DE GRUYTER Bus. Polit. 2015; 17(3): 527–552

Henry Farrell and Abraham L. Newman*

Structuring power: business and authority beyond the nation state

DOI 10.1515/bap-2015-0007
Previously published online July 1, 2015

Abstract: What is the relationship between globalization and the political power of business? Much of the existing literature focuses on the ability of mobile capital to threaten exit in order to press for more business friendly rules. In this article, we refine arguments about exit options in global markets by arguing that the relative exit options available to business and other actors are neither fixed, nor exogenous consequences of some generically conceived process of globalization. Instead, they themselves are the result of struggles between actors with different interests and political opportunities. Since exit options play a crucial role in determining the relative structural power of business vis-à-vis other actors, we dub the power to shape exit options *structuring power*, distinguishing it from structural power, and argue that it is crucial to explaining it. We identify two channels through which actors can shape exit options – extending jurisdictional reach and reshaping the rules of other jurisdictions – and the factors that will make regulators and business more or less capable of exercising structuring power. We then use two exploratory case studies – one involving privacy regulation, the other accountancy standards – to illustrate how structuring power can work to shape exit options, and thus structural power. We conclude by considering the relationship between structuring power, structural power, and the existing literature in comparative and international political economy.

1 Introduction

What is the relationship between globalization and the political power of business?

As the introduction to this special issue emphasizes, the classic literature on the structural power of business suggested that the ability of business to allocate investment in capitalist economies is inherently political, shaping relations

***Corresponding author: Abraham L. Newman,** Georgetown University, ICC 501, Washington, DC 20057, USA, Tel.: +4153786770, e-mail: aln24@georgetown.edu
Henry Farrell: Department of Political Science, George Washington University, Washington, DC, USA

between business, politicians, and regulators.[1] Initially, this work considered differences between capitalist and non-capitalist economies, providing a comparative account of different economic systems. However, as globalization took hold in the 1980s and 1990s, scholars increasingly focused on the possibility that business may re-allocate its investments to other jurisdictions.[2] The relevant literature suggests that international markets discipline politicians as the threat of exit (and the corresponding economic consequences for growth and jobs) constrains policy choice.[3]

In this article, we build on this literature by refining further arguments about exit options in global markets. In short, we argue that the relative exit options available to business and other actors are neither fixed, nor exogenous givens resulting from globalization.[4] Drawing on the "new interdependence" literature, we claim that exit options are often the result of struggles between actors with different interests that determine the reach and content of markets rules.[5] On the one hand, regulatory authorities have very often sought deliberately to constrain businesses by limiting the exit options available to them. On the other hand, businesses have also sought to use the political opportunities created by globalization to expand exit options in specifically congenial ways. Business actors can thus manipulate the potential threat of structural power if they are able to make changes in the institutional rules governing markets.[6]

Since exit options play a crucial role in determining the relative structural power of business vis-à-vis other actors, we dub the power to shape exit options *structuring power*, distinguishing it from structural power. This provides a better way of thinking about power in the international economy than existing approaches which either treat exit options as givens (as in the existing literature on open economy politics) or employ a sweeping account of power as operating simultaneously across multiple domains (Strange 1988), making it difficult to think systematically about variation.

More broadly, this provides us with a way to think about structural power that bridges the gap between comparative and international political economy. As Pepper Culpepper argues in the introduction to this special issue, comparativists and international relations scholars have thought about structural power in

1 Lindblom (1977) and Block (1987). For an updated articulation of structural power see Hacker and Pierson (2002); Fairfield (2015).
2 Frieden (1991); Strange (1996); Tonelson (2000); Rudra (2008).
3 Andrews (1994). For variation in the effect see Mosley (2000) and Ahlquist (2006).
4 Newman and Posner (2011); in the domestic setting see Suarez and Kolodny (2011).
5 Farrell and Newman (2014, 2015).
6 See Culpepper and Reinke (2014) and Bell (2012) on the intentional use of structural power. See Hacker and Pierson (2002) on the importance of institutions as a mediator for structural power.

very different ways. We argue that focusing on the *ways in which actors can shape exit options through cross-national action* allows us to understand in a specific and nuanced way how international and cross national politics can shape the domestic exit options that shape structural power at the national level.

We identify two channels through which actors can shape exit options – extending jurisdictional reach and reshaping the rules of other jurisdictions – and the factors that will make regulators and business more or less capable of exercising structuring power. We then use two exploratory case studies – one involving privacy regulation, the other accountancy standards – to illustrate how structuring power can work to shape exit options, and thus structural power. We conclude by considering the relationship between structuring power, structural power, and the existing literature in comparative and international political economy. Our article hence contributes to a growing literature that sees globalization not as an exogenous change in the choices faced by actors, but instead as a dynamic process that is itself shaped profoundly by actors' political choices.

2 The politics of structural power

The literature on the structural power of business emerges from the collision of liberal and Marxist work in US and comparative politics in the 1960s and 1970s. Seeking to draw a contrast with pluralist claims about interest aggregation, Lindblom (1977: p. 175) argued that business leaders occupied a "privileged position" in capitalist economies, because they "do not appear (to government officials) simply as the representatives of a special interest," but as "functionaries performing functions that government officials regard as indispensable." In Lindblom's understanding, public affairs are in the hands of both government officials *and* business leaders, who make fundamental decisions about how to allocate resources. This means that businesses may either choose to withhold investment (if the climate appears unpromising) or to allocate their investments to other jurisdictions, perhaps transferring employment to those jurisdictions. This allows "businessmen, especially corporate executives, (to) actively voice and negotiate demands on government."[7] For example, before the Great Depression, US firms were able to threaten US states with exit and hence exert the necessary "structural power" to resist various forms of social protection.[8] However, the Great Depression helped precipitate a great increase in the power of

7 Lindblom (1977: p. 178).
8 Hacker and Pierson (2002).

the federal government to adopt and enforce regulation across the states, which in turn weakened business's threats of exit.

This and similar arguments provided one foundation for broader accounts of globalization in the 1990s. Globalization lowers the barriers to the exit and entry of capital, through the abandonment of capital controls and the like. From the perspective of structural power arguments, this increased the bargaining power of business overall, and plausibly meant that some businesses – those businesses that were more credibly able to threaten exit – were structurally advantaged over others, and able to use this advantage in bargaining situations.[9] In many instances, business could rely on the threat of market reactions to discipline politicians rather than employing direct "instrumental power" associated with fundraising and lobbying.[10] Structural power thus set the agenda, leading politicians to deem some policies "off-the-table" owing to their potential economic consequences.[11] However, some scholars argued that states still retained the ability to set their own policy agenda, especially on the supply side.[12]

Arguments about the structural power of business fit into a broader literature within comparative politics on the consequences of globalization.[13] This literature tends to theorize globalization as an exogenous shock to domestic economies, with varying impact on the bargaining power of collective actors. In the most simple formulations, globalization dramatically increases the exit options of business, while leaving the exit options of labor more or less unchanged. The exit power of capital becomes a structural constraint on the ability of states to make choices.[14] More complex explanations stress the extent to which exit options may vary across countries, across sectors and across time. This provides the underpinnings for comparative accounts, which trace variations in policy outcomes to variations in the exit power of business and hence its ability to shape bargains.[15]

All of these arguments emphasize (a) the crucial role that business (or, in Marxist tinged accounts, capital) plays in decisions over allocation in capitalist economies, and (b) the ability of business to shape policy outcomes by actively or passively threatening to allocate economic activities in one or another jurisdiction. If globalization increases the power of capital to relocate its activities, while leaving labor relatively immobile, the respective bargaining power of capital and labor will shift. Capital becomes relatively indifferent about whether it locates

9 Frieden (1991); Goodman and Pauly (1993); Andrews (1994); Strange (1996).
10 Hacker and Pierson (2002).
11 Hacker and Pierson (2002) and Culpepper and Reinke (2014).
12 Boix (1998); Mosley (2000).
13 Rudra (2008); Berger (2000); Garrett (1998); Garrett and Lange (1991).
14 Andrews (1994).
15 Mosley (2000); Hays (2003); Ahlquist (2006); Culpepper and Reinke (2014).

its activities in one geographic location or another, while labor remains tied to specific locations, and highly sensitive to the decisions of capital. Consequently, capital's bargaining power is dramatically increased, while the power of labor falls. This logic suggests not only changes to the direct relationship between capital and labor in, e.g. bargaining over wages, but also changes to their ability to influence domestic politics. It might lead us to expect the dwindling of institutions and regulations which support labor, in favor of institutions and regulations that help mobile capital.

The post-2008 literature seeks to move away from this generalizing logic to much more specific arguments about structural power and exit options. On the one hand, historical comparisons suggest that a broad strengthening of capital vis-à-vis labor weakened workers and left them with few business allies across the advanced industrialized democracies.[16] On the other hand, there has been significant variation in policy responses across countries.

Such work seeks to explain variation primarily as a product of differences in the bargaining strength of business. Some scholars emphasize internal differences such as the extent to which the financial sector was or was not coordinated.[17] Others instead emphasize how differences in exposure to domestic and international markets shaped the exit options available to banks and other financial firms.[18] Under this last argument, firms that were heavily dependent on national markets (as in the US) were far more vulnerable to national regulators, and hence had much weaker policy leverage.

We do not want to address the controversies over whether this logic indeed is leading to sweeping regulatory change,[19] or whether the state can continue to support welfare states in these conditions of diminished bargaining power.[20] Instead, we want to point to this literature's emphasis on *exit possibilities*. The literature on the structural power of business treats globalization as an exogenous shock to national economies, which strengthens the power of some actors and weakens others.[21] As interdependence increases, it becomes easier for many businesses to relocate (or actively or passively threaten to relocate) their activities.

This focus on exit possibilities is valuable to scholars of international political economy, because it potentially leads them to ask quite different questions to the ones that the mainstream has been interested in. The everyday questions

16 Pontusson and Raess (2012).
17 Woll (2014); Fairfield (2015).
18 Culpepper and Reinke (2014).
19 e.g. Rodrik (2011); Drezner (2001).
20 Kitschelt et al. (1999); Berger and Dore (1996).
21 Callaghan (2010).

of international political economy have an implicit liberal bias. They start from the standard assumption that free trade is more economically advantageous than closed economies, and then inquire as to why the free trade agenda has succeeded in some instances and failed in others. For example, in David Lake's (2009: p. 221) description, scholars of international political economy have been driven by the two questions of "how, when, and why do countries choose to open themselves to transborder flows of goods and services, capital, and people?" and how does "integration (or not) into the international economy affect the interests of individuals, sectors, factors of production, or countries and, in turn, national policies?" The currently dominant approach of "Open Economy Politics" tries to construct a coherent theory of openness and closedness by building up from the microfoundations of individual interests to the level of inter-state bargaining.

Structural approaches look instead to how changes in exit opportunities can have consequences for *bargaining power* (i.e. for actors' ability to get what they want much of the time) within given national territories, and, as we have argued, at how exit possibilities affect this power. While their findings can perhaps be encompassed under how "integration … affect[s] … interests," if "interests" are defined very broadly, these approaches are less concerned with how actors respond to openness in trade and financial flows, than with how actors may leverage such openness or closedness to increase their political influence.

However, the existing literature is only beginning to examine the politics underlying the distribution of exit opportunities itself. Much of this work tends to treat increased exit opportunities for firms, and decreased opportunities for labor as an exogenous given resulting from globalization.[22] Recent work has highlighted variation in the exit options available to business in different national contexts, and, at the very least strongly suggested that these exit options are themselves historically contingent.[23]

In order to build upon this suggestion, we argue that it is necessary to construct an account of the underlying politics of exit options in a world of globalization. Hacker and Pierson (2002) provide a more sophisticated argument, by showing how structural power can depend on the institutional context, so that it is higher in decentralized political systems where firms can threaten to locate investment across federal units. They use the case of pre- and post-New Deal America, as it moved from a highly decentralized system to a much more centralized one, to explain the decline of the structural power of business. However, they largely attribute this shift to an exogenous change (the Great Depression). In this article, we lay the groundwork for understanding exit opportunities as the product of specific political strategies.

22 Vogel (1995); Berger (2000).

23 Berger (2000); Hacker and Pierson (2002); Culpepper and Reinke (2014).

Our argument also provides a more supple account of structural power in the international economy than existing approaches,[24] which are overly focused on US hegemony, and pay insufficient attention to how other actors can plausibly shape the structure of international economic politics. On the one hand, it demonstrates how a variety of actors can play a role in reshaping international politics. On the other hand, by emphasizing how exit opportunities are determined, it provides a more focused and specific understand of how power is likely to operate and which specific actors are likely to be able to exercise it.[25]

3 From structural power to structuring power

If modern structural power accounts emphasize how globalization provides new exit options to business (at least in some jurisdictions), we need a better account of how to explain variation in such exit options. We argue that the key to doing so is not to see globalization as a sweeping and leveling force, but rather as a process of increased economic interpenetration that leads to conflict between different national rule systems and consequent opportunities for the political reconfiguration of exit options.[26]

The rule overlap that results from globalization can cause great domestic stresses, as actors find that their existing institutional bargains are undermined by other, perhaps more permissive or more stringent, rule systems in other jurisdictions. For example, it is harder to maintain tough domestic rules against gambling in a world where your citizens have access to the Internet, and hence to gambling sites based in other jurisdictions. At the same time, it is difficult to ignore stringent chemicals rules if a firm hopes to access the European market. This can create *new opportunities for cross-national influence*, as actors are able to leverage the fact of interdependence to change rules either in their own or another jurisdiction. In other words, globalization provides actors that previously enjoyed *voice* options primarily in their domestic political economy with such political voice in other (often transnational) venues.[27]

24 Strange (1996).
25 We note, however, that by the same token our framework pays short shrift to other accounts of structural power. For example, Chwieroth and Sinclair (2013) argue that capital mobility may be powerful because it is a “social fact” rather than because it reflects the actual exit opportunities available to firms. As shared social beliefs about capital mobility drift away from actual exit opportunities, our arguments will become correspondingly less useful.
26 Berger (2000); Farrell and Newman (2014); Newman and Posner (2011).
27 Farrell and Newman (2015).

In situations of rule overlap, conflicting rule sets create significant uncertainty for transnational actors as they face multiple jurisdictional claims. The key opportunity structures involve access to the arenas where cross national rule overlap is discussed and resolved. Sub-state actors – which may be regulators, interest groups or large firms – meet in cross national arenas to try to find solutions that will prevent rule overlap. Such solutions – even if they are "soft solutions" rather than the product of hard negotiations – can lead to major changes in domestic regulations. Actors with access to the arenas in which these rules are negotiated will accordingly have a privileged ability to shape domestic institutions to their liking. Actors that are excluded will, in contrast, often tend to be marginalized. Crucially, these solutions *typically have consequences for national level exit options*. They address problems of rule clash by determining the relationship between the rules of different jurisdictions, which in turn potentially reshapes the exit options available to actors within those jurisdictions.

The politics of structuring power explains how the broader terms of exchange between different national economies are determined, turning the independent variable of exit based accounts (the availability of exit options abroad) into a dependent variable. It allows us to treat the market rules that determine exit opportunities as often being the product of specific and deliberate strategies by actors who vie with each other for power and influence in a world of ambiguous jurisdiction. Our argument recognizes the important role that institutions can have in shaping structural power[28] and suggests that such institutions are not simply the product of exogenous shocks but may also result from active political maneuverings.[29]

We claim that actors can try to reshape the exit opportunities that are available to themselves or other actors in at least two ways. First, they can shape opportunities by *shaping jurisdictional reach*, that is by trying either to advance or to retard the ability of their home state's institutions and regulators to assert jurisdiction over economic interactions outside their home state (and within other states). Second, they can reshape exit opportunities by *shaping the rules of other jurisdictions* – that is by changing the rules in other states so that they become more like, or less like, their own rules.

These efforts involve claims of broad jurisdiction (as, e.g. with the extension and application of US tax laws), extraterritorial measures aimed at making it more difficult for firms that are already abroad to avoid the relevant principles and rules, and active efforts to harmonize rules across jurisdictions. Very obviously, a firm will be much less able to win concessions on rules by threatening

28 Hacker and Pierson (2002).

29 Bell (2012) and Culpepper and Reinke (2014).

exit, if it would still be subject to the same rules after relocating its activities, or if the other jurisdictions that it might exit to have similar rules. One will have difficulty in cajoling the frying pan into cooling down, if one's principal threatened alternative is to jump into the fire. Institutional rule changes can thus create uncertainty and make the threat of exit less credible.

This helps explain key aspects of international regulation. For example, Kal Raustiala (2009) argues that the exit options of US firms presented US courts with an extraordinary dilemma at the beginning of the 20th century. The US had a nearly unique set of rules regarding antitrust. This not only meant that foreign firms could form cartels but also potentially might "incentivize [US] cartels to relocate abroad in order to escape liability" (p. 101). US courts prevented this from happening by articulating an "effects" doctrine which allowed them to bring activities into court that were happening overseas, so long as they had consequences for the US and some plausible nexus with US territory. Over time, this has allowed the US not only to subject foreign firms to US law on antitrust and other provisions (e.g. anti-bribery), but has also allowed the US effectively to reshape the rules and enforcement practices of other jurisdictions.[30] The US was able to respond effectively to the risk that its regulatory power would be undermined by the exit power of business, extending its jurisdictional authority and decreasing the benefits of exit. It did so by reshaping those exit options, both claiming jurisdiction over many firms that were located abroad, and actively influencing the rules and practices of other jurisdictions to make them more like the US.

As we discuss below, structuring power is not a simple product of US hegemony. In the late 20th and early 21st century, as the European Union has become more powerful and assertive, it too has sought to limit the structural power of business. It has sometimes simply made it more difficult to transfer certain activities overseas. Moreover, where it has allowed the relocation of sensitive business activities, it has often imposed "equivalency" or "adequacy" requirements. These standards require that businesses either locate their activities in a jurisdiction that has rules approved by the EU as equivalent to EU rules, or alternatively that they provide some other effective means of compliance, whether through private contracts or other means. While other countries have perceived this as a grab for international power, its origins are primarily defensive. The EU's aim is very simply to make it harder for businesses to evade its regulations by relocating their activities outside the EU's jurisdiction.

Of course, as both the US and EU become increasingly assertive about extraterritorial applications of their rules, they have become more likely to clash with each other. However, as discussed above, this often does not lead to renewed

30 Kaczmarek and Newman (2011).

regulatory arbitrage, but rather to the creation of forums intended to resolve these problems of rule clash. National regulators within the major economic powers are increasingly willing to work together to create common regimes that again, extend their grasp and power over businesses, making it harder for firms both to threaten exit and to carry it out.[31] Both extraterritorial extension of national rules and transnational collaboration by regulators may alter the exit options of private actors or at a minimum create uncertainty as to potential market discipline.

Not only states, but also businesses and other actors can try to reshape exit opportunities. For example, current G20 and OECD efforts to harmonize corporate taxation policy will probably make it harder for businesses to relocate – or threaten relocation – to lower tax jurisdictions.[32] Yet it is also likely that businesses will continue to try to strike deals with individual jurisdictions and to use these deals to put pressure on other jurisdictions to lower their taxes.

The second major implication concerns the power of businesses themselves. If transnational forums offer opportunity structures to reshape the international rules of exchange, they are not likely to only attract state regulators. They are also likely to attract businesses themselves. On the one hand, "private actor governance" schemes may create an additional source of power for business vis-à-vis other economic actors.[33] Some actors with different interests to business, such as labor unions, are often completely shut out from international forums. Others, like consumer groups, play a relatively weak role. Transnational forums are typically dominated by regulators (which may be responsive to businesses) or by businesses themselves or private organizations that are highly responsive to business. For example, US financial businesses, which are unhappy with Dodd-Frank and other domestic rules, would like to try to use EU-US negotiations to weaken these rules, arguing that international standards, which allow for harmonization and convergence, should trump domestic ones.[34]

On the other hand, this is likely to reshape power relations between specific businesses (and, more broadly, business sectors). Some businesses, and some sectors will find it easier to gain access to cross-national forums than others. These businesses and their interests will have significant opportunities to reshape the international consensus, and hence influence or supplant previously existing domestic institutions. Other businesses, with different interests will be shut out

31 Slaughter (2004).

32 See Vanessa Houlder, "G20 Governments Agree to Crackdown on Tax Avoidance," *The Financial Times*, September 16, 2014.

33 Cutler, Haufler, and Porter (1999).

34 See Christian Oliver and Shawn Donnan, "Brussels Wants Finance Rules Back in US Trade Pact," *The Financial Times*, January 27, 2014.

if they do not have the right opportunity structures, and hence are unlikely to see their interests reflected in new regulations.

In the next section, we briefly offer two illustrative cases of the processes we have described above. The first case, dealing with data privacy, provides an example of the first implication of rule overlap: jurisdictional extension to prevent exit. The second case, accounting standards, depicts an example in which a transnational forum used to resolve rule-overlap systematically benefited one set of business interests over others.

4 Limiting exit; efforts at extraterritorial voice

International disputes over privacy provide an important illustrative case of how globalization facilitates jurisdictional reach outside of traditional geographic borders. These disputes touch on key questions of international regulation; the US ambassador to the European Union has recently identified privacy as the "single most critical issue in EU-US relations."[35] More specifically, they demonstrate how states with large markets can defend against exit threats by both limiting exchange and by applying rules extraterritorially. Both mean that business power is structured by the institutional configurations of the host polity.

The history of international privacy regulation can be divided into three main phases. The first was the extension of privacy rules across many member states of the European Union. Starting in the 1970s, a number of European countries adopted comprehensive privacy regimes that required firms to comply with a set of basic consumer protection principles. In short, these countries developed rules on the collection and distribution of personal information held by a company and they established independent regulatory agencies to oversee and enforce such rules. Importantly, many other advanced economies – most notably the US – failed to adopt similar comprehensive approaches.[36]

With the explosion of transnational communication and business that accompanied the development of the Internet and the expansion of multinational corporations, markets for personal information increasingly became global while regulatory jurisdiction remained largely national.[37] This raised the specter of a regulatory race to the bottom that would threaten the comprehensive privacy

35 See Lauren Gieseke, "New US Ambassador to EU Anthony Gardner lays out priorities," *The European Institute* June 26, 2014, available at http://www.europeaninstitute.org/beta/index.php/ei-blog/239-june-2014/1922-new-u-s-ambassador-to-eu-anthony-gardner-lays-out-priorities-6-26.
36 Bennett (1992) and Newman (2008).
37 Newman and Posner (2011).

approach as firms threatened to relocate even within Europe from stringent regulators such as Germany to permissive countries such as Belgium or Italy.

European business interests – even within states that had high levels of privacy regulation – preferred a weak and fragmented European privacy regime, contrary to the expectations of theorists who would expect heavily regulated businesses to try to raise the cost bases of their international competitors. In the words of Dr. Friedrich Kretschmer, the representative of the powerful *Bundesband der Deutschen Industrie* (BDI), "[t]here is no general wish by industry for a Europeanization of data privacy regulation … The differences in national rules benefit our competitors in countries with fewer regulations and result in cost savings. German industry, however, does not view this competitive advantage as a serious problem."[38] EU member states and the European Commission were equally unenthusiastic about the idea of European privacy regulation.

However, a key group of actors who did favor a comprehensive approach to privacy – national data protection officials – were able to change the debate from the bottom up. These national level officials administered data privacy regulations within the EU member states that had adopted strong privacy rules, and were able to use their administrative powers to reshape the European privacy debate.

They did so by threatening economic flows between the member states. Specifically, they threatened to start blocking flows of information from European jurisdictions that had strong regulations to jurisdictions with weak rules or no effective rules at all. For example, in July 1989 the national data privacy authority of France threatened to block data transfers between the Fiat corporate offices in France and Italy, arguing that Italy did not have adequate privacy regulations. In September 1989, the authority blocked the transfer of sensitive medical data from France to Belgium, which did not have any data privacy regulations. French, Luxembourgish and German data protection authorities blocked key information transfers under the European Union's Schengen common borders initiative, again arguing that transfers to Belgium would violate national laws.[39]

The willingness of a few key national data privacy authorities to block flows to weaker jurisdictions transformed the European debate. The European Commission began to see data privacy issues as a stumbling block that could gravely damage its efforts to create a single European market. While it would have preferred not to have European level privacy legislation, it began to think that such legislation would be better than the emerging alternative – a Europe in which national data privacy authorities tried to protect their jurisdictions against exit by

38 Newman (2008).
39 Newman (2008).

forbidding data transfers. Accordingly, it began to prepare legislation. In 1995, as part of the Single Market initiative, the European Union passed the Data Privacy Directive, which obliged all member states to adopt comprehensive rules.

The second phase did not concern arguments within the EU so much as between the EU and the rest of the world. While the Directive mitigated the risk of exit within Europe, privacy advocates in Europe still worried about global firms that could easily process personal information in servers held in foreign jurisdictions. As a result, the legislation included Article 25, which prohibits firms from transferring data outside of the European Union (with limited exceptions) unless the data are transferred to a jurisdiction with "adequate" privacy protections. The legislation also created a pan-European regulatory network, known as the Article 29 Working Party, which makes recommendations to the European Commission regarding such adequacy rulings.[40]

This rule was designed quite deliberately to limit the exit options of firms with a European presence, preventing them from transferring the personal data of European citizens to states with laxer data practices. It would do this in three plausible ways. First, and most obviously, it would directly limit the exit options of businesses with an EU presence, by forbidding certain kinds of transfer. Second, it involved an effective claim of extraterritorial jurisdiction – in principle, the EU intimated that any entity processing the personal data of European citizens anywhere in the world was subject to its requirements. Third, it provided leverage to the EU to press other jurisdictions to adopt EU style provisions, so as to get a determination that their data protection practices were "adequate" under EU law, allowing easy data transfers. A body formed by representatives from European national data privacy authorities, the Article 29 Working Party, would make recommendations as to which jurisdictions were adequate, and which were not.

This led to political controversy, and to a substantially heavier regulatory burden for firms that wanted to export their data outside the US. It also provided strong incentives for other governments to remake their own privacy laws along EU lines, reducing the EU's exposure to business exit in a very substantial fashion. For example, Australia, which had earlier introduced a limited form of self-regulation in the hope that it would appease the EU was obliged to introduce major reforms to its privacy laws. The Explanatory Memorandum accompanying the new privacy bill was blunt in its explanation of the rationale for the new law, noting that "[b]usinesses engaging in trade with European Union member states are likely to experience difficulties under the current self-regulatory approach."[41] Other states – especially states that wished to become members of the EU, or

40 Kobrin (2001).

41 Quoted in Newman (2008).

bordered on it and were dependent on EU trade – also found themselves having to change domestic privacy legislation to meet EU requirements.[42]

However, some states held out, including, most importantly the US. Although the US had laws, including the 1974 Privacy Act that provided citizens with privacy rights vis-à-vis their government, it did not have comprehensive privacy protections covering the private sector, or very much in the way of protection for non-US citizens. US businesses viewed the EU's new requirements with great trepidation, leading to widespread fears of a protracted dispute between the EU and US over whether US firms had to obey European privacy standards when dealing with the personal information of EU citizens. These fears were compounded by the growing importance of e-commerce and the Internet, which relied extensively on trafficking in personally relevant information, and which the US wanted to keep free from government regulation.[43] The EU suggested that it would block data transfers if the US did not introduce new laws, but the US refused to comply.

A solution was reached through the so-called "Safe Harbor" arrangement, under which US businesses can reach adequacy under EU law, by signing up to and complying with a set of privacy principles agreed between the EU and US. These principles are at least in theory policed through the Federal Trade Commission, which is not empowered to police privacy as such, but which can take action against businesses that have made public commitments to consumers (e.g. by signing up to the Safe Harbor principles or others) and then failed to live up to these standards. While the Safe Harbor has not been notable for vigorous enforcement, it appeared at the time to offer European officials the possibility of changing the US privacy debate from within, by getting large firms to sign onto a set of self-regulatory principles, which might then serve as the basis for actual laws at some point in the future. This was the reason that the EU opted for Safe Harbor rather than contractual arrangements; in the words of one key EU negotiator:

> *Contracts only deal with the transfers that they are concluded to deal with... They are much less likely to have any secondary or spin-off effects. Whereas the Safe Harbor was much more likely to have a general upward pulling or pushing effect on privacy in the US in general.*[44]

These hopes have not to date come to fruition, leading to a global stalemate in which the EU has shaped the global privacy debate, but still faces tacit or active non-compliance from the US and elsewhere. This stalemate is likely to be disturbed by internal developments within the EU, where the European Court of

42 Newman (2008).
43 Farrell (2003).
44 Quoted in Farrell (2003).

Justice has become much more aggressive in defending the privacy of EU citizens, as well as new forthcoming privacy legislation, the General Data Protection Regulation, which is likely to put intense pressure on US firms to comply. The Edward Snowden revelations have furthermore made it more difficult for the US to quietly press for the watering down of legislative and enforcement efforts than in the past. That said, Europe has had limited success in motivating the US to implement domestic reforms that would bring US law in line with European rules.

This third phase is still in progress, making it difficult to provide an overall assessment. What can be said is that the EU is deliberately and aggressively seeking to reshape the way in which US firms with a European reach such as Google and Facebook process the data of European citizens.

For example, the European Court of Justice has found, in advance of forthcoming legislation, that EU citizens have a "right to be forgotten" and to have their data removed from search engine results under certain conditions. This has led to the EU pressing Google into service as an extremely unhappy proxy regulator, administering decisions as to which citizens' data is deleted, and which is not. While Google has sought to limit the effect of this decision to national subsidiary searches (e.g. google.fr, google.de, and google.ie), EU authorities have made it clear that they consider this insufficient, and are pushing for EU rules to be applied globally through google.com.[45]

Furthermore, internally focused aspects of the draft regulation make it more difficult for foreign companies to exploit arbitrage opportunities between EU member states. In a nod to the structural power argument, many Internet companies (e.g. Facebook and Google) have located their European headquarters in Ireland. Ireland is purported to have a more lax enforcement environment than more stringent countries such as Germany (and up to recently, located its data protection authority in a building shared with a supermarket in a small provincial town). The new privacy regulation will seek to eliminate the variation that often occurs in implementation of directives across member states. Additionally, national regulators will share responsibility and resources to monitor and enforce the regulation across member states. As a result, the new privacy law will eliminate any remaining exit threats that exist within Europe. Ireland has responded to these pressures by nearly tripling the enforcement staff of its privacy regulator.[46]

In conclusion, privacy regulation provides compelling evidence of how regulators can use structuring power to reshape exit options, substantially weakening

45 See Sam Schechner and Frances Robinson, "EU Says Google Should Extend 'Right to Be Forgotten' to '.com' Websites," *The Wall Street Journal*, November 26, 2014.

46 Elaine Edwards, "Data Protection Commissioner to Recruit New Staff," *The Irish Times*, January 4, 2015.

the power of business to evade their grasp, and hence weakening their bargaining power, while sometimes constraining the options of other actors too. In a first phase, regulators deliberately threatened to block data transfers between EU countries. This allowed them to change the European Commission's preferences so that the EU introduced comprehensive privacy legislation. This, in turn, substantially weakening the power of business to relocate data processing activities within the EU and evade the grasp of regulators in countries with strong privacy laws. In a second phase, EU officials used European law to effectively extend their jurisdictional grasp and to compel some states to change their own rules to conform more closely with EU regulators' preferences. In a third phase, EU regulators are yet again seeking to change privacy rules on the global stage, using a new legal ruling and new laws to further limit the exit options for international business.

5 Transnational access and the structuring of exit options

The issue of accounting standards offers an alternative example illustrating the structuring of power in an interdependent world. Globalization not only allows large jurisdictions to extend their reach through extraterritorial legislation, but it also opens up new transnational forum that provide a venue to resolve regulatory overlap and to alter the rules in other jurisdictions. Actors that had previously been confined to the domestic political arena may now find a new voice opportunity in these transnational settings. Those actors with access to such venues then are best positioned to influence such transnational rules. Certain private sector actors, then, may not only enjoy structural power by threatening exit but they may use structuring power to alter the terms of globalization in their favor, thus creating structural advantage.

This can be seen in accounting standards, which constitute the hidden back office of capitalism. They define how a company determines profits and losses, provide the transparency mechanism necessary for investors to evaluate risk, and offer regulators the necessary information to monitor the market and guarantee prudential stability.[47] Given these fundamental roles in the economy, institutional complementarities developed between national financial systems and accounting standards.[48] The idiosyncrasies of different national accounting standards

47 Veron (2007).
48 Perry and Nolke (2006); Vitols (2001).

made little difference in a period of capital controls and largely national financial markets.

The cost of rule overlap in accounting standards, however, has grown dramatically overtime as companies increasingly seek capital in foreign markets. At the most basic level, companies are forced to keep two sets of books. But more dramatically, reconciling under another standard can change a company's bottom line as Daimler-Benz discovered when it listed for the first time on the US stock exchange in 1993. As it revised its accounts from German to US accounting rules, it found a modest profit turn into a $600 million loss.[49] Firms face considerable uncertainty in the market as they navigate compliance with multiple rulebooks simultaneously. More broadly, different standards benefit behavior common in different varieties of capitalism. Fair-value accounting, which is common in Anglo-American economies, privileges shareholder interests while historic-value accounting offers more latitude for practices common in those economies that rely on patient capital.[50]

Despite the potential benefits of regulatory convergence, different countries initially found it hard to create a common standard.[51] Within Europe, national standards proved quite resilient even in the face of an increasingly integrated internal market. While the European Union entered the accounting standards debate as early as 1978 with its Fourth Council Directive on the Annual Accounts of Certain Types of Companies, the terms of the regulation were too imprecise to allow for real harmonization and it was quickly deemed in need of reform. A split emerged between the UK, whose deep equity market supported both domestic and multinational companies seeking to raise money through investors, and Germany and France, whose economies still rely much more heavily on the more traditional banking sector.[52]

This paralysis, however, was not only seen in Europe. There was also significant resistance in the US to efforts that might either weaken US rules known as US Generally Accepted Accounting Principles (USGAAP) or harmonize them globally. US regulators such as the Securities and Exchange Commission, who viewed themselves as providing the gold standard in investor protection, were reluctant to share their regulatory power with foreign regulators or water down their own rules. After the Diamler listing, for example, the New York Stock Exchange (NYSE) began to lobby the SEC to relax reporting requirements for foreign firms. In response, SEC chairman Breeden lambasted these efforts as an attempt to

49 Camfferman and Zeff (2007).
50 Perry and Nolke (2006).
51 Botzem (2012).
52 Vitols (2001).

"eviscerate the disclosure system in the US and the protection of American investors, in order to enhance the profits of the traders on the Stock Exchange."[53]

As the stalemate had real financial consequences and in part deterred transnational listings, a group of dissatisfied business actors set out to build an international constituency for change based on an investor-oriented framework, together with peers in other jurisdictions. This group, comprised largely of internationalized accounting firms, investment banks and multinational companies, formed a private standard setting body known as the International Accounting Standards Board (IASB) in 1973.[54] The Board recruited representatives from major international accounting firms to develop a set of international standards that could serve as a common rulebook for transnational firms.

This stemmed in part from an intentional strategy devised by accounting representatives, particularly from the UK, to coordinate rules around an investor-focused regime and to block alternative standards to win-out at the European-level. Anthony Hopwood, founder of the European Accounting Association, explains in 1994,

> *the British accountancy bodies were worried by the potential consequences of what they saw as the imposition of continental European statutory and state control...Wanting to have a more institutionalized manifestation of British commitment to a wider transnational and Commonwealth mode of accounting, with the cooperation of its partners in the primarily English language audit community, the IASC was established (Hopwood 1994: p. 243).*

The organization, however, did not have equal representation from those using different styles of accounting standards. As Perry and Nolke (2005) demonstrate, representatives from countries that rely on patient capital were frequently selected from international accounting firms that shared similar interests to similarly situated firms in US or British markets.[55] The German representative, for example, often came from KPMG rather than organizations heavily invested in German accounting standards. Over the course of the following decades, the IASB completed the International Financial Reporting Standards (IFRS).[56] Importantly, these standards are largely based on fair-value accounting practices and replicate many of the norms present in more investor oriented frameworks such as the US Generally Accepted Accounting Principles (US GAAP). The lack of input

53 Interview quoted in (Camfferman and Zeff 2007: p. 315).

54 The organization was originally named the International Accounting Standards Committee in 1973 and later changed its name to the IASB in 2001. For the sake of clarity, we refer to it as IASB for the entire period.

55 Nölke and Perry (2007); Perry and Nolke (2005).

56 Botzem (2012).

from representatives from Rhenish capitalism stands in sharp contrast to purely European debates over corporate governance, where German firms in particular were often well represented.[57]

The lack of Rhenish input, however, could be overlooked by such economies as IASB standards faced relative obscurity for much of the 1990s as major markets failed to adopt their approach. This failure to harmonize standards persisted even during a period of extreme market internationalization, when the structural power of exit should have been at its peak. Business actors within the US, for example, repeatedly made the claim that a failure to harmonize would undermine the competitiveness of US financial markets. As Mark Sutton, chief accountant at the SEC during the 1990s, explains,

> *Again, everything really focuses on an intense desire on the part of foreign registrants, and the stock exchanges in the U.S. to make it easier for foreign issuers to come to the U.S. market. There were all kinds of concerns about the U.S. market losing its pre- eminence and more capital going into the London markets...*[58]

The NYSE successfully lobbied Congress for the inclusion of a provision in 1996 National Securities Markets Improvement Act calling on the SEC to actively support IASB standards and required the SEC to report back on its assessment.[59] Despite direct intervention by political principals, the SEC resisted IFRS adoption, noting a number of deficiencies in the standards.[60]

Rather than bowing to business interests or political pressure, the SEC engaged in a multi-year "compatibility project" in which it worked with IASB to upgrade IFRS rules and bring them in closer alignment with SEC standards.[61] The SEC saw this as a way both to diffuse political pressure and develop a potential capacity building tool. The more it could strengthen IFRS standards, the better they might serve to improve the quality of market regulation in other countries that might adopt them. Despite considerable concessions by IASB to SEC demands, the SEC failed to recognize IFRS at the end of the compatibility project. John Morrissey, SEC deputy chief accountant, concluded "On the issues of whether or not IAS

57 Culpepper (2010).
58 Interview with Michael Sutton, former Chief SEC Accountant, SEC Historical Society, June 14, 2005.
59 National Securities Markets Improvement Act 1996 (Public Law 104-290).
60 Securities and Exchange Commission 1997. Pursuant to Section 509(5) of the National Securities Markets Improvement Act of 1996 Report on Promoting Global Preeminence of American Securities Markets (October 1997).
61 Farrell and Newman (2015).

are now sufficiently high quality and whether the SEC should accept IAS without reconciliation to US GAAP…most US respondents say 'not yet'."[62]

Interest in IFRS changed, however, in 2002 when the EU adopted IFRS for the consolidated accounting of companies listed on European markets. In the wake of the EU decision, over 80 countries require IFRS for reporting while another 25 accept IFRS as equivalent for foreign firms including the US.

The EU decision to adopt IFRS as its de facto account standard happened largely as an internal process to overcome policy paralysis. As mentioned, its early initiatives in the area had been largely dismissed as a failure. With its effort to integrate EU financial services, known as the Financial Services Action Plan (FSAP), the EU hoped to resolve long standing policy disputes over accounting standards within Europe so as to support the broader financial services initiative. The Commission saw IFRS as a political tool to thread the needle between competing existing approaches as it did not impose any single member state system on the other member states. As the Commission explained:

> *No further progress has been made at EU level in harmonising the basic rules on accounting and financial reporting. There is disagreement between Member States about the usefulness of the Directive [referencing existing EU accounting laws] as an instrument for accounting harmonization…It would however be difficult to agree on the issues which should be covered in such a revision. Some Member States might seek to renegotiate parts of the Directives they do not like. The preparation and negotiation of such an important revision of the Directives would take a long time.*[63]

By downloading IFRS standards,[64] the European Union changed its domestic rules to more closely align with the preferences of business supporting the investor-oriented framework and the SEC.

The internal debate that emerged within Europe after IFRS adoption signals the importance of the transnational alliance and how it used the opportunity structure made possible by globalization to skirt other industry interests that lacked access to the IASB. Firms that relied on historic value accounting methods, in particular, resisted the implementation of IFRS in Europe but faced the difficulty of opposing something in which they had been excluded from the agenda setting process. The most visible example of this ex post clash concerns the dispute over IAS 39, which is the standard that records liabilities at fair value.[65]

---

62 John Morrissey, "International Reporting: The Way Forward," remarks at the 28th National Conference on Current SEC Developments (5 December 2000).

63 European Commission (1995: p. 3–5); Posner (2010).

64 Quaglia (2014); Posner and Véron (2010).

65 Leblond (2011); Mugge (2011).

Small and medium sized companies began to lobby EU officials to delay approval of the standard as it would impair their business. Ultimately, these firms won an exception to IAS 39 but must live with a rulebook that was developed without their interests in mind. Moreover, other countries that have adopted IFRS have been far less well positioned to negotiate such exemptions.

While firms took advantage of falling capital controls to raise money on foreign capital markets starting in the 1970s, these companies long faced divergent rules books. And the differences in regulations across markets had real consequences for their bottom line. Given the failure of exit alone to drive harmonization, business actors that sought to expand investor-oriented policies used transnational voice to forge a transnational policy solution. Regulators in the US resisted the adoption of such rules based solely on exit pressures, opting instead to work actively to shape the transnational standards. Despite its long dormancy, IFRS true influence emerged as the EU underwent domestic policy reform. In structuring the potential policy solutions, business actors with access to the agenda setting process of IFRS shaped European accounting standards and in turn mitigated the differences between the major market economies.

6 Conclusion

Standard accounts of globalization rest on highly selective understandings of international political economy. One variant tacitly borrows from economics, starting from the advantages of free trade, and seeing continued closure as a puzzle to be explained by looking at specific interests that would be discommoded by open exchange. For this account, trade failures are the aberrations to be explained by theory (e.g. constellations of preferences and political representation).[66] Another variant starts from the premise that globalization undermines national autonomy by increasing the exit power of business.[67] While we discount neither the significance of openness nor exit, we prefer to think of globalization from another perspective – as more likely to involve increased rule overlap than either the uncomplicated victory (or failure) of free trade, or the collapse of national protections. This allows us to think about both openness and exit in different ways. Openness is less important in itself, than as the impetus to problems of rule coordination, as markets fit ever less neatly into individual jurisdictions. Globalization has *political* and *variegated* consequences rather

66 Mansfield, Milner, and Pevehouse (2007).
67 Frieden (1991); Tonnelson (2000).

than being an ineluctable and automatic process that results in the weakening of national standards. Some actors are likely to be advantaged, others less so, in ways that vary from country to country and sector to sector.

This helps us think about structural power in a different way. Recent work has demonstrated both empirically and theoretically that there is considerable variation in the ability of firms to leverage such structural power to their advantage. Our contribution is to challenge the assumption that exit is an exogenous and automatic consequence of globalization. Instead, we argue that it is the result of political processes, in which actors – states, regulators, firms – struggle with each other to try to structure the availability and character of these exit options.

The cases of data privacy and accounting standards illustrate two pathways for such structuring power. In the first, states use control over market access to extend their rules extraterritorially. By expanding their jurisdictional authority, states are able to limit the benefits of exit to multinational firms. This strategy has been used successfully by regulators with large markets like the EU and the US as they attempt to safeguard key regulatory priorities in a globalized market. At the same time, smaller markets will find this option less workable; firms may very well be willing to forgo their market and look elsewhere for friendlier regulators. In the second, we demonstrate how business actors that had been dissatisfied with their domestic regulatory system may use globalization as a means to exert political voice in conjunction with friendly regulators elsewhere. Cooperating transnationally, actors from various markets develop policy solutions that mitigate differences between markets. But perhaps more important, those actors that have disproportionate access to the transnational policy setting will be best positioned to shape the content of such proposals. Globalization, then, creates new voice opportunities, which in turn shape the character of exit options.

The ability to shape exit options likely varies across states and private actors, pointing to an important areas for future research. The ability to use extraterritoriality to alter jurisdictional reach, for example, depends on whether one supervises a significant market whose exclusion from which can be used to punish non-compliant firms. Another factor that is likely to matter is the distribution of regulatory capacity across the major markets and across sectors, as such capacity allows regulators to define, monitor, and enforce extraterritorial reach.[68] The US and the EU will thus likely often have the ability to leverage such structuring power. That said, both often are incapable of doing so. This highlights the need for a new research agenda that can consider the boundary conditions for such power as well as when emerging markets such as China or Brazil might be in a position to employ it. The value of our approach, as well as the complementary

68 Bach and Newman (2007).

arguments in the other articles in this special issue, is that it provides the foundations for such a research agenda, in contrast to the more sweeping (and less easily specified) claims about structural power of an earlier generation of research.

This study has several important implications. First, it helps sketch foundations for a growing literature that attempts to complicate the role of globalization in world politics by highlighting the dynamic and endogenous processes that may emerge as market interdependencies increase.[69] Our view is that many of the "shocks" caused by globalization are in fact contested and political outcomes of domestic and cross-national interactions. Using this lens, one could reconsider a host of other "standard cases" in political economy, highlighting the hitherto understudied importance of transnational alliances, opportunity structures, and extraterritorial jurisdiction.

Second, it underscores the importance of politics when assessing the role of business in international affairs. Many structural power arguments focus on the power resources of private sector actors – well-funded companies or mobile capital prevail at the expense of immobile labor or weaker resourced firms. These power resources no doubt matter, but our structuring power argument embeds such claims in a broader institutional argument in which power resources may be mediated, channeled, and transformed by domestic or transnational rules.[70] This is not merely an argument about how institutions serve as "rules-of-the-game" that filter business interests. Instead, we argue that changes in market rules may alter the way firms understand their own interests and opportunities in world politics.[71]

Finally, it points to new and important research questions in international political economy. Some of the effects that we point to were largely unanticipated. For example, in the case of accounting standards, businesses sought to organize in order to shape internal battles within the European Union, but then found themselves well situated to mold transatlantic and international dynamics in ways that they could not have anticipated in advance. This story is replicated across many other sectors of the economy – businesses and other actors which had created cross-national forums prior to the wave of globalization in the 1990s found themselves unexpectedly well positioned to shape global politics in the latter phase.

However, as we go forward, such forms of windfall advantage will be far less common or valuable. Instead, we can anticipate businesses and other actors

69 Oatley (2011); Farrell and Newman (2014).
70 For an earlier domestic account with important parallels see Vogel (1989) and Hacker and Pierson (2002).
71 Woll (2008). For a different account of how firms and regulators understand their interests that challenges and complements our own in different ways, see Chwieroth and Sinclair (2013).

struggling to build and reshape international forums in order to influence exit options. This will, in turn, generate new and complicated dynamics, as, for example, private actors try to create rival forums. As structuring power becomes more visible and more valuable, it is also likely to become more contested.

References

Ahlquist, John S. 2006. "Economic Policy, Institutions, and Capital Flows: Portfolio and Direct Investment Flows in Developing Countries." *International Studies Quarterly* 50 (3): 681–704.

Andrews, David M. 1994. "Capital Mobility and State Autonomy: Toward a Structural Theory of International Monetary Relations." *International Studies Quarterly* 38 (2): 193–218.

Bach, David and Abraham Newman. 2007. "The European Regulatory State and Global Public Policy: Micro-Institutions, Macro-Influence." *Journal of European Public Policy* 14: 827–846.

Bell, Stephen. 2012. "The Power of Ideas: The Ideational Shaping of the Structural Power of Business." *International Studies Quarterly* 56: 661–673.

Bennett, Colin. 1992. *Regulating Privacy: Data Protection and Public Policy in Europe and the United States*. Ithaca: Cornell University Press.

Berger, Suzanne. 2000. "Globalization and Politics." *Annual Review of Political Science* 3: 43–62.

Berger, Suzanne, and Ronald Dore. 1996. *National Diversity and Global Capitalism*. Ithaca: Cornell University Press.

Block, Fred. 1987. *Revising State Theory: Essays on Politics and Postindustrialism.* Philadelphia: Temple University Press.

Boix, Charles. 1998. *Political Parties, Growth an Equality*. Cambridge: Cambridge University Press.

Botzem, Sebastian. 2012. *The Politics of Accounting Regulation*. Cheltenham: Edward Elgar.

Callaghan, Helen. 2010. "Beyond Methodological Nationalism: How Multilevel Governance Affects the Clash of Capitalisms." *Journal of European Public Policy* 17 (4): 564–580.

Camfferman, Kees, and Stephen A. Zeff. 2007. *Financial Reporting and Global Capital Markets: A History of the International Accounting Standards Committee, 1973–2000*. Oxford University Press.

Chwieroth, Jeffrey, and Timothy Sinclair. 2013. "How you stand depends on how we see: International capital mobility as social fact." *Review of International Political Economy* 20 (3): 457–485.

Culpepper, Pepper D. 2010. *Quiet Politics and Business Power: Corporate Control in Europe and Japan*. Cambridge: Cambridge University Press.

Culpepper, Pepper D., and Raphael Reinke. 2014. "Structural Power and Bank Bailouts in the United Kingdom and the United States." *Politics and Society* 42 (4): 427–454.

Cutler, Claire, Virginia Haufler, and Tony Porter. 1999. *Private Authority and International Affairs*. Albany: SUNY Press.

Drezner, Daniel 2001. "Globalization and Policy Convergence." *International Studies Review* 3 (Spring): 53–78.

European Commission. 1995. “Accounting Harmonization: A new strategy vis-à-vis international harmonization.” COM(1995)508. Brussels: European Commission.

Fairfield, Tasha. 2015. *Private Wealth and Public Revenue in Latin America: Business Power and Tax Politics*. Cambridge: Cambridge University Press.

Farrell, Henry. 2003. “Constructing the International Foundations of E-Commerce: The EU-US Safe Harbor Arrangement.” *International Organization* 2: 277–306.

Farrell, Henry, and Abraham L. Newman. 2014. “Domestic Institutions beyond the Nation-State: Charting the New Interdependence Approach.” *World Politics* 66 (2): 331–363.

Farrell, Henry, and Abraham L. Newman. 2015. “The New Politics of Interdependence Cross-National Layering in Trans-Atlantic Regulatory Disputes.” *Comparative Political Studies* 48 (4): 497–526.

Frieden, Jeffry. 1991. “Invested Interest: The Politics of National Economic Policies in a World of Global Finance.” *International Organization* 45 (4): 425–445.

Garrett, Geoffrey. 1998. “Global Markets and National Politics.” *International Organization* 52 (4): 787–824.

Garrett, Geoffrey, and Peter Lange. 1991. “Political Responses to Interdependence; What’s ‘Left’ for the Left?” *International Organization* 45 (4): 539–564.

Goodman, John B., and Louis W. Pauly. 1993. “The Obsolescence of Capital Controls?: Economic Management in an Age of Global Markets.” *World Politics* 46 (1): 50–82.

Hacker, Jacob, and Paul Pierson. 2002. “Business Power and Social Policy: Employers and the Formation of the American Welfare State,” *Politics and Society* 30 (2): 277–325.

Hays, Jude. 2003. “Globalization and Capital Taxation in Consensus and Majoritarian Democracies,” *World Politics* 56 (1): 79–113.

Hopwood, Anthony G. 1994. “Some Reflections on ‘The Harmonization of Accounting Within the EU’.” *European Accounting Review* 3(2): 241–254.

Kaczmarek, Sara, and Abraham Newman. 2011. “The Long Arm of the Law: Extraterritoriality and the National Implementation of Foreign Bribery Legislation.” *International Organization* 65 (4): 745–770.

Kitschelt, Herbert, Peter Lange, Gary Marks, and John Stephens. 1999. *Continuity and Change in Contemporary Capitalism*. Cambridge: Cambridge University Press.

Kobrin, Stephen. 2001. “Territoriality and the Governance of Cyberspace.” *Journal of International Business Studies* 32 (4): 687–704.

Lake, David A. 2009. “Open Economy Politics: A Critical Review.” *The Review of International Organizations* 4(3): 219–244.

Leblond, Patrick. 2011. “EU, US and International Accounting Standards: A Delicate Balancing Act in Governing Global Finance.” *Journal of European Public Policy* 18 (3): 443–461.

Lindblom, Charles Edward. 1977. *Politics and Markets: The World’s Political Economic Systems*. Basic Books.

Mansfield, Edward, Helen Milner, and Jon Pevehouse. 2007. “Vetoing Cooperation: The Impact of Veto Players and Preferential Trade Agreements.” *British Journal of Political Science* 37 (3): 403–432.

Mosley, Layna. 2000. “Room to Move: International Financial Markets and National Welfare States.” *International Organization* 54 (4): 737–773.

Mugge, Daniel. 2011. “The European Presence in Global Financial Governance: A Principal-Agent Perspective.” *Journal of European Public Policy* 18 (3): 383–402.

Newman, Abraham. 2008. *Protectors of Privacy: Regulating Personal Data in the Global Economy*. Ithaca: Cornell University Press.

Newman, Abraham, and Elliot Posner. 2011. "International Interdependence and Regulatory Power: Authority, Mobility, and Markets." *European Journal of International Relations* 17 (4): 589–610.

Nölke, Andreas, and James Perry. 2007. "The Power of Transnational Private Governance: Financialization and the IASB." *Business and Politics* 9 (3). Accessed June 16, 2015. http://www.degruyter.com/view/j/bap.2008.9.3/bap.2008.9.3.1185/bap.2008.9.3.1185.xml.

Oatley, Thomas. 2011. "The Reductionist Gamble: Open Economy Politics in the Global Economy." *International Organization* 65(2): 311–341.

Perry, James, and Andreas Nöelke. 2005. "International Accounting Standard Setting: A Network Approach." *Business and Politics* 7 (3). doi:10.2202/1469-3569.1136.

Perry, James, and Andreas Nolke. 2006. "The Political Economy of International Accounting Standards." *Review of International Political Economy* 13 (4): 559–586.

Pontusson, Jonas, and Damian Raess. 2012. "How (and Why) Is this Time Different? The Politics of Economic Crisis in Western Europe and the United States." *Annual Review of Political Science* 15: 13–33.

Posner, Elliot. 2010. "Sequence as Explanation: the International Politics of Accounting Standards." *Review of International Political Economy* 17 (4): 639–664.

Posner, Elliot, and Nicolas Véron. 2010. "The EU and Financial Regulation: Power Without Purpose?." *Journal of European Public Policy* 17 (3): 400–415.

Quaglia, Lucia. 2014. "The European Union, the USA and International Standard Setting by Regulatory Fora in Finance." *New Political Economy* 19 (3): 427–444.

Raustiala, Kal. 2009. *Does the Constitution Follow the Flag? The Evolution of Territoriality in American Law*. USA: Oxford University Press.

Rodrik, Dani. 2011. "The Future of Economic Convergence." *National Bureau of Economic Research Working Paper Series* No. 17400. http://www.nber.org/papers/w17400.

Rudra, Nita. 2008. *Globalization and the Race to the Bottom in Developing Countries: Who Really Gets Hurt?* Cambridge: Cambridge University Press.

Slaughter, Ann-Marie. 2004. *The New World Order*. Princeton, NJ: Princeton University Press.

Strang, Susan. 1988. *States and Markets*. London: Pinter.

Strange, Susan. 1996. *The Retreat of the State*. Cambridge: Cambridge University Press.

Suarez, Sandra, and Robin Kolodny. 2011. "Paving the Road to 'Too Big to Fail': Business Interests and the Politics of Financial Deregulation in the United States." *Politics and Society* 39 (1): 74–102.

Tonelson, Alan. 2000. *The Race to the Bottom: Why a Worldwide Worker Surplus and Uncontrolled Free Trade are Sinking American Living Standards*. Boulder, CO: Westview Press.

Veron, Nicolas. 2007. *The Global Accounting Experiment*. Brussels: Bruegel.

Vitols, Sigurt. 2001. "Varieties of Corporate Governance: Comparing Germany and the UK." In *Varieties of Capitalism*, edited by Peter A. Hall, and David W. Soskice. Cambridge: Cambridge University Press.

Vogel, David. 1989. *Fluctuating Fortune: The Political Power of Business in America*. Beard Books.

Vogel, David. 1995. *Trading Up*. Cambridge: Harvard University Press.

Woll, Cornelia. 2008. *Firm Interests: How Governments Shape Business Lobbying*. Ithaca: Cornell University Press.

Woll, Cornelia. 2014. *The Power of Inaction: Bank Bailouts in Comparison*. Ithaca: Cornell University Press.