing the domestic coalition into a rearguard campaign that successfully targeted and delayed US implementation of Basel II (Bair 2013; Foot and Walter 2010; Lavelle 2013). The politics of Basel II demonstrates the interaction between transnational and national efforts.

Finally, the Basel Committee transformed its internal rulemaking procedures so as to increase transparency surrounding transnational lobbying. By the late 1990s, the relationship between Basel rulemaking and interest groups no longer reflected the closed and secretive standard setting environment of the 1980s. The Basel Committee adopted reforms to improve participation, most notably a notice and comment system.[38] As legal scholar David Zaring concludes, 'the most interesting aspect of the second accord for lawyers is how procedurally different it is from the first one'.[39] Tony Porter (2001: 437) goes even a step further arguing that such participation in Basel suggests, 'significant progress in making the institutions that constitute the emerging international financial architecture more democratic'.

The effect of such access has been disputed. Some argue that notice and comment systems have enhanced access for the most powerful firms (Baker 2010; Underhill and Zhang 2008). Basel II regulatory proposals were first published as concept documents followed by an open comment period. Analysis of these comments demonstrates that the voices of big international banks comprised the greatest portion of perspectives to engage the process (Barr and Miller 2006; Lall 2012). These interests were frequently introduced through multiple channels. Banks like Barclays, Citigroup and BNP Paribas submitted individual comments. Their aggregated position was presented by the International Institute of Finance. These comments universally supported positions that advanced market-friendly measures such as using internal firm models and employing credit rating scores to securitize products to differentiate risk pools. Others, however, have argued that these firms already had significant and privileged influence in the Basel process because of the transformation of the IIF and its ability to serve as a transnational lobby through informal access (Thiemann 2014; Tsingou 2008, 2015; Young 2012). From this perspective, the notice and comment system may have even given smaller, domestically oriented banks and political actors direct access to the Basel Committee, thereby reducing asymmetries, to some extent, between the IIF and other lobbies (Goldbach 2015). In other words, the notice and comment system is an effort to make more transparent the participants in the regulatory process. While it is difficult to evaluate the exact influence and its distribution across actor-types, it is clear that more groups are participating in transnational contestation.

CONCLUSION

This study focuses on the second-order effects of international soft law on the politics of financial regulation. The 1988 Basel Accord was a gravitational force pulling financial services firms and associations toward the transnational rulemaking process. It became the structure around which opportunistic and skilled actors transformed the IIF into a transnational business lobby. Rather than a regulatory advocacy organization, the IIF had been a source of information and data about credit risk. The organization's more thorough orientation toward the Basel arena – compared to that of other financial services industry associations – goes a long way towards explaining the IIF's position as the BCBS' leading private sector interlocutor. As such, the IIF was able to engage the transnational political process directly and played a major role in fostering a new complex politics of banking regulation of the kind described by the NIA forwarded in this special issue. Rules created to manage frictions endemic to global economic exchange can also produce feedbacks that subsequently restructure the political landscape of business representation.

This article is an exercise in theory generation and, thus, has a number of limitations. Future research will be necessary to examine how our claims travel to other sectors and under what boundary conditions. Preliminary evidence from other areas of financial governance offers promising suggestive evidence of our claims' generalizability. For instance, the Global Financial Markets Association's 2009 creation, its federated form[40] and its leading place among the transnational financial associations (McKeen-Edwards and Porter 2013: 41,42) suggests that the G20's deepening and broadening of the international financial regulatory architecture has had second-order structuring effects, similar to those of Basel I. The new regulatory initiative, the enhanced role for standard setting bodies and, in particular, the FSB's creation changed the terms by which transnational financial associations would remain relevant and effective. Belonging to multiple associations and recognizing the potential for uncoordinated and ineffective advocacy, international banks responded with the formation of the Global Financial Markets Association (GFMA),[41] which is today considered among the most important transnational financial associations. Its creation and form appear to have been an adroit organizational response to the new rulemaking ecology.

More generally, this article's findings have broad implications for research on global governance. First, we highlight the roles played by informal institutions like soft law in structuring global economic activity (Green 2014; Lipson 1991; Newman and Posner 2016; Shaffer and Pollack 2009). Scholarship on global governance and international law tends to emphasize treaty-based institutions, emphasizing formal arrangements such as veto points, decision-rules and the like. While a growing body of research considers informal governance procedures (Kleine 2013; Stone 2011) that shape cooperation within these treaty-based bodies, our research shifts attention to informal international organizations (Vabulous and Snidal 2013) like the Basel Committee and how they too can have independent and consequential outcomes for world politics. Importantly, we move beyond more conventional approaches that stress the role of such organizations in providing focal points, to a more political notion of multi-level contestation.

Second, we contribute to a long tradition in comparative and international politics that examines the intersection between institutions and interest groups (Berger 1983; Pierson 1993). Structural power accounts have long privileged the role of business in politics, emphasizing a range of power resources that firms can use to shape politics. Similarly, Open Economy Politics approaches has tended to emphasize the exogenous sources of industry interests, whether arising, for example, from relative factor abundance or factor mobility. By contrast, our study emphasizes the interaction between firm power resources and the institutional context (Falleti and Lynch 2009; Hacker and Pierson 2002). Clearly, firms have money, information and connections. Yet power resources are frequently shaped and filtered by how they are embedded within a particular institutional context. Transnational institutions, by generating policy feedback, can reconfigure the organization of business and in turn alter who speaks for business and on what terms. Rather than a simple narrative in which clearly defined material interests capture transnational policy-making, our argument suggests a complex dynamic between institutions and interest groups occurring across different levels of political contestation (Farrell and Newman 2014, 2016).

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NOTES

1. We define soft law as a set of codified advisory principles that do not include mutually agreed obligations. (See also Shaffer and Pollack 2009).
2. McKeen-Edwards and Porter write, 'Its sheer size and global representation make it the most important TFA (Transnational Financial Association) in the world today (2013: 38).
3. Brummer 2012; Davies and Green 2008; Porter 2005.
4. Pierson 1993; Pierson 2006; Hacker and Pierson 2010.
5. Pierson 1993: 628.
6. Vogel 1989: 14.
7. Interview, former IIF StaffA, Washington DC, 2016.
8. Quoted in Institute for International Finance (2007: 139).
9. Huib Muller, Address to International Conference of Bank Supervisors (16 May 1988), quoted in Porter, States, Markets and Regimes in Global Finance at 66 (note 28).
10. Interview, former IIF StaffA, Washington DC, 2016.
11. Goodhart 2011: 417.
12. Reinicke 1995: 178.
13. Reinicke 1995: 178–179.
14. Interview, former IIF StaffB, Washington DC, 2016.
15. Interview, The US Department of the Treasury Official, 2008.
16. Interview, former IIF StaffB, Washington DC, 2016.
17. Institute of International Finance 2002, Annual Report.
18. Interview IIF StaffA, Washington DC, 2016.
19. As a former staff member(B) of the IIF explained to the author, 'When you solve a problem like the Latin American Debt crisis, what do you need the IIF for?', Interview, Washington DC, 2016.
20. Institute of International Finance 2007.
21. Interview, The US Department of the Treasury Official, 2008.
22. Interview, former IIF StaffA, Washington DC, 2016.
23. Institute of International Finance 2007: 144.
24. Institute of International Finance 2007: 55,56.
25. Institute of International Finance 2007: 55,56.
26. Institute of International Finance 2007: 60,61.
27. Institute of International Finance 2007: 69 'Given the significance of the proposals, the IIF developed a formal project structure for this work that paralleled that of the Basel Committee itself'. For more on institutional isomorphism, see DiMaggio and Powell (1983).
28. Interview, former IIF StaffB, Washington DC, 2016.
29. Interview, former IIF StaffA, Washington DC, 2016.
30. Institute of International Finance 2007: 149.
31. Interview, former IIF StaffA, Washington DC, 2016.
32. Interview, former IIF StaffA, Washington DC, 2016.
33. Interview, former IIF StaffA, Washington DC, 2016.
34. Institute of International Finance 2007: 56.
35. The list includes America's Community Bankers, European Securitization Forum, Second Association of Regional Banks and the ISDA (Lall 2012; Young 2012).
36. Interview, former IIF StaffA, Washington DC, 2016.
37. Interview, former IIF StaffA, Washignton DC, 2016.
38. Kingsbury, Krisch and Stewart 2005; Zaring 2005.

39. Zaring 2005: 577.
40. The organization is comprised of three member associations – Securities Industry and Financial Markets Association, the Association for Financial Markets in Europe & Asia Securities Industry and Financial Markets.
41. Telephone Interview, GFMA official, 2016.
42. Institute of International Finance 2007.

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